

La Paz County, Arizona
Single Audit Reporting Package
June 30, 2015

 **Snyder & Butler, CPAs, PLLC**

La Paz County, Arizona
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❖ Snyder & Butler, CPAs, PLLC

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

The Auditor General of the State of Arizona
The Board of Supervisors of
La Paz County, Arizona

Report on Compliance for Each Major Federal Program

We have audited La Paz County, Arizona's (the "County") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on the Disaster Grants-Public Assistance (Presidentially Declared Disasters) program, CFDA 97.036

As described in the accompanying Schedule of Findings and Questioned Costs, item **2015-102**, the County did not comply with requirements regarding its allowable costs/costs principles with regard to the Disaster Grants-Public Assistance (Presidentially Declared Disasters) program, CFDA No. 97.036. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

Qualified Opinion on the Disaster Grants-Public Assistance (Presidentially Declared Disasters) program, CFDA 97.036

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, La Paz County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed above for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, La Paz County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Other Matters

La Paz County's responses to the noncompliance findings identified in our audit are presented on pages 8 through 11. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item **2015-102** to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item **2015-101** to be a significant deficiency.

La Paz County's responses to the internal control over compliance findings identified in our audit are presented on pages 8 through 11. The County's responses were not subjected to the auditing procedures applied to the audit of compliance, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of La Paz County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 21, 2016, that contained unmodified opinions on those financial statements.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Ginsler + Butler, CPAs, PLLC

Gilbert, Arizona
October 5, 2016

Schedule of Expenditures of Federal Awards

**La Paz County Arizona
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Expenditures
U.S. Department of Housing and Urban Development			
Passed through the Arizona Department of Housing			
Community Development Block Grants	14.228	149-10	\$ 167,231
Total U.S. Department of the Interior			<u>167,231</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		1,756,669
Total U.S. Department of the Interior			<u>1,756,669</u>
U.S. Department of Justice			
Passed through Arizona Criminal Justice Commission			
Crime Victim Assistance	16.575	VA 14-023	26,062
Crime Victim Compensation	16.576	VC 14-055	9,046
ARRA - Recovery Act Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	DC 14-031	89,869
Total U.S. Department of Justice			<u>124,977</u>
U.S. Department of Labor			
Passed through Mohave County Board of Supervision			
		88389441, 88389445, 88389442, 88389446,	
WIA - Adult Program (WIA Cluster)	17.258	88289457, 88489445, 88489442, 88489446	46,623
WIA - Youth Activities (WIA Cluster)	17.259	88389451, 88389455, 88489451, 88489455	148,297
		88189463 88189464 88189465 88189466 88189468	
WIA - Dislocated Workers (WIA Clusters)	17.278	88489470 88489476 88589470	16,646
Total WIA Cluster			<u>211,566</u>
Passed Through Colorado River Indian Tribes			
Native American Employment and Training	17.265	GRA-RC030-10-0069-01-43	4,256
Total U.S. Department of Labor			<u>215,822</u>
U.S. Department of Transportation			
Passed through Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2012-AL-023, 2012-OP-012, 2013-AL-040	46,637
Intraagency Hazardous Materials public Sector Training and Planning Grants	20.703	HM-HMP-0036-13-01-00	2,312
Total U.S. Department of Transportation			<u>48,949</u>
U.S. Department of Education			
Passed through the Arizona Department of Education			
Adult Education-Basic Grants to States	84.002A	15SAEAEB-514889-72A 15FESCGBG-513201-09A, 15FECCBP-513201-37A,	79,903
Special Education-Grants to States	84.027	15FESSCG-513205-55B	202,456
Race to the Top-District Grants	84.413	15FSERY4-513205-33A	4,459
Total U.S. Department of Education			<u>286,818</u>

(continued)

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

La Paz County Arizona
Schedule of Expenditures of Federal Awards-continued
For the Year Ended June 30, 2015

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Expenditures
U.S. Department of Health and Human Services			
Passed through Arizona Department of Health Services			
Public Health Emergency Preparedness	93.069	HG754198	232,249
Project Grants and Cooperative Agreements for Tuberculosis Control Program			
	93.116	854554	13,165
Family Planning-Services	93.217	HG854250	9,660
Immunization Cooperative Agreements	93.268	HG854287	91,779
Centers for Disease Control and Prevention Investigations and Technical Assistance			
	93.283	12-007890	1,600
HIV Care Formula Grants	93.917	13-040482	89,163
Maternal and Child Health Services Block Grant to the States	93.994	16-098348	53,872
Passed through Arizona Department of Economic Security			
Child Support Enforcement	93.563	DE111166001	54,878
Total U.S. Department of Health and Human Services			<u>546,366</u>
Executive Office of the President			
Passed through the City of Tucson			
High Intensity Drug Trafficking Areas Program	95.001	HT19-09-1010	32,104
Total Executive Office of the President			<u>32,104</u>
U.S. Department of Homeland Security			
Passed through River City United Way			
Emergency Food and Shelter National Board Program	97.024	32-00254-00-012	1,800
Passed through Arizona Governor's Office of Highway Safety			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	AZDEM-FEMA-4203-DR-AZ-012-99012-00	306,188
Passed through Arizona Department of Emergency and Military Affairs			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	13-AZDOHS-HSPG-130505-03	125,231
Total CFDA 97.036			<u>431,419</u>
Passed through Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	14-AZDOHS-OPSG-140434-01	35,960
Passed through Arizona Department of Emergency and Military Affairs			
FEMA Hazard Mitigations Grant	97.039	HMPG#1888-11	
Emergency Management Performance Grants	97.042	None	108,131
Total U.S. Department of Homeland Security			<u>577,310</u>
Total expenditures of federal awards			<u>\$ 3,756,246</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

La Paz County Arizona
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

1) Basis Accounting

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of La Paz County, Arizona (the "County") and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2) Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance*.

3) Subrecipients

The County did not provide any federal awards to subrecipients during the year ended June 30, 2015.

Schedule of Findings and Questioned Costs

**La Paz County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Non-Compliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes

Identification of major programs and type of auditor's report issued on compliance for major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
15.226	Payments in Lieu of Taxes	Unmodified
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes
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Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with Circular A-133 section 315(b)?	Yes
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**La Paz County Arizona
Schedule of Findings and Questioned Costs-continued
Year Ended June 30, 2015**

Section II-Financial Statement Findings

Financial statement findings were reported in the separately issued Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*.

Section III-Federal Award Findings and Questioned Costs

2015-101- Capital Asset Inventory (Significant deficiency: Partial Repeat Finding)

Federal program information:

Funding agency:	Department of Interior
Title:	Payments in Lieu of Taxes
CFDA number:	15.226

Federal program information:

Funding agency:	Department of Homeland Security
Pass-through entity:	Arizona Governor's Office of Highway Safety and Arizona Department of Emergency and Military Affairs
Title:	Disaster Grants-Public Assistance- Presidentially Declared Disasters
CFDA number:	97.036

<i>Compliance Requirements:</i>	Equipment and Real Property Management
<i>Questioned Costs:</i>	N/A

Criteria: In order to satisfy the standards required for recipients of federal monies, a physical inventory should be conducted and reconciled to the capital asset list at least once every two years for furniture, equipment, and vehicles purchased with federal monies costing \$5,000 or more, and having useful lives over 1 year.

Condition: The County did reconcile the results of the inventory observation performed in fiscal year 2015 to the capital asset and make the appropriate adjustments as a result of the observation.

Cause and Effect: Due to turnover in the department, the County did not reconcile the results of the inventory observation to the capital asset records. As a result, the County did not fully comply with the UAMAC or federal regulations.

Auditors' Recommendations: The County should reconcile the inventory observation to the capital asset records and investigate and adjust records, as necessary.

Managements Response:

During FY 2016, the County intends to complete the reconciliation of the results of the inventory observation to the accounting records and make the appropriate adjustments.

**La Paz County Arizona
Schedule of Findings and Questioned Costs-continued
Year Ended June 30, 2015**

2015-102- Payroll Distribution (Material Weakness, Material Noncompliance)

Federal program information:

Funding agency:	Department of Homeland Security
Pass-through entity:	Arizona Governor's Office of Highway Safety and Arizona Department of Emergency and Military Affairs
Title:	Disaster Grants-Public Assistance- Presidentially Declared Disasters
CFDA number:	97.036
<i>Compliance Requirements:</i>	Allowable Costs/Costs Principles
<i>Questioned Costs:</i>	Unknown

Criteria: In accordance OMB Circular A-87, superseded by 2 Code of Federal Regulations (CFR) §225, Appendix B, 8.h(4), where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be adequately supported to ensure that costs charged to the federal program accurately reflect the costs incurred.

Condition: During fiscal year 2015, the County recorded \$306,188 of expenditures in a separate fund relating to various projects funded through this award. During the year, the County billed and collected a total of \$77,275, of which \$12,008 related to force account labor recorded in other County funds which is not supported by personnel activity reports or equivalent documentation.

Although \$12,008 of Force Account labor was billed to the grantor and received during fiscal year 2015, the various projects that are ongoing under this award allow for an additional \$130,113 in Force Account Labor to be reimbursed by the grantor upon completion of each project. Much of this labor cost was incurred during fiscal year 2015 but has not been identified and included within the Schedule of Expenditures of Federal Awards. As a result, we were unable to determine if these additional federal expenditures were adequately supported nor were we able to verify that the Schedule of Expenditures of Federal Awards was correctly stated for this program.

Cause and Effect: The County did not have adequate policies and procedures to ensure that wages for employee's that are charged to multiple activities or cost objectives were supported by personnel activity reports or equivalent documentation. As a result, the County did not comply with the program's allowable costs/cost principles requirements. This finding has the potential to affect other federal programs the county administers.

Auditors' Recommendations: The County should establish and implement County-wide policies and procedures that provide reasonable assurance that the charges for salaries and wages for each federal program is identified during the year of expenditure and reflected in the Schedule of Expenditures of Federal Awards. Additionally, these policies should ensure that personnel activity reports or equivalent documentation are completed and maintained.

La Paz County Arizona
Schedule of Findings and Questioned Costs-continued
Year Ended June 30, 2015

Managements Response:

The County is currently in the process of centralizing the County's financial activity to ensure compliance with all applicable guidelines regarding the above-mentioned grant (and others). The County's corrective action consists of the Finance Director, Director of Community Development, and Director of Public Works, working together to reconcile the payroll distribution detail for the work performed under this grant. Payroll records and detailed descriptions of actual work performed have already been populated. This information is going to be compiled, organized, and submitted to the Grantor to reflect accurate actual work performed under this grant. The County anticipates that that this corrective action will be completed and all documentation submitted to the Grantor within two (2) weeks of this response. The County intends to continually adopt internal controls and policies to ensure financial accuracy and compliance moving forward.

**La Paz County Arizona
Corrective Action Plan
Year Ended June 30, 2015**

Audit Finding	Corrective Action Plan	Persons Responsible	Estimated Completion Date
2015-101	See management's response at the finding	Finance Director	June 30, 2016
2015-102	See management's response at the finding	Finance Director/ County Administrator	September 30, 2016

**La Paz County Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015**

Prior Audit Findings

Current Status

Federal Award Findings and Questioned Costs

2013-004 Payments in Lieu of Taxes, Capital Asset Inventory, see 2014-006 current year finding 2015-101	Partially Resolved
2014-007 Segregation of Duties-Finance Department and Health Department	Resolved for Finance Department. Not warranting further action for Health Department