

Sonoita-Elgin Fire District
Report on Internal Control and on
Compliance and Other Matters

Year ended June 30, 2023

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors and Management
Sonoita-Elgin Fire District
Sonoita, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the governmental fund of Sonoita-Elgin Fire District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statement, which collectively comprise the District's financial statement, as reported on a modified cash basis of accounting, and have issued our report thereon dated January 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described below, that we consider to be material weaknesses.

Finding 2023-01 – Improve Internal Controls over Payroll (Repeat Finding)

Condition: During our testing of internal controls over the payroll cycle, we noted several exceptions as follows:

1. For one of 25 transactions tested, the pay action form was not signed by employee or the Chief.
2. One of 25 employee files tested did not contain documentation indicating that employment eligibility was verified (E-Verify) as required by the Arizona Fair and Legal Employment Act (HB 2779) effective January 1, 2008.
3. One of 25 timecards did not have a signature from the Chief.

Recommendation: We recommend that the District improve internal controls over the payroll cycle to reduce the risk that employees are incorrectly paid. In addition, we recommend obtaining and maintaining forms and files for all employees that document compliance with state and federal laws and regulations.

The District's Response to Finding:

1. It is the practice of the District to have the Pay Action Form (PAF) signed by the Chief and employee after approved. The administrative assistant has included this in updated procedures to ensure it is completed.
2. Since becoming an E-Verify user, it is the practice of the District that all newly hired employees are submitted through that system. For employees hired prior to adoption of E-Verify, a statement acknowledging that they were hired prior to system use should be placed in the employee's payroll file. In this finding, one employee was hired prior to adoption of E-Verify but the statement was missing from their file, that has been rectified. In the other instance, the employee was not verified within the timeframe allotted by E-Verify and the previous administration did not verify the employee.
3. It is the practice of the District to have the Chief sign each timecard during the review of payroll. The administrative assistant has more hours allotted by the board to ensure completion. For 2024 the district intends to transition to digital recording versus using paper timesheets. The district will pull employee hours from First Due software, which will have real time record of hours and approval by Fire Chief for entries and submittance to James Vincent Group for payroll processing.

Based on this finding the District has undertaken a review of the relevant practices/policies and provided education to appropriate members to ensure the District adheres to the stated practices/policies.

Finding 2023-02 – Improve Internal Controls over Cash Receipts

Condition: During our testing of internal controls over the revenue cycle, the District was unable to provide supporting documentation for three of five cash receipts selected.

Recommendation: We recommend the District maintain documentation to support cash receipts transactions in accordance with its policy.

Finding 2023-03 – Improve Controls over Bank Reconciliations

The District's Response to Finding: It is the practice of the District to maintain support for bank deposits. Based on this finding the District has undertaken a review of the relevant practices/policies and provided education to applicable personnel to ensure the District adheres to the stated practices/policies.

Condition: During our testing of cash, we noted that three of five bank reconciliations did not agree to the District's trial balance because transactions for the period were recorded after the accounts had been reconciled and were not appropriately updated. In addition, we noted that the District did not record June activity for Santa Cruz County taxes and interest.

Recommendation: We recommend the District record all transactions before the bank accounts are reconciled and perform complete and accurate bank reconciliations monthly.

The District's Response to Finding: District changed accounting firms after year end to James Vincent Group who performs bank reconciliations after the transactions are recorded.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the internal control weaknesses above.

The District's Response to Findings

The District's response to the findings identified in our audit are described above. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Report on Compliance with Title 48, Chapter 5, Article 1 Applicable to Debt and Warrant Issuance Limitations

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of Title 48, Chapter 5, Article 1 limiting the amount of certain debt and warrants that can be issued by the District and requiring certain certifications, insofar as such compliance relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with Title 48, Chapter 5, Article 1, insofar as they relate to accounting matters.

The communication related to compliance with the provisions of Title 48, Chapter 5, Article 1 referred to in the preceding paragraph is intended solely for the information and use of members of the Arizona State Legislature, the Board of Directors, management, and other responsible parties within the District and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walker & Armstrong, LLP

Tucson, Arizona
January 19, 2024