

BONNER COUNTY, IDAHO
SANDPOINT, IDAHO

Single Audit Report

September 30, 2005

Bonner County, Idaho

Sandpoint, Idaho

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AUDITORS' SECTION



LE MASTER &
DANIELS PLLC

ACCOUNTING

AND

CONSULTING

SERVICES

MEMBER OF

THE

McGLADREY

NETWORK

SPOKANE
BOISE
COLFAX
GRANDVIEW
MOSES LAKE
OMAK

OTHELLO
QUINCY
TRI-CITIES
WALLA WALLA
WENATCHEE
YAKIMA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Bonner County, Idaho
Sandpoint, Idaho

We have audited the financial statements of Bonner County, Idaho (the County) as of and for the year ended September 30, 2005, and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of audit findings as items 05-1 through 05-5.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05-1 and 05-3 to be material weaknesses. We also noted other matters involving the internal control over financial reporting which we have reported to management of the County in a separate letter dated November 18, 2005.

This report is intended solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Spokane, Washington
November 18, 2005

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

Board of County Commissioners
Bonner County, Idaho
Sandpoint, Idaho

Compliance

We have audited the compliance of Bonner County, Idaho (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of audit findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Nonprofit 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 our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of County Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Spokane, Washington
November 18, 2005

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings

Year Ended September 30, 2005

Section I — Summary of Auditors' Results

FINANCIAL STATEMENTS:

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

FEDERAL AWARDS:

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ no

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ yes ☒ no

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (Continued)

Year Ended September 30, 2005

Section I — Summary of Auditors' Results (continued)

FEDERAL AWARDS (continued):

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

20.106

Department of Transportation –
Airport Improvement Program

15.228

Department of Agriculture –
Forest Service Program

Dollar threshold used to distinguish
between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

_____yes X no

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (Continued)

Year Ended September 30, 2005

Section II — Financial Statement Findings

FINDING 05-1 – LACK OF SEGREGATION OF DUTIES

Criteria:

Collection of cash should be segregated from the measurement and receipting function.

Condition:

Material Weakness

The County's Solid Waste Department has four attended refuse locations to which one individual is in charge of measuring waste, collecting fees, and receipting at each location.

Effect:

Without proper segregation of duties the County is not maintaining proper control over the custody of the asset and the ability to misuse or misappropriate funds is unnecessarily high.

Recommendation:

The Solid Waste Department should provide adequate segregation of functions to independently verify the collection of cash, measurement of waste and receipting function at all attended solid waste collection sites. In addition an independent review of the Accounting Clerk's reconciliation of weekly receipts should also take place.

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (Continued)

Year Ended September 30, 2005

Section II — Financial Statement Findings (continued)

FINDING 05-2 – INADEQUATE METHOD FOR MEASURING REFUSE

Criteria:

County solid waste criteria state that a solid waste fee is to be charged for the disposal of all commercial refuse and for any residential refuse greater than four yards of waste per day per individual.

Condition:

Reportable condition

The County does not have an adequate method for measuring the amount of waste disposed of at any of the four attended locations.

Effect:

Without the ability to properly measure commercial or residential refuse, the County cannot effectively collect the appropriate amount of fees from users.

Recommendation:

The Solid Waste Department should implement the use of scales at their solid waste disposal areas.

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (Continued)

Year Ended September 30, 2005

Section II — Financial Statement Findings (continued)

FINDING 05-3 – IMPROPER FEE STRUCTURE FOR COLLECTION OF SOLID WASTE FEES

Criteria:

County solid waste criteria state that if greater than four yards of waste (per individual, per day), or construction or demolition waste is received at any of the disposal sites, commercial charges are to be applied unless the customer states they are residential.

Condition:

Material weakness

We noted during testing of waste receipts logs that a significant number of refuse disposals were for commercial and demolition waste.

Effect:

The County lacks the appropriate controls to determine that proper fees are being applied to all refuse disposals. This would include residential waste and construction and demolition waste.

Recommendation:

The County should implement a method where an independent verification of the source of the construction and demolition materials is made to ensure the proper collection of solid waste charges. Appropriately trained solid waste personnel should inspect unusual or suspect refuse loads.

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (Continued)

Year Ended September 30, 2005

Section II — Financial Statement Findings (continued)

FINDING 05-4 – IMPROPER MAINTENANCE OF DOCUMENTATION

Criteria:

In order to properly account for all assets collected, a copy of all relevant daily sales receipts and logs, cash, check, and charge receipt documentation should be retained.

Condition:

Reportable condition

We noted during testing that all supporting documentation relating to the collection of fees for solid waste refuse disposal is not retained.

Effect:

The County lacks the appropriate audit evidence to review cash, check, and charge receipts.

Recommendation:

Copies made of all checks and charge receipts should be retained.

**Bonner County, Idaho
Sandpoint, Idaho**

Schedule of Audit Findings (Continued)

Year Ended September 30, 2005

Section II — Financial Statement Findings (continued)

FINDING 05-5 – LACK OF CONTROLS REGARDING RESTRICTIVE ENDORSEMENTS

Criteria:

In order to maintain custody of all collected checks, procedures must be in place to reduce the ability of the misappropriation of assets.

Condition:

Reportable condition

We noted during testing that restrictive endorsements are not placed on customer checks until they are received at the County Auditor's Office.

Effect:

The County lacks the appropriate controls to maintain proper control over the custody of assets and the ability to misuse or misappropriate funds is unnecessarily high.

Recommendation:

All checks should be restrictively endorsed when collected at the solid waste sites.

Bonner County, Idaho
Sandpoint, Idaho

Schedule of Audit Findings (Continued)

Year Ended September 30, 2005

Section III — Federal Award Findings

No matters were reported.

AUDITEE'S SECTION

Bonner County, Idaho
Sandpoint, Idaho

Year Ended
Schedule of Expenditures of Federal Awards **September 30, 2005**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Justice:</i>			
Domestic Violence	16.589	N/A	\$ 67,962
Local Law Enforcement Block Grant	16.592	2003-LB-BX-1229	10,310
Special Victims Unit	16.579	04-BY-19-CL-7B-00-1	91,028
Drug Task Force	16.579	04-BYRN-64-TF-04	27,537
Drug Court	16.579	03-BYRN-01-DC-1	2,391
Bullet Proof Vest Grant	Unavailable	XTX3A-1	7,654
JAIBG S.R.O.	16.523	03-JA11-02	<u>23,836</u>
Total U.S. Department of Justice			<u>230,718</u>
<i>U.S. Department of Transportation:</i>			
Passed through State of Idaho Department of Parks and Recreation:			
Federal Boater Safety	20.005	GBS-41-091-01	54,766
Passed through Idaho Transportation Department:			
Probation DUI	20.600	SJ80502	22,300
Federal Aviation Administration:			
Airport Improvement Grant #9 Sandpoint	* 20.106	3-16-0033-09	110,277
Airport Improvement Grant #10 Sandpoint	* 20.106	3-16-0033-10	<u>305,700</u>
Total U.S. Department of Transportation			<u>493,043</u>

See accompanying independent auditors' report.

Bonner County, Idaho
Sandpoint, Idaho

Year Ended
Schedule of Expenditures of Federal Awards (Continued) September 30, 2005

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>		<u>Federal CFDA Number</u>	<u>Award Number</u>	<u>Federal Expenditures</u>
<i>Department of the Interior:</i>				
EMS Fire Assistance Grant	*	15.228	DLA020423	<u>\$ 20,278</u>
<i>Federal Emergency Management Agency:</i>				
Passed through Idaho Military Division:				
Civil Defense		83.552	EMS-2002-GR-3091	<u>17,191</u>
<i>Housing and Urban Development:</i>				
Sandpoint Senior Center		14.228	ICDBG-03-I-03-SR	30,598
Blanchard Community Center		14.228	ICDBG-04-I-07-CC	<u>98,233</u>
Total Housing and Urban Development				<u>128,831</u>
<i>Department of Agriculture:</i>				
Forest Service:				
Stevens Fire Grant	*	15.228	03-DG-11010000-049	207,672
National Fire Plan	*	15.228	04SFA 11	<u>153,184</u>
Total Department of Agriculture				<u>360,856</u>
<i>Department of Health and Human Services:</i>				
HAVA Grant		Unavailable	N/A	<u>4,079</u>
<i>Department of Homeland Security:</i>				
Homeland Grant Administration		97.004	2004-GE-T4-0034	<u>9,661</u>
Total expenditures of federal awards				<u><u>\$1,264,657</u></u>

* Major federal program.

Note 1 — Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Bonner 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 Nonprofit Organizations*. Amounts presented in this schedule agree with the amounts presented in, or used in, the preparation of the financial statements.

See accompanying independent auditors' report.

Bonner County, Idaho

Sandpoint, Idaho

Corrective Action Plan

Year Ended September 30, 2005

FINDING 05-1 – LACK OF SEGREGATION OF DUTIES

CONTACT PERSON: MARIE SCOTT

COMMENT PREPARED BY: MARIE SCOTT

Currently, we have one attendant at each site; correctly they measure loads, collect payment and issue receipts. We have a rotation of attendants and continue monitoring the consistency of revenue being collected at each site. Also, each of the attended sites is visited by the foreman or other employees during the day and they are available for any additional help an attendant may need.

To implement this recommendation it would be necessary to add additional staffing, and at least two attendants would need to be on duty each day at each site. This increase would mean approximately 13 additional staff members for a budget increase of around \$325,000. I seriously doubt we would recoup this amount of income.

The accounting clerk's reconciliation of weekly receipts does take place along with a monthly review of the postings to the Quicken account, posting to the charge records and verification of the month end Treasurer's report. The work is now reviewed by the Department Head and will be signed off with each deposit. We do retain a copy of all of the charge slips, receipt slips, and checks.

FINDING 05-2 – INADEQUATE METHOD FOR MEASURING REFUSE

CONTACT PERSON: MARIE SCOTT

COMMENT PREPARED BY: MARIE SCOTT

Our method of measuring the amount of waste disposed at the four attendant locations is very adequate without the presence of scales. The site attendants are the ones with the most knowledge as to what is in a load, who is commercial and who is not. We do not have a very big turnover of personnel and the attendants get to know their customers quite well. Although scales would be a benefit there again we would need to increase the staffing at each site charging a fee. In addition to the additional staff the purchase of scales for only the current four full service sites and the Clark Fork site to open in 2006 would be huge. Not to mention the out right purchase, the maintenance of the scales is an annual expense we don't currently incur.

We would also need to change the fee structure and charge by the pound rather than by the yard and do we still continue to charge an annual Solid Waste fee? Kootenai County has one transfer station where they have scales, we could stream line our services and only have one or two collection sites that we accept money and all other sites refer residents to one of the two sites. All of the other collection sites would not have the ability to accept money therefore local residents would have a great distance to travel to dispose of their debris.

Bonner County, Idaho

Sandpoint, Idaho

Corrective Action Plan (Continued)

Year Ended September 30, 2005

FINDING 05-2 – INADEQUATE METHOD FOR MEASURING REFUSE (continued)

We currently charge by the cubic yard and our method of measurement is length \times width \times depth and divided by 27 (i.e., $6 \times 6 \times 3 = 108 \div 27 = 4$ cubic yards). If a resident comes in with 4 cubic yards or less there is no additional charge, if they are over the 4 cubic yards then they are charged for the overage only at \$13.00/c.y. We do not get into inches but round out the yardage in favor of the customer. For commercial loads the charge is also based on cubic yards at \$13.00/c.y. unless the load is heavier in weight. Our site attendants are knowledgeable as to what products are heavier in weight and we have listed what products this applies to, i.e., drywall, roofing materials, construction debris that is mixed with concrete and dirt, etc. For these loads the user is required to have his load weighed by a local vendor (at no charge) or we calculate his load at 1,000 lbs. per cubic yard. We have verified these weights to reach these figures. When we charge for the heavier loads the charge is \$85 a ton.

Based on our current situation, we feel that the methods used provide the ability to accurately measure the waste. Although, not an exact science, we feel that it provides for a reasonable estimate of waste. In future as additional methods may become available on a cost/benefit basis, we will look into those alternatives.

FINDING 05-3 – IMPROPER FEE STRUCTURE FOR COLLECTION OF SOLID WASTE FEES

CONTACT PERSON: MARIE SCOTT

COMMENT PREPARED BY: MARIE SCOTT

Due to the fact that the County does not have a business license requirement it is impossible for the site attendants to know exactly if the load is residential or commercial. We rely on the honesty of the users and the contents of the load. In all cases the attendant can see if the debris is construction and demolition waste. It is the policy of the department NOT to make an issue if the customer claims the debris is from the residence. The attendant usually knows who is using the facility and if the customer consistently brings in the same type of debris then the office becomes involved with trying to determine the status of the debris. We currently have approximately 350 commercial accounts that we bill monthly as per their use, which indicates the commercial users are being identified. Also, it is the policy of the Solid Waste Department as per Ordinance #212 that commercial businesses in the County are to have pick-up service by Waste Management and many do obtain the service, unfortunately this also is hard to track without business licenses. We do receive commercial revenue on the pick-up service Waste Management provides.

I am not sure what "implement a method where an independent verification of the source of the construction and demolition materials is made to ensure the proper collection of solid waste charges" means. Does this mean we should hire an outside contractor to verify the source of the debris? Again without a process to know who is in business how do we question a resident indicating he is tearing down his own home?

We still have five unattended sites where commercial users can dump without being questioned. We are working towards having all attended collection sites but this is a slow process and until this can be accomplished we will continue to lose some revenue.

The County will begin to research this issue and to try to determine an effective means whereby policies and procedures may be implemented to mitigate this issue.

Bonner County, Idaho
Sandpoint, Idaho

Corrective Action Plan (Continued)

Year Ended September 30, 2005

FINDING 05-4 – IMPROPER MAINTENANCE OF DOCUMENTATION

CONTACT PERSON: MARIE SCOTT
COMMENT PREPARED BY: MARIE SCOTT

In October 2005, we have implemented policies and procedures where all documents related to the daily receipts and sales logs are being retained for all sites.

FINDING 05-5 – LACK OF CONTROLS REGARDING RESTRICTIVE ENDORSEMENTS

CONTACT PERSON: MARIE SCOTT
COMMENT PREPARED BY: MARIE SCOTT

The department will look into getting the appropriate stamp to restrictively endorse the checks as they are received at the collection sites.

Bonner County, Idaho
Sandpoint, Idaho

Summary Schedule of Prior Audit Findings

Year Ended September 30, 2005

Findings From Year Ended September 30, 2004:

Finding 04-1: Invoice and Claim Form Approval Documentation

The finding was a reportable condition that the County was not obtaining a properly authorized claim form for approval of the payment of invoices.

Status:

The County has implemented policies and procedures to ensure that all invoices have a completed claim form attached to the invoice containing the authorizing signatures

Finding 04-2: Supporting Invoice Documentation

The finding was a reportable condition that the County was not reviewing and reconciling supporting documentation to related invoices and payment.

Status:

The County has implemented policies and procedures to ensure the proper verification of invoices and reconciliation to the supporting detail and payment.

Finding 04-3: Financial Accounting and Reporting

The finding was a material weakness that the County was not following the Statements on Standards issued by the Governmental Accounting Standards Board, as the tax levy budget, long-term debt and LID (Local Improvement District) records were being separately maintained and were not being recorded on the books of the County.

Status:

The County has implemented procedures to ensure that all leases are reviewed and approved by the Treasurer.