

Navajo County

Single Audit Report

Year Ended June 30, 2019



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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Comprehensive Annual Financial Report



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' 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*

Members of the Arizona State Legislature

The Board of Supervisors of
Navajo County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Navajo County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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 County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-04 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-01, 2019-02, and 2019-03 to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as item 2019-01.

County response to findings

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey Perry, CPA, CFE
Auditor General

December 12, 2019



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' 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 the Uniform Guidance

Members of the Arizona State Legislature

The Board of Supervisors of
Navajo County, Arizona

Report on compliance for each major federal program

We have audited Navajo County's 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, 2019. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Opinion on each major federal program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as item 2019-102. Our opinion on each major federal program is not modified with respect to these matters.

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 circumstances 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 the Uniform Guidance, 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 have not been identified. However, as discussed below, we did identify 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-102 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-101 to be a significant deficiency.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

County response to findings

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

We have audited the financial statements of the County's governmental activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 12, 2019, 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 the Uniform Guidance 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 used 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.

Lindsey Perry, CPA, CFE
Auditor General

March 26, 2020



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles **Unmodified**

Internal control over financial reporting

Material weaknesses identified? **Yes**

Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal awards

Internal control over major programs

Material weaknesses identified? **Yes**

Significant deficiencies identified? **Yes**

Type of auditors' report issued on compliance for major programs **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? **Yes**

Identification of major programs

CFDA number	Name of federal program or cluster
10.665	Forest Service Schools and Roads Cluster
17.258, 17.259, 17.278	WIOA Cluster
93.069	Public Health Emergency Preparedness

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

Other matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR §200.511 (b)? Yes

Financial statement findings

2019-01

The County Public Health Department Director made \$20,160 of purchases that conflicted with policies and lacked appropriate documentation, and the County paid for them, which put public monies at risk of misuse

Condition and context—In fiscal year 2019, the County's Public Health Department Director (Director) used his County purchasing card to make \$20,160 of purchases that conflicted with County policies and lacked appropriate documentation, and the County paid for all these purchases. These expenses represented all 165 of the Director's purchasing card transactions that included travel expenses the County paid for in that year. Our review found that his purchases:

- Were not always adequately reviewed and approved by a separate individual as required.
- Were not always supported by required documentation as necessary, such as invoices, receipts, registration forms, conference brochures, and agendas.
- Did not always include the required documentation of the public purpose and benefit.
- Did not include any justification and approval when an expense deviated from County policies, such as approval for lodging and meals that exceeded allowable rates.
- Had unallowed personal purchases that the County did not require and that the Director should reimburse the County for as soon as possible.

In addition, although County policy requires all County-paid travel expenses, including those made using purchasing cards, to be included on a signed and approved travel form, the Director did not submit the required travel forms. Specifically, during fiscal year 2019 the Director used his County purchasing card to buy \$9,558 in airfare and hotel room travel purchases and \$6,850 in fuel, meals, and other purchases that may have been associated with travel but did not complete travel forms for any of these expenses.

Details of the Director's fiscal year 2019 purchasing card expenses the County paid for are as follows:

- **Hotel rooms totaling \$7,439**—The Director did not prepare required travel forms for any of his purchasing card hotel room charges, which totaled \$7,439. He also did not provide documentation to support the public purpose for \$4,104 of these hotel costs, such as paying for 3 hotel stays that exceeded allowable State government rates, which cost the County an additional \$607; 8 hotel stays totaling \$2,514 to attend meetings in Phoenix that were between 1 and 4 hours in length and did not appear to require an overnight stay; and 2 hotel rooms at different hotels for the same night, which cost the County an additional \$170.
- **Conference registration fees totaling \$3,075**—The Director did not prepare required travel forms for any of his purchasing card out-of-town conference registration fee charges, which totaled \$3,075. In addition, he did not provide receipts for \$575 of these fees. Further, he did not provide any evidence that he attended 2 conferences totaling \$764.
- **Miscellaneous expenses totaling \$2,304**—The Director used his purchasing card to pay \$166 for parking and ride sharing costs and \$500 for electronic accessories like AirPods and other wireless Bluetooth headphones that were not adequately supported or approved to evidence the public purpose and benefit to the County. Further, the Director used his County purchasing card for \$1,505 in professional association membership fees and \$133 for staff appreciation items, for which the County could not provide evidence of approval.

- **Fuel purchases totaling \$2,268**—The Director inappropriately used his purchasing card 37 times to purchase \$2,268 of fuel for his personal vehicle in violation of County policy.¹ He also failed to retain required receipts for \$228 of these fuel purchases.
- **Out-of-state airfare totaling \$2,119**—The Director failed to obtain preapproval documentation for 3 out-of-State airfare charges totaling \$2,119 and did not include them on any travel form to indicate the purpose of the trips or otherwise indicate a clear benefit these trips provided to the County. The trips included travel to San Diego, California, and Philadelphia, Pennsylvania, for American Public Health Association annual meetings and Orlando, Florida, for a National Association of County Health Officials conference. Also, for these flights, the Director inappropriately used his County purchasing card to pay for a total of \$427 of unallowed costs in excess of the lowest fares available, including flight insurance, preferred seating, and extra leg room.
- **Personal expenses totaling \$1,614**—The Director inappropriately used his County purchasing card to purchase personal items, including \$848 in gift cards and \$766 for personal cellular services, which County policies prohibit. He noted that he used the wrong card for all these expenses but only reimbursed the County \$848 for the gift cards. Included in his supporting documentation along with the purchase receipt for \$394 of his personal cellular service purchases, he included a copy of a personal business check made out to the County for \$394, indicating it would be used to repay the County. However, the check was never deposited with the County, leaving these unallowed personal cellular service purchases unreimbursed. Further, he failed to reimburse the County for the remaining \$372 of unallowed personal cellular service purchases.
- **Meals totaling \$1,341**—The Director did not prepare required travel forms for \$1,341 of meal expenses he charged to his County purchasing card and for \$472 of these purchases he failed to retain 16 required receipts to indicate what was purchased. For the majority of the meal expenses he charged, we found that he inappropriately purchased 32 meals that exceeded the allowable State government rate, which cost the County an additional \$641, including unallowed purchases of \$402 for retirement and farewell meals the Director organized, a meal he purchased on a personal trip for which he did not reimburse the County, and a meal when lunch was provided at a conference.

After we brought these issues to the County's attention, according to County management, they evaluated the propriety of all these purchases, and in March 2020, the Director reimbursed the County a net total \$3,965. The Director's reimbursement was primarily for excess lodging, meals, airfare, and fuel as well as his unreimbursed personal cellular service purchases.

Criteria—County policies require employees to use purchasing cards only for County business and prohibit employees from purchasing items intended for personal use or fuel for personal vehicles.¹ County policies also require employees to provide adequate supporting documentation, including the use of travel forms, advance approval and/or justification for out-of-state travel and exceptions to County policy, and that expenses have a public purpose justification. County policies further require a department official to review and approve employee travel expenses. Adherence to these policies helps avoid the misuse of public monies.

Effect—The Director's use of the County purchasing card to make purchases in violation of County policies and the County's payment of these expenses put public monies at risk of misuse. Further, the County failing to require the Director to reimburse it for unallowed expenses places it at risk of violating the Arizona Constitution, Art. IX, Sec. 7, which bans gifts or loans of public monies to individuals. Finally, when department directors do not follow established policies, including compliance with documentation

¹ If an employee is unable to use a County vehicle for travel and has to use their personal vehicle for County purposes, the employee must maintain odometer readings or map or internet mileage calculations for each authorized trip and request reimbursement on an approved travel form, which the Director failed to do.

requirements, they set an unfavorable tone that policies do not need to be followed. At the time of this report's release, these expenses were under further review by our Office.

Cause—The County did not provide adequate oversight of the Director and did not follow its policies over purchasing cards and travel expenses to ensure the Director's purchasing card expenses met the requirements before it paid them. Specifically, the County did not have procedures for anyone outside of the Public Health Department, such as someone in the Finance Department or executive management level, to review the Director's purchasing card and travel expense documentation. Further, the County did not have a process in place to ensure the Director completed travel forms for his travel-related expenses, provided required supporting documentation as necessary, included public purpose and benefit justification and approval when deviating from County policies, and reimbursed the County for unallowed purchases.

Recommendation—To help ensure that all County employees, including the Director, adhere to purchasing card and travel policies, that the County appropriately spends public monies for only those expenses that are for a public purpose and benefit, and that the County does not violate the Arizona Constitution's ban on gifts or loans of public monies to individuals, the County should:

- Strengthen and clarify procedures for reviewing and approving department directors' purchasing card and travel expenses, ensure staff are trained on County policies, and designate a separate approver of department director purchasing card and travel expenses at the Finance Department or executive management level.
- Require employees to submit purchasing card and travel expense records to their designated approver, including travel forms as necessary, that are adequately organized and supported by documentation, such as purchase orders, invoices, itemized receipts, registration forms, meeting schedules, conference brochures, agendas, and explanations of the public purpose if it is not evident.
- Ensure exceptions to the County's purchasing and travel policies are justified and preapproved in writing by the employees' designated approver.
- Add requirements in the purchasing card and travel policies that clarify employees must repay the County for unallowed or fraudulent purchasing card expenses and that repayment can be withheld from employees' paychecks.
- Conduct an in-depth analysis of the Director's purchasing card and travel expenses since he began working for the County to identify unallowed costs and require the Director to immediately reimburse these public monies.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

2019-02

The County paid \$59,000 for employees' County purchasing card fuel purchases but did not ensure the fuel was used in County vehicles as required, placing the County at risk of misusing public monies and violating the Arizona Constitution's prohibition of gifts or loans of public monies to individuals

Condition and context—In fiscal year 2019, the County paid approximately \$59,000 for employees' purchasing card fuel purchases but did not ensure the fuel was used in County vehicles as required by policy. Specifically, we estimated the County paid for approximately 1,500 purchasing card fuel purchases made by over 200 employees. Further, 9 employees made nearly 40 percent of the total fuel purchases, or

\$23,586 of them, including the County Public Health Department Director's \$2,268 of fuel purchases for his personal vehicle, which is unallowed (see Finding 2019-01 for more information).

Criteria—Best practices indicate that the County should reconcile fuel purchases to the vehicle fueled to ensure that the County is paying only for fuel that is used in County vehicles as required by policy. Further, County policies prohibit employees from using their purchasing cards to buy fuel for personal vehicles even if used for County purposes and require County vehicles to be used for travel when possible.²

Effect—The County's payment of employees' purchasing card fuel purchases without ensuring the fuel was for a County vehicle and payment for the County Public Health Department Director's personal vehicle fuel put the County at risk of misusing public monies and violating the Arizona Constitution, Art. IX, Sec. 7, which bans gifts or loans of public monies to individuals.

Cause—The County lacked adequate policies and procedures over purchasing card fuel purchases to ensure and document that the fuel was used appropriately and for only County vehicles. Specifically, the County did not reconcile fuel purchases to an authorized County vehicle; maintain vehicle logs with mileage driven, trip purpose, fuel purchased, and responsible employee name; and require employees to include the County vehicle number or license plate number on the purchasing card fuel receipt, and when applicable, on the travel form.

Recommendations—To help ensure that the County appropriately spends public monies and does not violate the Constitution's prohibition on gifts or loans of public monies to individuals, the County should develop and implement policies and procedures over purchasing card fuel purchases. Specifically, the County should:

- Prepare and maintain vehicle logs for all County vehicles and require employees to document the date and vehicle odometer readings at the time of check-out and check-in, the public purpose for using the County vehicle, and any fuel purchased.
- Require employees to record the County vehicle number or license plate number on the purchasing card fuel receipt and, when applicable, the travel form when purchasing fuel.
- Require the travel form approver to reconcile purchasing card fuel purchases to County vehicle logs.
- Maintain documentation of the preapproval to use a personal vehicle for County purposes when a County vehicle is not available and require the travel form approver to ensure all relevant information is included in the travel form and adequately documented, such as the trip's purpose, location traveled to and from each day, daily beginning and ending odometer readings, and accurate calculations of mileage reimbursement requested based on the current mileage reimbursement rate or other calculations allowed in County policies.
- Conduct an in-depth review of all employees' purchasing card fuel costs that were made prior to implementing the above recommendations to determine whether they are reasonable and appropriate, investigate any questionable purchases, and take action, as appropriate. Also, periodically review future purchasing card fuel costs to evaluate whether they followed policy and appear reasonable and investigate and take appropriate action for any questionable purchases.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

²When a County vehicle is not available, employees may obtain pre-approval to use a personal vehicle for County purposes and are required to request mileage reimbursement on an approved travel form, rather than using their purchasing card for fuel costs. Further, employees are required to include documentation of odometer readings or map or internet mileage calculations for each authorized trip to support the mileage reimbursement request.

2019-03

Managing risk

Condition and context—The County’s process for managing and documenting its risks did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

Criteria—The County’s risk assessment process should include identifying, classifying, and inventorying sensitive information to protect it; identifying State statutes and federal regulations that could apply to sensitive information it maintains; and making any required disclosures to affected parties, if sensitive information is compromised.

Effect—Without correcting this deficiency, the County’s administration and IT management may put the County’s operations and IT systems and data at unintended and unnecessary risk.

Cause—The County is in the process of working with all of its departments to design and implement policies and procedures.

Recommendation—The County should evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the sensitive information it holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations. To help achieve this, the County should follow guidance from a credible industry source, such as the National Institute of Standards and Technology.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2018-04.

2019-04

Information technology (IT) controls—access, configuration and change management, and security

Condition and context—The County’s control procedures were not sufficiently designed, documented, and implemented to respond to risks associated with its IT systems and data. The County lacked adequate procedures over the following:

- **Restricting access to its IT systems and data**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access.
- **Configuring systems securely and managing system changes**—Procedures did not ensure all IT system changes were adequately managed and configuration settings maintained.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

Criteria—The County should have effective internal controls to protect its IT systems and help ensure the integrity and accuracy of the data it maintains.

- **Logical controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Well-defined, documented configuration management process**—Ensures the County’s IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system’s security or operation. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.
- **IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

Effect—There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data.

Cause—The County’s recently updated policies and procedures were not fully implemented.

Recommendations—To help ensure the County has effective policies and procedures over its IT systems and data, the County should follow guidance from a credible industry source, such as the National Institute of Standards and Technology. To help achieve these control objectives, the County should implement control procedures in each IT control area described below:

Access

- Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
- Remove terminated employees’ access to IT systems and data.
- Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts.
- Enhance authentication requirements for IT systems.

Configuration and change management

- Document and maintain evidence of the review and approval of proposed changes, testing of changes prior to implementation and results, and post-change review.
- Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
- Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

Security

- Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
- Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-05.

Federal award findings and questioned costs

2019-101

Cluster name:	WIOA Cluster
CFDA numbers and names:	17.258 WIOA Adult Program 17.259 WIOA Youth Activities 17.278 WIOA Dislocated Worker Formula Grants
Award numbers and years:	DI16-002107 April 1, 2017 through June 30, 2019; DI19-002204 April 1, 2018 through June 30, 2020
Federal agency:	U.S. Department of Labor
Pass-through Grantor:	Arizona Department of Economic Security
Compliance requirement:	Reporting
Questioned costs:	None

Condition and context—The County did not review 11 of 67 required grant program financial reports for accuracy to ensure they did not include improper, duplicate, or unallowable costs or activities prior to submitting them to the pass-through grantor. We tested 3 of those 11 reports and noted no unallowable costs or errors.

Criteria—The County must establish and maintain effective internal control over its federal awards that provides reasonable assurance that it is managing them in compliance with all applicable laws, regulations, and award terms, including controls for ensuring the accuracy of its required grant program financial reports. (2 CFR §200.303)

Effect—There is an elevated risk that the County could submit erroneous financial reports to the pass-through grantor and receive federal program monies that it is not entitled to if it does not review financial reports.

Cause—The County had staff turnover and did not have adequate written policies and procedures, and therefore did not require an independent review and approval of financial reports prior to its submission to the pass-through grantor.

Recommendation—To help ensure that the County submits accurate grant program financial reports to the pass-through grantor and receives federal program monies for only those costs and activities that are allowable, the County should develop and implement written policies and procedures requiring an independent review and approval of its financial reports prior to submitting them to the pass-through grantor.

The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

2019-102

Cluster name:	WIOA Cluster
CFDA numbers and names:	17.258 WIOA Adult Program 17.259 WIOA Youth Activities 17.278 WIOA Dislocated Worker Formula Grants
Award numbers and years:	DI16-002107 April 1, 2017 through June 30, 2019; DI19-002204 April 1, 2018 through June 30, 2020
Federal agency:	U.S. Department of Labor
Pass-through Grantor:	Arizona Department of Economic Security
Compliance requirement:	Earmarking
Questioned costs:	\$30,657

Condition and context—The County was required to spend \$65,330 of WIOA Youth Activities monies it received to provide in-school and out-of-school youth with paid and unpaid work experiences. However, the County's records indicated it fell short of this spending requirement by \$30,657. Further, the County reported to the grantor that it spent \$48,128 of the required \$65,330 for these services but could not provide adequate supporting documentation for the total it reported.

Criteria—The County must spend no less than 20 percent, which totaled \$65,330 for the 2-year award ending in fiscal year 2019, of its WIOA Youth Activities monies to provide in-school and out-of-school youth with paid and unpaid work experiences. The County must track and report such expenditures to the pass-through grantor throughout the 2-year award period to ensure the County is spending in a timely manner to meet the earmarking requirement. (20 CFR §681.590) In addition, the County must establish and maintain effective internal control over its federal awards that provides reasonable assurance that it is managing them in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303)

Effect—The County did not provide in-school and out-of-school youth with approximately \$30,657 of services that the grant intended and may be required to return these monies to the grantor.

Cause—The County had staff turnover and did not have adequate policies and procedures for tracking and reporting WIOA Youth Activities monies used to provide in-school and out-of-school youth with paid and unpaid work experiences to ensure the County met the WIOA Cluster's earmarking requirement.

Recommendations—To help ensure the County provides in-school and out-of-school youth with the intended services and complies with the WIOA Cluster's earmarking requirement, the County should:

- Develop and implement policies and procedures requiring an effective and documented tracking mechanism to properly monitor and report WIOA Youth Activities monies used to provide in-school and out-of-school youth with paid and unpaid work experiences throughout the award period.
- Conduct and document a review of the earmarking percentage met throughout the award period to allow the County to adjust its spending in a timely manner to meet the earmarking requirement.
- Retain adequate supporting documentation for program expenditures the County reports to the grantor.

The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

COUNTY SECTION

NAVAJO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Federal Awarding Agency/Program Title	Federal CFDA Number	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE							
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS19-207423	\$228,614	\$228,614	N/A	\$0
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-106531	\$304,853	\$304,853	SNAP CLUSTER	\$304,853
COOPERATIVE FORESTRY ASSISTANCE	10.664	ARIZONA DEPARTMENT OF FORESTRY AND FIRE MANAGEMENT	WFHF 17-204	\$68,243	\$68,243	N/A	\$0
SCHOOLS AND ROADS - GRANTS TO STATES	10.665			\$825,614	\$825,614	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$825,614
STATE & PRIVATE FORESTRY HAZARDOUS FUEL REDUCTION PROGRAM	10.697	ARIZONA DEPARTMENT OF FORESTRY AND FIRE MANAGEMENT	WFHF 18-204	\$38,630	\$38,630	N/A	\$0
TOTAL DEPARTMENT OF AGRICULTURE				<u>\$1,465,954</u>			
DEPARTMENT OF COMMERCE							
ECONOMIC ADJUSTMENT ASSISTANCE	11.307			\$1,800	\$1,800	ECONOMIC DEVELOPMENT CLUSTER	\$1,800
TOTAL DEPARTMENT OF COMMERCE				<u>\$1,800</u>			
DEPARTMENT OF JUSTICE							
NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	16.554	ARIZONA CRIMINAL JUSTICE COMMISSION	NCP 17-18-007	\$17,461	\$17,461	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575	ARIZONA DEPARTMENT OF PUBLIC SAFETY	2018-360 2018-361	\$217,257	\$217,257	N/A	\$0
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588	ARIZONA GOVERNOR'S OFFICE OF YOUTH, FAITH AND FAMILY	IGA-ST-19-010118-01 DC-19-009	\$26,460	\$26,460	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738	ARIZONA CRIMINAL JUSTICE COMMISSION	DC-19-029 IFBC 13-15-004	\$139,947	\$139,947	N/A	\$0
EQUITABLE SHARING PROGRAM	16.922			\$76,692	\$76,692	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE				<u>\$477,817</u>			
DEPARTMENT OF LABOR							
WIOA ADULT PROGRAM	17.258	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002107 DI19-002204	\$431,604	\$431,604	WIOA CLUSTER	\$803,663
WIOA YOUTH ACTIVITIES	17.259	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002107 DI19-002204	\$292,748	\$292,748	WIOA CLUSTER	\$803,663
WIOA DISLOCATED WORKER FORMULA GRANTS	17.278	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002107 DI19-002204	\$79,311	\$79,311	WIOA CLUSTER	\$803,663
TOTAL DEPARTMENT OF LABOR				<u>\$803,663</u>			
DEPARTMENT OF TRANSPORTATION							
STATE AND COMMUNITY HIGHWAY SAFETY	20.600	GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-PTS-040 2018-AL-019 2019-AL-020 2019-PTS-065	\$26,196	\$26,196	HIGHWAY SAFETY CLUSTER	\$26,196
NATIONAL PRIORITY SAFETY PROGRAMS	20.616	GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2019-405D-050	\$10,632	\$10,632	N/A	\$0
INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING AND PLANNING GRANTS	20.703	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	HM-HMP-0583-16-01-00	\$4,782	\$4,782	N/A	\$0
TOTAL DEPARTMENT OF TRANSPORTATION				<u>\$41,610</u>			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES							
GRANTS TO STATES	45.310	ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS	2018-0260-13 2017-0010-05	\$23,403	\$23,403	N/A	\$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES				<u>\$23,403</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
MEDICAL RESERVE CORPS SMALL GRANT PROGRAM	93.008	NATIONAL ASSOCIATION OF COUNTY AND CITY HEALTH OFFICIALS (NACCHO)	MRC14-0945	\$2,412	\$2,412	N/A	\$0
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133196 CTR042784	\$252,637	\$252,637	N/A	\$0
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-110830	\$86,350	\$86,350	N/A	\$0
GRANTS TO STATES TO SUPPORT ORAL HEALTH WORKFORCE ACTIVITIES	93.236	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS15-078234	\$6,197	\$6,197	N/A	\$0
PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE	93.354	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133196	\$187,755	\$187,755	N/A	\$0
NON-ACA/PPHF-BUILDING CAPACITY OF THE PUBLIC HEALTH SYSTEM TO IMPROVE POPULATION HEALTH THROUGH NATIONAL NONPROFIT ORGANIZATIONS	93.424			\$5,794	\$5,794	N/A	\$0
PPHF CAPACITY BUILDING ASSISTANCE TO STRENGTHEN PUBLIC HEALTH IMMUNIZATION INFRASTRUCTURE AND PERFORMANCE FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS	93.539	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177684	\$69,176	\$69,176	N/A	\$0
CHILD SUPPORT ENFORCEMENT	93.563	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI18-002166	\$103,662	\$103,662	N/A	\$0

<i>PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT FUNDED SOLELY WITH PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)</i>	93.758	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS15-094982	\$52,772	\$52,772	N/A	\$0
<i>HIV PREVENTION ACTIVITIES_ HEALTH DEPARTMENT BASED PREVENTIVE HEALTH SERVICES_ SEXUALLY TRANSMITTED DISEASES AND CONTROL GRANTS</i>	93.940	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-188830	\$37,457	\$37,457	N/A	\$0
<i>MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES</i>	93.977	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS14-071223	\$8,535	\$8,535	N/A	\$0
<i>MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES</i>	93.994	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS15-094982	\$78,753	\$78,753	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$891,500</u>			
EXECUTIVE OFFICE OF THE PRESIDENT							
<i>HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM</i>	95.001	CITY OF TUCSON	HT18-2815 HT18-2804 HT17-2717	\$176,280	\$176,280	N/A	\$0
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT				<u>\$176,280</u>			
DEPARTMENT OF HOMELAND SECURITY							
<i>EMERGENCY MANAGEMENT PERFORMANCE GRANTS</i>	97.042	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2018-EP-00012-S01	\$173,782	\$173,782	N/A	\$0
<i>HOMELAND SECURITY GRANT PROGRAM</i>	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	18-AZDOHS-HSGP-180106-02	\$82,510	\$82,510	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>\$256,292</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u>\$4,138,319</u>			

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

NAVAJO COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Navajo County's federal grant activity for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Catalog of Federal Domestic Assistance (CFDA) number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance.

COUNTY RESPONSE



NAVAJO COUNTY

Administration

Bryan Layton
Assistant County Manager

Glenn Kephart
County Manager

Paige Peterson
Finance Director

We are Navajo County

March 26, 2020

Lindsey Perry
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Paige M. Peterson
Finance Director

Navajo County

Corrective action plan

Year ended June 30, 2019

Financial statement findings

2019-01

P-Card

Bryan Layton, Assistant County Manager & Paige Peterson, Finance Director

Anticipated completion date: March 31, 2020

Corrective Action: Concur. Internal controls are an important function in Navajo County's operations. We appreciate our annual internal control and compliance audit which helps us identify where we can improve and strengthen our internal controls. For this audit finding, we realize we need to strengthen our internal controls and compliance regarding travel and p-cards. We have reevaluated and provided training to the Health Director and the Health Department's Financial Manager to strengthen their p-card and travel processes to ensure that transactions related to travel are properly documented and the required approvals are documented. County administration recognizes there was a lack of training and misunderstanding of county policies. Specifically, the Health Director's travel for public health related conferences and meetings were verbally discussed and approved by the Assistant County Manager but lacked appropriate documentation. The Health Director did not properly document the trip on a county employee travel form as required by policy and did not adequately document the justification of other purchases. The health director stated he did not deliberately intend to violate the county policy.

Reimbursements in the amount of \$5,643.92 have been completed. Specifically, \$2,268.15 for fuel charges, \$1,402.15 for lodging expenses that exceeded state hotel rates, \$324.09 for meals that exceeded state per diem rates, \$105.36 for ride-sharing costs, \$426.66 for ineligible airline expenses, and \$1,117.51 for non-county related purchases. The County reimbursed the Health Director \$1,678.76 for 50% of the mileage expenses for use of his personal vehicle for county-related business trips.

The travel reconciliation will be handled by the Health Department Finance Manager and reviewed and approved by the Assistant County Manager. A final review will be handled by Finance to ensure all required documentation and approvals meet the county travel policy.

Mandatory travel and p-card training has been added to our annual training month. This training will ensure all county employees understand the travel and p-card policies and understand what documentation is required. We'd like to provide context regarding the examples provided in the report of specific travel (in the Condition and Context section). Hotel rooms: The Health Director was required to reimburse the county for hotel stays that lacked appropriate documentation. Conference registration fees: The Health Director stated these were appropriate expenditures but lacked the appropriate documentation for justification. Miscellaneous expenses: The Director was required to reimburse the county for the ride-sharing costs since transportation was already available. The electronic accessories were mostly made up of protective screens for county-owned devices such as Microsoft Surfaces and Apple i-Phones. The Apple AirPods lacked appropriate documentation and we required the Director to reimburse the County. Professional association memberships support the public health function and we encourage directors to belong to professional associations that enhance their training and education that is directly related to their

job function and provide a clear public purpose. Staff appreciation items are an allowable cost to help promote a positive work environment and help with employee retention. Moving forward, the Director understands he must keep the required documentation to justify these types of expenditures and will seek documented pre-approval for these types of purchases. Fuel purchases: The Director misunderstood the county policy and used his p-card to purchase fuel for his personal vehicle for county business trips. The Director has since reimbursed the county for the fuel purchases and the County reimbursed him for 50% of the mileage costs. Out-of-state airfare: The Director failed to get a documented pre-approval for the out-of-state airfare; however, the Assistant County Manager had verbally given approval prior to traveling. In the future, the Director will receive a written preapproval prior to reserving out-of-state flights. The Director was required to reimburse the County \$427 for the unallowable airfare expenses and now understands certain airfare expenses are not allowed in county policy. Personal expenses: The Director stated he inadvertently used his county p-card for personal expenses. He has since reimbursed the county for each expense. The Director stated will be more careful in the future. Meals: The Director reimbursed the county for the meals that exceeded the state per-diem rate.

We appreciate the guidance of the Auditor General and appreciate them pointing out areas we can improve on.

2019-02

P-Card Fuel Purchases

Paige Peterson, Finance Director

Anticipated completion date: December 31, 2020

Corrective Action: Concur. For this audit finding, we realize we need to implement a fuel tracking process that is affordable and reasonable to better track fuel purchased with county p-cards. County Administration does not believe there was any intentional abuse of county p-card fuel purchases or any misuse of county funds. For example, when reviewing the p-card fuel purchases by department the Sheriff's Office had the most fuel purchases. That is logical and reasonable due to the fact they provide 24/7 patrol coverage in a county that sprawls 10,000 square miles. County employees are required to submit a receipt for all fuel purchases, and it must be reviewed and approved by their supervisor. We are going to add to our employee travel form information about the county vehicle used and require the vehicle number, beginning and ending odometer, and the gallons purchased. We are exploring other tracking processes such as fleet fuel cards or vehicle log forms to keep in all vehicles.

We'd like to provide context about the 9 employees who made up nearly 40% of the total fuel purchases that was included in the report (condition and context). The employee who had the most fuel purchases totaling \$4,533 worked in the Workforce Opportunity and Investment Act (WIOA) department. The WIOA program provides financial resources, including pre-paid fuel cards, to qualifying participants. This is a federal program that allows prepaid fuel card purchases and is audited annually. County Administration believes all the fuel purchases made by this employee were justified and included the required documentation and approvals. The Health Director was required to reimburse the County for his fuel purchases (see response to audit finding 2019-01 for details). The remaining 7 employees are assigned county vehicles and their duties require them to travel across the state. County Administration believes the fuel purchases made by these employees were justified and included the required documentation and approvals.

We appreciate the guidance and recommendations from the Auditor General on how we can better track county fuel purchases.

2019-03

Managing Risk

Ken Dewitt, IT Director

Anticipated completion date: December 31, 2020

Corrective Action: Concur. Early in 2018 the Navajo County IT Department and Finance Department met with five other Counties (Navajo, Green Lee, Santa Cruz, Gila, Graham, Apache) to rewrite our policy and procedures based on standards from the National Institute of Standards and Technology (NIST). Having these meetings over several month's last spring allowed the IT Department to take a new set of policies and procedures to the Navajo County Board of Supervisors for approval on June 12, 2018. Even though these are based from NIST 800-53 rev 4 many of the items are taken from the NIST documents used by the United States Environmental Protection Agency. County Administration has been working with the IT department to change the culture of our department's staff. There have been several meetings and processes put in place to help everyone understand the importance of a safe working environment when it comes to cyber security. Meetings are scheduled county-wide to move this to completion.

2019-04

Information technology (IT) controls – access, configuration and change management, and security

Ken Dewitt, IT Director

Anticipated completion date: Ongoing

Correction Action: Concur.

1. Assign and periodically review

- a) Significant Systems – an annual review has been performed on our Microsoft Active Directory file for the past three years. New World access has also been reviewed each year and some modifications were made and justifications documented.
 - b) Active Directory – an annual review was performed on our Microsoft Active Directory file and the issues identified by the Auditors have been corrected.
 - c) Active Directory – a review of AC-2 and the actual practice has been conducted and procedures have been changed and/or the documented procedures to coincide.
 - d) Database – a review of database accounts has been performed.
2. Remove terminated employees' access to IT systems and data – procedure A-2 is being reviewed and changed to document any employee that leaves the County, yet the account needs to remain active.
 3. Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts – these accounts have been reviewed and a process has been created to handle any concerns.
 4. Enhance authentication requirements for IT systems –
 - a) Authentication – Industry standards suggests that changing passwords longer than 90 day is recommended if length and complexity for a password has been considered. Procedure is being aligned to meet these standards.

- b) Active Directory – procedure and settings are now in sync.

Configuration and change management

1. Document and maintain evidence of the review and approval of proposed changes, testing of changes prior to implementation and results, and post-change review – change control form has been modified and IT staff meetings were held to ensure that proper procedures are followed.
2. Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved – change control form has been modified and IT staff meetings were held to ensure that proper procedures are followed.
3. Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes – we are reviewing the processes, procedures, and costs of tracking base configurations. We are not aware of how a change to any base configuration could impact financial reporting.

Information technology (IT) controls – security

1. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges – this procedure (AC-3) is being reviewed and processes are being set up to monitor the actions of privileged accounts within the systems.
2. Prepare and implement a security incident response plan clearly stating how to report and handle such incidents – expansion of IR-4 for Incident Response Procedure began toward the end of 2019 and will continue for the next few months. It will include cyber, election, and non-cyber events.

Federal award findings and questioned costs

2019-101

CFDA no. 17.258 WIOA Adult Program;
CFDA no. 17.259 WIOA Youth Activities; and
CFDA no. 17.278 WIOA Dislocated Worker Formula Grants

Contact Person: Stephanie Ray, WIOA Executive Director
Anticipated completion date: 3/20/2020

To help ensure financial reports that are submitted to the pass-through grantor are accurate, the County has revised its policy for an independent review and approval of the financial reports. Moving forward, the reports will be completed by WIOA department staff and forwarded to the Finance department for review and approval prior to submission. We will follow this policy and procedure that requires the Finance department to conduct an independent review and approval of all reports submitted to the pass-through grantor.

2019-102

CFDA no. 17.258 WIOA Adult Program;
CFDA no. 17.259 WIOA Youth Activities; and
CFDA no. 17.278 WIOA Dislocated Worker Formula Grants

Contact Person: Stephanie Ray, WIOA Executive Director
Anticipated completion date: Ongoing

There are two causes to the under-expenditure of the WIOA Youth Activities funds that are to be earmarked for work experiences. The tracking system in place during FY19 was not adequate for documenting all expenditures that are allowable under the work experience requirement, as noted by the auditor. Another cause for the under-expenditure lies in the need to recruit, engage, and enroll an adequate number of youth participants for whom to provide work experiences. This has been an ongoing issue since the inception of WIOA and the County has made several changes that should enable for the expenditure of no less than 20 percent of WIOA Youth Activities funds toward work experiences.

To help ensure the County meets the WIOA Cluster's earmarking requirement to spend no less than 20 percent of WIOA Youth Activities funds allocated to the County to provide in-school and out-of-school youth with paid and unpaid work experiences, the County has revised its process for tracking work experience expenditures. Additionally, the County has significantly revised its structure for the WIOA youth program, hiring additional staff experienced in recruiting, engaging, and enrolling Youth in WIOA programs and developing policies and procedures for outreach and engagement of the disconnected youth population. The County will utilize these revised policies and procedures to ensure at least 20 percent of the WIOA Youth Activities funds allocated to the County are used to provide in-school and out-of-school youth with paid and unpaid work experiences.



Bryan Layton
Assistant County Manager

NAVAJO COUNTY

Administration

Glenn Kephart
County Manager

Paige Peterson
Finance Director

We are Navajo County

March 26, 2020

Lindsey Perry
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Paige M. Peterson
Finance Director

Navajo County

Summary schedule of prior audit findings
Year Ended June 30, 2019

Status of financial statement findings

The County should improve controls over approving employees' time accounting records

Finding No.: 2018-01

Year finding initially occurred: FY 2017

Status: Fully Corrected

The County should ensure revenues are recognized in the proper period

Finding No.: 2018-02

Year finding initially occurred: FY 2016

Status: Fully Corrected

The Navajo County Attorney's Office should establish program fees in accordance with Arizona Prosecuting Attorneys' Advisory Council Deferred Prosecution Guidelines and state law

Finding No.: 2018-03

Year finding initially occurred: FY 2018

Status: Fully Corrected

Managing risk

Finding No.: 2018-04

Year finding initially occurred: FY 2016

Status: Partially corrected

Response: Early in 2018 the Navajo County IT Department and Finance Department met with five other Counties (Navajo, Green Lee, Santa Cruz, Gila, Graham, Apache) to rewrite our policy and procedures based on standards from the National Institute of Standards and Technology (NIST). Having these meetings over several month's last spring allowed the IT Department to take a new set of policies and procedures to the Navajo County Board of Supervisors for approval on June 12, 2018. Even though these are based from NIST 800-53 rev 4 many of the items are taken from the NIST documents used by the United States Environmental Protection Agency. County Administration has been working with the IT department to change the culture of our department's staff. There have been several meetings and processes put in place to help everyone understand the importance of a safe working environment when it comes to cyber security. Meetings are scheduled county-wide to move this to completion.

Information technology (IT) controls-access, configuration and change management, security, and contingency planning

Finding No.: 2018-05

Years finding initially occurred: FY 2014 (security, and configuration and change management), FY 2007 (access) and FY 2004 (contingency planning)

Status: Partially corrected

Response: Assign and periodically review

- a) Significant Systems – an annual review has been performed on our Microsoft Active Directory file for the past three years. New World access has also been reviewed each year and some modifications were made and justifications documented.

- b) Active Directory – an annual review was performed on our Microsoft Active Directory file and the issues identified by the Auditors have been corrected.
 - c) Active Directory – a review of AC-2 and the actual practice has been conducted and procedures have been changed and/or the documented procedures to coincide.
 - d) Database – a review of database accounts has been performed.
1. Remove terminated employees’ access to IT systems and data – procedure A-2 is being reviewed and changed to document any employee that leaves the County, yet the account needs to remain active.
 2. Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts – these accounts have been reviewed and a process has been created to handle any concerns.
 3. Enhance authentication requirements for IT systems –
 - a) Authentication – Industry standards suggests that changing passwords longer than 90 day is recommended if length and complexity for a password has been considered. Procedure is being aligned to meet these standards.
 - b) Active Directory – procedure and settings are now in sync.

Configuration and change management

1. Document and maintain evidence of the review and approval of proposed changes, testing of changes prior to implementation and results, and post-change review – change control form has been modified and IT staff meetings were held to ensure that proper procedures are followed.
2. Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved – change control form has been modified and IT staff meetings were held to ensure that proper procedures are followed.
3. Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes – we are reviewing the processes, procedures, and costs of tracking base configurations. We are not aware of how a change to any base configuration could impact financial reporting.

Information technology (IT) controls – security

1. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges – this procedure (AC-3) is being reviewed and processes are being set up to monitor the actions of privileged accounts within the systems.
2. Prepare and implement a security incident response plan clearly stating how to report and handle such incidents – expansion of IR-4 for Incident Response Procedure began toward the end of 2019 and will continue for the next few months. It will include cyber, election, and non-cyber events.

Status of federal award findings and questioned costs

Forest Service Schools and Roads Cluster

Finding No.: 2018-101

Year finding initially occurred: FY 2018

Status: Fully Corrected

