



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# Mohave County

Year Ended June 30, 2015

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**Debra K. Davenport**  
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



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Mohave County  
Single Audit Reporting Package  
Year Ended June 30, 2015

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Report Issued Separately

Annual Financial Report



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
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  
Mohave 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, business-type activities, each major fund, and aggregate remaining fund information of Mohave County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 6, 2016. Our report includes a reference to other auditors who audited the financial statements of the Self-Insured Trust Fund and Employee Benefits Trust Fund, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

**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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2015-01, 2015-02, 2015-03, and 2015-04 to be material weaknesses.

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 2015-05, 2015-06, and 2015-07 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Mohave County Response to Findings**

Mohave County's responses to the findings identified in our audit are presented on pages 27 through 31. The County's responses 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.

Jay Zsorey, CPA  
Financial Audit Director

May 6, 2016



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
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 OMB Circular A-133**

Members of the Arizona State Legislature

The Board of Supervisors of  
Mohave County, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited Mohave 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## ***Opinion on Each Major Federal Program***

In our opinion, Mohave 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, 2015.

## ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-101, 2015-102, 2015-103, and 2015-104. Our opinion on each major federal program is not modified with respect to these matters.

Mohave County's responses to the noncompliance findings identified in our audit are presented on pages 27 through 31. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

## **Report on Internal Control over Compliance**

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-102 and 2015-103 to be material weaknesses.

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 items 2015-101 and 2015-104 to be significant deficiencies.

Mohave County's responses to the internal control over compliance findings identified in our audit are presented on pages 27 through 31. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

### **Purpose of this Report**

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Mohave County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated May 6, 2016, that contained unmodified opinions on those financial statements. Our report also includes a reference to our reliance on other auditors. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records 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.

Jay Zsorey, CPA  
Financial Audit Director

May 12, 2016



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**Mohave County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
<b>Department of Agriculture</b>						
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ADE Contract ED09-0001	\$ 11,088	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ADE Contract ED09-0001	20,263	
	<i>Total Child Nutrition Cluster</i>				<u>31,351</u>	
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS14-053050	673,409	
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-03682-2, ADHS12-03682-3, ADHS12-030682-4	217,785	
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS12-010888-2, ADHS12-010888-4	6,452	
10 665	Schools and Roads—Grants to States	Forest Service and Roads Cluster			5,664	
	<b>Total Department of Agriculture</b>				<u>934,661</u>	
<b>Department of Housing and Urban Development</b>						
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				164,506	
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		Arizona Department of Housing	101-13, 126-13, 112-15, 114-15, 123-15	317,989	
	<i>Total 14.228</i>				<u>482,495</u>	
14 239	Home Investment Partnerships Program		Arizona Department of Housing	300-13,308-15	217,522	
14 241	Housing Opportunities for Persons with AIDS		Arizona Department of Housing	525-14,518-15	115,583	
14 267	Continuum of Care Program		Arizona Department of Housing	511-14, 527-14, 538-14, 539-14, 505-15, 535-15, 536-15	227,783	
14 871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster			1,715,306	
14 879	Mainstream Vouchers	Housing Voucher Cluster			271,048	
	<i>Total Housing Voucher Cluster</i>				<u>1,986,354</u>	
	<b>Total Department of Housing and Urban Development</b>				<u>3,029,737</u>	
<b>Department of the Interior</b>						
15 226	Payments in Lieu of Taxes				3,261,016	
15 524	Recreation Resources Management				24,486	
15 659	National Wildlife Refuge Fund				2,633	
	<b>Total Department of the Interior</b>				<u>3,288,135</u>	
<b>Department of Justice</b>						
16 unknown	U.S. Marshals Service District Fugitive Apprehension Task Force		Arizona Supreme Court, Arizona Office of the Court	MOU Order #DJMS-10-08-M-0088	3,018	
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth & Families, Division for Children	JB-CSG-14-4365-04	12,223	
16 540	Juvenile Justice and Delinquency Prevention—Allocation to States		Arizona Supreme Court	IGA KR13-0137	6,095	
16 543	Missing Children's Assistance		City of Phoenix Police Department	2012-MC-FX-K008	6,334	
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2012-291, 2012-292, 2012-293, 2013-248, 2013-249, 2013-250	123,419	
16 606	State Criminal Alien Assistance Program				7,306	

See accompanying notes to schedule.

**Mohave County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
16 738	Edward Byrne Memorial Justice Assistance Grant Program				12,441	
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-15-028	61,668	
	<i>Total 16.738</i>				74,109	
16 922	Equitable Sharing Program		Arizona Attorney General's Office	MOU-AG15-0020-MOU	388,301	
	<b>Total Department of Justice</b>				620,805	
<b>Department of Labor</b>						
17 207	Employment Service/Wagner-Peyser Funded Activities	Employment Service Cluster	Arizona Department of Economic Security	IGA - DE081154-001	4,083	
17 258	WIA Adult Program	WIA Cluster	Arizona Department of Economic Security	ADES14-052731, DE14-052731 A1	542,038	\$ 89,305
17 259	WIA Youth Activities	WIA Cluster	Arizona Department of Economic Security	ADES14-052731, DE14-052731 A1	406,468	79,352
17 278	WIA Dislocated Worker Formula Grants	WIA Cluster	Arizona Department of Economic Security	ADES14-052731, DE14-052731 A1	484,915	19,592
	<i>Total WIA Cluster</i>				1,433,421	188,249
17 267	Incentive Grants—WIA Section 503		Arizona Department of Economic Security	DE111010001-11	9,098	6,311
	<b>Total Department of Labor</b>				1,446,602	194,560
<b>Department of Transportation</b>						
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2014-AL-019, 2014-PT-015	18,060	
<b>Environmental Protection Agency</b>						
66 463	Water Quality Cooperative Agreements		Arizona Department of Environmental Quality	ADEQ GSC 2015 00002	2,978	
<b>Department of Education</b>						
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Supreme Court	IGA #KR13-0137	24,340	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Supreme Court	IGA #KR13-0137	43,018	
	<b>Total Department of Education</b>				67,358	
<b>Election Assistance Commission</b>						
90 401	Help America Vote Act Requirements Payments		Arizona Secretary of State	None	21,242	
<b>Department of Health and Human Services</b>						
93 045	Special Programs for the Aging—Title III, Part C—Nutrition Services	Aging Cluster	Western Arizona Council of Governments	#86-6000539-401-01-15	325,928	
93 053	Nutrition Services Incentive Program	Aging Cluster	Western Arizona Council of Governments	#86-6000539-401-01-15	48,849	
	<i>Total Aging Cluster</i>				374,777	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007892	231,455	
93 217	Family Planning—Services		Arizona Family Planning Council	6FPHPA096062	72,310	

See accompanying notes to schedule.

**Mohave County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041543	169,456	
93 505	Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program		Arizona Department of Health Services	ADHS13-041543	43,018	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	DE111148001	47,085	
93 667	Social Services Block Grant		Western Arizona Council of Governments	E86-6000539-401-01-15	25,448	
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS13-031197	68,560	
93 945	Assistance Programs for Chronic Disease Prevention and Control		Arizona Department of Health Services	ADHS14-065445	13,854	
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS13-036321	10,574	
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	HG854372-2	55,178	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS13-034542, ADHS12-021144, ADHS12-011468-6	93,597	
<b>Total Department of Health and Human Services</b>					<u>1,205,312</u>	
<b>Executive Office of the President</b>						
95 001	High Intensity Drug Trafficking Areas Program		City of Tucson Police Department	G14SA0007A	82,630	
<b>Department of Homeland Security</b>						
97 024	Emergency Food and Shelter National Board Program				2,061	
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2014-EP-000016	139,843	
97 045	Cooperating Technical Partners				316,918	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	130507-01, 130508-01, 130507-03	29,525	
<b>Total Department of Homeland Security</b>					<u>488,347</u>	
<b>Total expenditures of federal awards</b>					<u>\$ 11,205,867</u>	<u>\$ 194,560</u>

See accompanying notes to schedule.

Mohave County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes Mohave County's federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The amount reported on the Schedule for the National School Lunch Program (10.555) includes \$2,475 in noncash assistance.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word unknown were used.

Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unmodified

**Yes      No**

Internal control over financial reporting:

Material weaknesses identified?   X          

Significant deficiencies identified?   X          

Noncompliance material to the financial statements noted?           X  

***Federal Awards***

Internal control over major programs:

Material weaknesses identified?   X          

Significant deficiency identified?   X          

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?   X          

Identification of major programs:

<u><b>CFDA Number</b></u>	<u><b>Name of Federal Program or Cluster</b></u>
14.267	Continuum of Care Program
15.226	Payments in Lieu of Taxes
17.258/17.259/17.278	Workforce Investment Act (WIA) Cluster
93.045/93.053	Aging Cluster
93.268	Immunization Cooperative Agreements
97.045	Cooperating Technical Partners

Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Dollar threshold used to distinguish between Type A and Type B programs:	\$336,176	
	<b>Yes</b>	<b>No</b>
Auditee qualified as low-risk auditee?	<u>      </u>	<u>  X  </u>

***Other Matters***

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>  X  </u>	<u>      </u>
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Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Financial Statement Findings

**2015-01**

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**The County should strengthen policies and procedures over its financial statement preparation**

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Criteria: The County should have policies and procedures to help ensure that it prepares accurate and complete financial statements in accordance with U.S. generally accepted accounting principles (GAAP). In addition, the County must issue accurate and timely financial statements to satisfy the audit requirements imposed by federal and state laws and regulations, grants, contracts, and long-term debt covenants.

Condition and context: The County did not have written policies and procedures over its financial statement preparation process, and did not have an adequate process for compiling its financial information to ensure that its financial statements were accurate and complete. Consequently, the County's financial statements and note disclosures were issued late and contained several misstatements that ranged from clerical and mathematical errors to noncompliance with financial reporting requirements. Specifically, auditors noted:

- Restricted and unrestricted net position of the governmental and business-type activities were misclassified by approximately \$8.9 million and \$183,300, respectively.
- The net pension liability and related amounts totaling \$6.1 million were not allocated to the proprietary funds.
- Capital assets were overstated by approximately \$1.6 million for buildings that were vacated by the County because of damage or insufficient capacity.
- Revenues in the Road Fund and Flood Control Fund were misclassified by approximately \$437,900 and \$257,800, respectively.
- Disclosures for restricted assets were misstated by \$600,900.
- Various inaccurate or misclassified amounts in the governmental and business-type activities' Statement of Net Position and Statement of Activities, as well as in the proprietary funds' Statement of Cash Flows.

Effect: The County's financial statements and note disclosures were not initially accurate and complete or prepared in accordance with GAAP. The County made the necessary adjustments to correct the most significant errors related to this finding. In addition, the County's financial statements were not issued in time to meet the Single Audit reporting deadline of March 31, 2016. The County did not issue its Single Audit Reporting Package until May 2016.

Cause: The County did not have comprehensive written policies and procedures or sufficient resources to help ensure that it prepared financial statements that were accurate, complete, and in accordance with GAAP.

Recommendation: To help ensure that its financial statements are accurate, complete, follow GAAP, and are issued in time to meet the Single Audit Reporting requirements, the County should:



Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

- Develop comprehensive written policies and procedures over financial statement preparation, including instructions for closing the general ledger at fiscal year-end, instructions for preparing common year-end financial statement adjustments, and a detailed process for supervisory review over the preparation of draft financial statements, supporting schedules, and note disclosures. These procedures should also include detailed instructions for obtaining information from the accounting system, preparing supporting schedules, and documenting and reviewing adjustments necessary for preparing its financial statements.
- Dedicate appropriate resources, assign employees specific responsibilities, and establish completion dates.

This finding is similar to prior-year finding 2014-01.

## **2015-02**

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### **The County should improve security over its information technology resources**

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Criteria: To effectively maintain and secure financial and sensitive information, the County should establish internal control policies and procedures that include practices to help prevent, detect, and respond to instances of unauthorized access or use, manipulation, damage, or loss to its information technology (IT) resources that are based on acceptable IT industry practices. The County's IT resources include its systems, network, infrastructure, and data.

Condition and context: The County did not have documented policies and procedures and processes in place to:

- Identify and categorize data by sensitivity and take appropriate action to protect sensitive information.
- Proactively log and monitor key user and system security activity. While the County has a process for logging activity for certain systems, the process was not formally documented, and logs were not reviewed on a proactive basis.
- Manage remote access security risks for both the County's network and individual users. Remote access allows users to access network resources from locations other than county buildings.
- Require appropriate security measures for employee-owned electronic devices with access to the County's network.
- Manage the installation of software on employee workstations.
- Establish a process to identify and respond to security incidents.
- Have a continual process to identify, prioritize, and remediate vulnerabilities in its IT resources.
- Provide continuous training to keep IT personnel up to date on IT security risks, controls, and practices. In addition, the County did not have a security awareness program for its employees, nor did it have a training program to help ensure all employees were familiar with the County's IT security policies and procedures.
- Have a policy and process for protecting digital and non-digital media.

Effect: There is an increased risk that the County may not prevent or detect unauthorized access or use, manipulation, damage, or loss to its IT resources.

Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Cause: The County did not have documented policies and procedures and processes for several areas related to IT security and management and needs to evaluate its policies and procedures against current IT standards and best practices. Further, the County has a small IT department with no one specifically dedicated to oversee information security on a county-wide basis.

Recommendation: To help ensure that the County is able to effectively maintain and secure its IT resources, the County should ensure that its policies and procedures over securing its IT resources are documented in writing, implemented, and include the following:

- Identifying, categorizing, and inventorying sensitive information and developing security measures to protect it, such as implementing controls to prevent unauthorized access to the information. The County's policies and procedures should include the security categories into which information should be classified as well as the state statutes and federal regulations that impact those categories.
- Performing proactive logging and log monitoring of key activities. Examples of key activities include remote and unauthorized access; server room access; key user and system activity, particularly users with administrative access privileges; wireless activity, including wireless access points not belonging to the County; and other activities that could result in potential security incidents such as unauthorized access. The County should determine what events to log, configure the system to generate the logs, and decide how often to monitor these logs for indicators of potential attacks or misuse of IT resources. Also, policies and procedures should include a process for tracking and reviewing the activities of users with administrative access privileges for all critical systems and databases, and maintaining activity logs where users with administrative access privileges cannot alter them.
- Managing remote access by requiring that security controls be utilized for all remote access. These controls should include the appropriate configuration of security settings, such as configuration/connection requirements; the use of encryption to protect the confidentiality and integrity of remote sessions; the routing of all remote access through a secure channel; the approval of administrative access privileges; remote access only for purposes defined, documented, and justified in the County's remote access policy; and the ability to quickly disconnect or disable remote access. In addition, remote access should be actively monitored to detect cyber-attacks and ensure compliance with remote access policies.
- Managing employee-owned electronic devices connecting to the network, including specifying the data appropriate to access; inventorying devices; establishing controls to support wiping data; requiring security features, such as passwords, antivirus controls, and software updates; and restricting the running of unauthorized software applications while on the County's network.
- Managing software installed on employee computer workstations. Policies and procedures should address what software is appropriate and the process for requesting, approving, installing, monitoring, and removing software on employee computer workstations.
- Establishing and documenting a process to identify and respond to security incidents. This process should include developing and testing an incident response plan and training staff responsible for the plan. The plan should define reportable incidents and address steps on how to identify and handle incidents that include preparation, detection and analysis, containment, eradication, and recovery. The plan should also coordinate incident-handling activities with contingency-planning activities, and incorporate lessons learned from ongoing incident-handling into the incident response procedures. The

Mohave County  
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incident response plan should be distributed to incident response personnel and updated, as necessary. Suspected incidents should be reported to incident response personnel so incidents can be tracked and documented. The County should also ensure these policies and procedures follow regulatory and statutory requirements, provide a mechanism for assisting users in handling and reporting security incidents, and include making disclosures to affected individuals and appropriate authorities should an incident occur.

- Developing a continual process to identify vulnerabilities that includes performing vulnerability scans on a periodic basis and utilizing tools and techniques to automate parts of the process by using standards to reveal software flaws and improper configuration, formatting procedures to test for the presence of vulnerabilities, and measuring the impact of identified vulnerabilities. In addition, the County should analyze vulnerability reports and results, and prioritize and remediate legitimate vulnerabilities as appropriate.
- Developing a plan to provide continuous training on IT security risks, controls, and practices for the County's IT personnel. In addition, the County should develop a security awareness training program for all employees that provides a basic understanding of information security, user actions to maintain security, and how to recognize and report potential indicators of security threats, including threats generated by other county employees. Such training should be provided for new users and on an ongoing basis as determined by the County.
- Developing media protection policies and procedures to restrict access to media containing data the County, federal regulation, and state statute identify as sensitive or restricted. Such policies and procedures should require that the County appropriately mark media indicating the distribution limitations and handling criteria for data included on the media. In addition, the County should physically control and secure such media until it can destroy or sanitize it using sanitization mechanisms with the strength and integrity consistent with the information's security classification.

This finding is similar to prior-year finding 2014-05.

## 2015-03

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### **The County should improve access controls over its information technology resources**

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Criteria: The County should have effective internal control policies and procedures to control access to its information technology (IT) resources, which include its systems, network, infrastructure, and data.

Condition and context: The County did not have adequate policies and procedures in place to limit logical and physical access to its IT resources. Specifically, the County did not:

- Perform periodic reviews of users' logical and physical access privileges and accounts to ensure user access was needed and compatible with employees' job responsibilities. Further, the County did not have policies and a process for standardizing user access role descriptions that are based on employee job responsibilities.
- Document all requests and approvals of access granted to its network and systems.
- Evaluate the appropriateness of remote user access rights, which allow users to access its network from locations other than county buildings.
- Ensure that administrator and generic user accounts are appropriately limited.

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- Monitor logs of users' activities, especially those with elevated system access.
- Require that sufficient password and login controls be used for all key systems.
- Restrict and protect sensitive information.

Effect: There is an increased risk that the County may not prevent or detect unauthorized access or use, manipulation, damage, or loss of IT resources, including sensitive and confidential information.

Cause: Various departments operate the County's IT systems. Further, the County has a small IT department with no one dedicated to provide oversight of the County's IT resources and ensure that policies and procedures are documented and evaluated against IT standards and best practices.

Recommendation: To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT systems, the County should establish, document, and implement effective policies and procedures that include the following:

- Performing a periodic, comprehensive review of all existing employees' logical and physical access to the County's IT resources to help ensure that access granted is needed and compatible with users' job responsibilities.
- Documenting all requests and approvals of access granted to its network and systems. Policies and procedures should include a process for standardizing user access role descriptions that are based on employee job responsibilities.
- Reviewing remote access rights to determine if the access is necessary and appropriate.
- Reviewing all administrator and generic user accounts on the network and systems to eliminate or minimize their use where possible.
- Reviewing and monitoring the key activity of users and those with elevated access for propriety.
- Strengthening network password policies and login controls, such as requiring users to change passwords on a periodic basis and developing a reasonable account lockout threshold for incorrect password attempts.
- Restricting and protecting sensitive information auditors identified.

This finding is similar to prior-year finding 2014-06.

## 2015-04

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### **The County should improve its information technology change management processes**

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Criteria: The County should have adequate change management internal control policies and procedures to track and document changes made to its information technology (IT) resources, which include its systems, network, infrastructure, and data.

Condition and context: While the County had a process for making changes to at least one of its IT systems, there was no standardized processes that it followed for making changes to its other IT resources. The County did not have policies and procedures or processes for ensuring that all changes to its IT resources were properly documented, authorized, reviewed and tested, and approved. Specifically, the County did not:

Mohave County  
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- Develop written policies and procedures for documenting, tracking, and making changes to its IT resources, including systems maintained by departments, infrastructure configuration changes, and changes to systems for which software patches and updates are made by third parties.
- Document all change details, including change requests, security impact analysis, test procedures and test results, and approvals for each change.
- Incorporate rollback procedures to reverse changes that do not go as planned.
- Separate responsibilities for developing and implementing changes from the responsibilities of authorizing, reviewing, testing, and approving changes for implementation.
- Prohibit employees from making changes that bypass the change management process.
- Have a process for reviewing all changes that were implemented to help detect unauthorized, inappropriate, or unintended changes.
- Use dummy data when testing changes.

Effect: There is an increased risk that changes to the County's IT resources could be unauthorized or inappropriate, or could have unintended results without proper documentation, authorization, review, testing, and approval prior to being applied.

Cause: Various departments operate the County's IT resources. Further, the County has a small IT department with no one dedicated to provide oversight of the County's IT resources and ensure that policies and procedures are documented and evaluated against IT standards and best practices.

Recommendation: To help prevent and detect unauthorized, inappropriate, and unintended changes to its IT resources, the County should establish written policies and procedures for managing changes and improve its change management processes by:

- Establishing a change management process for each type of change, including emergency changes, changes made by third parties, and changes exempt from the change management process.
- Ensuring all changes follow the change management process and are appropriately documented.
- Reviewing proposed changes to determine appropriateness and justification, considering the security impact for the change.
- Logging, documenting, and retaining records of all change details, including test procedures, results, security impact analysis, and approvals.
- Retaining necessary documentation to support reversing changes that negatively impact IT resources.
- Testing changes, including performing a security impact analysis before implementing the change.
- Defining and enforcing access restrictions by separating duties where appropriate for changes to information systems.
- Approving the change at each appropriate phase of the change management process and documenting the approvals.
- Reviewing changes that were implemented to confirm they were implemented as approved, and followed the change management process.
- Using dummy data when testing changes to avoid unnecessary access and duplication of sensitive information often included in live data.

This finding is similar to prior-year finding 2014-07.

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**2015-05**

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**The County should improve its backup and recovery controls for its information technology resources**

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Criteria: It is critical that the County have a comprehensive up-to-date disaster recovery plan and data backup policies and procedures in place to provide for the continuity of operations and to ensure that vital information technology (IT) resources, which include its systems, network, infrastructure, and data, can be recovered in the event of a disaster, system or equipment failure, or other system interruption.

Condition and context: The County had some backup and recovery processes in place for some of its IT resources, but did not:

- Establish documented policies and procedures for backing up and recovering all critical IT resources, including the County's responsibilities related to those systems maintained by third parties, and for performing periodic tests of its disaster recovery plans.
- Develop an overall disaster recovery plan based on a business impact analysis the County conducted and the disaster recovery plans of all critical IT systems.
- Maintain up-to-date disaster recovery plans, including lists of key personnel assigned to disaster recovery teams and their emergency contact information and any changes resulting from plan tests.
- Perform inventory procedures for backup data, ensuring that it is secured, encrypted, and tested for recovery on a periodic basis.

Effect: The County risks not being able to provide for the continuity of operations and recover vital IT resources and data and conduct daily operations in the event of a disaster, system or equipment failure, or other interruption, which could cause inaccurate or incomplete system information and data and expensive recovery efforts.

Cause: Various departments operate the County's IT systems. Further, the County has a small IT department with no one dedicated to provide oversight of the County's IT resources and ensure that policies and procedures are documented and evaluated against IT standards and best practices.

Recommendation: To help ensure the continuity of the County's operations in the event of a disaster, system or equipment failure, or other interruption, the County should:

- Develop documented policies and procedures for backing up and recovering all critical IT resources, including the County's responsibilities related to those systems maintained by third parties, and for performing periodic tests of its disaster recovery plans.
- Conduct a business impact analysis to evaluate the impact disasters could have on its critical business processes. The business-impact analysis should identify the County's critical business functions and prioritize the resumption of these services within a time frame acceptable to the County in the event of contingency-plan activation. The results of this business-impact analysis should be considered in developing the County's overall disaster recovery plan.

Mohave County  
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- Develop an overall disaster recovery plan and ensure that the disaster recovery plan and any system-specific disaster recovery plans are updated when changes are made to the IT resources and at least annually and that plans address how to communicate the changes to key personnel. Plans should include essential business functions and associated contingency requirements; recovery objectives, restoration priorities, and metrics; contingency roles and responsibilities and assigned individuals with contact information; identification of critical information assets, and processes for migrating to the alternative processing site; processes for eventual system recovery and reconstitution to return the IT resources to a fully operational state and ensure all transactions have been recovered; and review and approval by appropriate personnel. Disaster recovery plans should also be coordinated with incident-handling activities and stored in a secure location, accessible to those who need to use it, and protected from unauthorized disclosure or modification.
- Develop a process to perform regularly scheduled tests of the disaster recovery plan and document the tests performed and results. This process should include updating and testing the disaster recovery plan at least annually or as changes necessitate, and coordinate testing with other county plans such as its continuity of operation, cyber incident response, and emergency response plans. Plan testing may include actual tests, simulations, or table top discussions and should be comprehensive enough to evaluate whether the plan can be successfully carried out. Test results should also be used to update or change the plan.
- Establish and document policies and procedures for testing backups of IT systems and data to help ensure that the County could recover them in the event that they are needed. Policies and procedures should require data backups to be protected and stored in an alternative site with security equivalent to the primary storage site. Backups should include user-level information, system-level information, and system documentation, including security-related documentation. In addition, critical information system software and security-related information should be maintained at an alternative site or stored in a fire-rated container.
- Develop and implement an ongoing training schedule for staff responsible for implementing the plan. In addition, ensure training provided is specific to the user's assigned roles and responsibilities, and provide users updates when changes are made to the plans.

This finding is similar to a prior-year finding 2014-08

## **2015-06**

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### **The County should improve its monthly bank reconciliation process**

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Criteria: The County should maintain effective internal control policies and procedures over its bank accounts. Specifically, the County should ensure that monthly bank reconciliations are performed by someone who is independent of cash receipting, disbursing, and recording responsibilities and that the reconciliations are reviewed by someone independent of the preparer. In addition, the County should assign a responsible official to receive all monthly bank statements, and have a documented process in place for assigning employees custody to bank accounts and opening and closing bank accounts.

Mohave County  
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Condition and context: The County did not have adequate policies and procedures for monitoring and reconciling all of its bank accounts. Specifically, the County had a bank account with one employee who had sole custody as the only signer on the account and who left the County's employment. As a result, the County was unable to obtain monthly bank statements, perform the monthly reconciliations, and close the account for 6 months after the employee left the County. In addition, the County did not always perform monthly reconciliations of other county bank accounts in a timely manner, resulting in an overstatement of \$243,700 for cash balances and charges for services revenues in the other enterprise funds because of an undetected error.

Effect: There is an increased risk that the County's financial statements and related note disclosures could be misstated. Also, there is an increased risk that county monies could be stolen, misappropriated, or lost that may not be prevented or detected. The financial statements were adjusted for all significant errors related to this finding.

Cause: The County had adequate processes in place over its main servicing and operating bank accounts, but lacked written policies and procedures for monitoring, reconciling, and opening and closing other county bank accounts. In addition, the County did not adequately separate duties over bank accounts.

Recommendation: To help ensure that its financial statements and related note disclosures are correctly stated and that county monies are not at risk of being stolen, misappropriated, or lost, the County should:

- Develop written policies and procedures over bank accounts. Policies and procedures should direct county departments on the process to follow for opening and closing bank accounts. In addition, the County should properly separate duties and require that at least two people be assigned custody and authorized signers for each county bank account so that no one person has sole control over any bank account. Also, policies and procedures should require that bank accounts be reconciled on a monthly basis, performed in a timely manner, and reviewed by someone who is independent of preparing the bank reconciliation. Further, any discrepancies or unreconciled differences between the bank balance and the County's records should be investigated and resolved.
- Assign a responsible county official to monitor all county bank accounts. This person should receive and review all monthly bank statements.

## **2015-07**

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### **The County should improve controls over cash receipts**

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Criteria: The County should establish and maintain effective internal control policies and procedures over cash receipts and ensure that employee responsibilities are adequately separated to help prevent cash receipts from theft, misappropriation, or loss.

Condition and context: The County did not always have adequate internal control policies and procedures in place over cash receipts. Specifically, the County's finance department received approximately \$2.3 million in cash receipts in the form of checks through the mail. However, only one employee was responsible for opening the mail, compiling the cash receipts list, and preparing the deposit. Further, the cash receipts list and deposit form were not reviewed and approved by a supervisor prior to or after the monies were deposited.



Mohave County  
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Effect: There is an increased risk of theft, misappropriation, or loss of county monies that the County may not prevent or detect.

Cause: The County did not have written policies and procedures to appropriately separate employee responsibilities over cash receipts, such as opening the mail, recording cash receipts, and reviewing and approving deposits.

Recommendation: To help ensure that cash receipts are not at risk of being stolen, misappropriated, or lost, the County should develop policies and procedures to appropriately separate employee responsibilities over cash receipts. Specifically, the County should:

- Develop written policies and procedures for collecting, recording, and depositing cash receipts.
- Require two employees be present when the mail is opened, prepare a daily list of all cash receipts that are received through the mail, and sign and date the cash receipts list to evidence all checks received were entered.
- Restrictively endorse all checks immediately upon receipt.
- Assign a supervisor or other employee who is independent of this process to review the cash receipts list on a daily basis and prepare the deposit.
- Require deposits to be reviewed and approved prior to processing, and verified again by a supervisor after deposits are made.

Mohave County  
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Federal Award Findings and Questioned Costs

**2015-101**

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<b>CFDA No. and Name:</b>	Not Applicable
<b>Questioned Costs:</b>	N/A

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Criteria: In accordance with the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.300, the County is required to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received, and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA). The SEFA should report federal award expenditures in accordance with OMB Circular A-133, §.205.

Condition and context: The County did not identify and record federal award expenditures separately from nonfederal expenditures in its accounting system, in accordance with OMB Circular A-133, §.300. The County was able to identify federal awards received in its accounting system and estimate its federal award expenditures. However, auditors were unable to verify major federal programs until the County prepared additional schedules supporting the federal award expenditures reported on the SEFA. Specifically, auditors noted that for several major and nonmajor federal programs, federal award expenditures were commingled with those from other sources, such as program income and state and local matching contributions.

Effect: The County did not comply with OMB Circular A-133. Auditors were able to perform auditing procedures to determine that the County's SEFA was reasonably accurate and complete.

Cause: The County did not have effective policies and procedures in place to ensure that all federal and non-federal monies were identifiable in its accounting system and accurately reported on the SEFA.

Recommendation: To help ensure that its SEFA is accurate and complete and prepared in compliance with OMB Circular A-133, the County should develop and implement policies and procedures that include a process of identifying federal award expenditures separately from expenditures of nonfederal sources, such as program income and matching contributions. Policies and procedures should address the process for compiling the SEFA and accompanying note disclosures.

This finding is similar to prior-year finding 2014-101.

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Year Ended June 30, 2015

**2015-102**

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<b>Cluster Name:</b>	<b>WIA Cluster</b>
<b>CFDA Nos. and Names:</b>	17.258 <b>WIA Adult Program</b> 17.259 <b>WIA Youth Activities</b> 17.278 <b>WIA Dislocated Worker Formula Grants</b>
<b>Award Numbers and Years:</b>	ADES14-052731; 2013, 2014, 2015, 2016, 2017, 2018 DE14-052731; 2013, 2014, 2015 DE14-052731 A1; 2014, 2015, 2016
<b>Federal Agency:</b>	<b>Department of Labor</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Economic Security
<b>Compliance Requirement:</b>	Earmarking
<b>Questioned Costs:</b>	Unknown

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Criteria: In accordance with 20 Code of Federal Regulations (CFR) §664.320(a), the County is required to expend 30 percent of the Youth Activities program monies allocated to the local areas under the Workforce Investment Act on services related to out-of-school youth.

Condition and context: The County did not have adequate procedures to identify and record expenditures related services to out-of-school youth and did not maintain supporting documentation evidencing that the earmarking requirement was met.

Effect: The County may not have met the Youth Activities program's minimum 30 percent earmarking requirement for providing services to out-of-school youth. Auditors were able to extend auditing procedures to determine that the County spent nearly \$52,946 of its required \$121,940 earmarking expenditures for services related to out-of-school youth; however, it was not practical to extend auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

Cause: The County did not have adequate policies and procedures to identify and record expenditures for providing services to out-of-school youth.

Recommendation: To help ensure that it complies with 20 CFR §664.320(a), the County should establish and implement policies and procedures to identify and record Youth Activities program expenditures for providing services to out-of-school youth and maintain documentation supporting that it met the earmarking requirement.

This finding is similar to prior-year finding 2014-102.

Mohave County  
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**2015-103**

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<b>CFDA No. and Name:</b>	97.045 <b>Cooperating Technical Partners</b>
<b>Award Numbers and Years:</b>	EMW-2014-CA-00030-S01; 2015, 2016, 2017 EMF-2012-GR-1212; 2013, 2014, 2015
<b>Federal Agency:</b>	<b>Department of Homeland Security</b>
<b>Compliance requirements:</b>	Suspension and Debarment
<b>Questioned Costs:</b>	None

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Criteria: As required by 2 CFR §180.300, the County should verify that subawards and contracts with vendors for goods and services costing more than \$25,000 are not awarded to parties who have been suspended or debarred from doing business with the federal government.

Condition and context: The County did not verify that vendors awarded contracts for goods and services costing more than \$25,000 were not suspended or debarred prior to making payments or awarding contracts to vendors using federal monies. Specifically, the County paid approximately \$316,918, which comprised 100 percent of the program's total expenditures, to two vendors during the year without ensuring that the vendors were not suspended or debarred.

Effect: The County did not comply with the program's requirements for suspension and debarment. Also, there is an increased risk that the County could make payments or award contracts to suspended or debarred parties. However, auditors were able to perform auditing procedures to verify that no program payments or awards were made to suspended or debarred parties.

Cause: The County did not have effective policies and procedures over its procurement process to verify that vendors have not been suspended or debarred.

Recommendation: To help ensure that it complies with the program's requirements for suspension and debarment, the County should establish written policies and procedures to verify that vendors have not been suspended or debarred prior to making payments and awarding contracts of \$25,000 or more using federal monies. The verification may be accomplished by checking the federal government's System for Award Management Web site, and by obtaining a certification from vendors or adding a clause or condition to vendor contracts to stipulate that vendors have not been suspended or debarred.

Mohave County  
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**2015-104**

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<b>CFDA No. and Name:</b>	Not Applicable
<b>Questioned Costs:</b>	N/A

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Criteria: OMB Circular A-133, §.320, requires the County to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end.

Condition and context: The federal reporting deadline for the County's 2015 Single Audit Reporting Package was March 31, 2016. However, the County did not issue its Single Audit Reporting Package until May 2016.

Effect: The County did not comply with OMB Circular A-133, §.320. The late submission results in noncompliance for all federal programs the County administered.

Cause: As discussed in item 2015-01, the County lacked comprehensive internal control policies and procedures needed to prepare accurate financial statements and issue them in a timely manner.

Recommendation: The County should improve its financial reporting process so that it can submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end.

# MOHAVE COUNTY FINANCIAL SERVICES

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Coral A. Loyd  
Financial Services Director

700 West Beale Street, 3<sup>rd</sup> Floor  
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May 12, 2016

Ms. Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> Street, Ste. 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by *Government Auditing Standards* and by the U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the name of the contact person(s) responsible for the corrective action planned and the anticipated completion date for each finding included in the Schedule of Findings and Questioned Costs.

Sincerely,

Coral A. Loyd  
Financial Services Director

## Financial Statement Findings

### **2015-01**

The County should strengthen policies and procedures over its financial statement preparation.

Contact Person(s): Diane Melendez and Brenda DeHaan

Anticipated completion date: June 30, 2017

Concur. The Financial Services Department will formalize policies and procedures over financial statement preparations. These will include instructions for obtaining information from the accounting system and preparing supporting schedules, and documenting and reviewing adjustments necessary for preparing the financial statements, as well as dedicate necessary resources to ensure financial statements and applicable single audit documents are compiled and issued in a timely manner.

### **2015-02**

The County needs to improve security over its information technology resources.

Contact Person(s): Nathan McDaniel

Anticipated completion date: June 30, 2017

Concur. The Information Technology Department will formalize their policies and more fully document security controls and practices in place by preparing written policies and procedures that reflect methods used to secure the county's information technology resources.

### **2015-03**

The County should improve access controls over its information technology resources.

Contact Person(s): Nathan McDaniel

Anticipated completion date: June 30, 2017

Concur. The Information Technology Department will more fully document procedures followed to ensure proper access controls over the county's information technology resources. This will include written procedures for the approval and removal of user access granted to IT systems, restriction of access to the data center, restriction of access to sensitive information, and other access control procedures.

### **2015-04**

The County should improve IT change-management processes.

Contact Person(s): Nathan McDaniel

Anticipated completion date: June 30, 2017

Concur. The IT Department is in the process of documenting its critical systems to help prevent and detect unauthorized or unintended changes to its IT resources. This documentation is planned to be the "Essential Records" for the department on the critical systems of the county.

**2015-05**

The County needs to improve its disaster recovery plan for its information technology resources.

Contact Person(s): Nathan McDaniel

Anticipated completion date: June 30, 2017

Concur. The Information Technology Department is currently developing a county-wide policy and procedure and procuring required equipment to finalize the network, server, and storage infrastructure required in order to achieve data center level fault tolerance. Once the equipment is installed, IT will be able to achieve the hardware configuration desired for the basis of the documented Disaster Recovery Plan.

**2015-06**

The County should improve its monthly bank reconciliation process.

Contact Person(s): Diane Melendez and Brenda DeHaan

Anticipated completion date: June 30, 2017

Concur. The financial policies and procedures will be expanded to provide greater detail for County departments and elected officials on the process for opening and closing bank accounts. The procedures will include requirements for timely completion of monthly bank reconciliations that will be reviewed by someone independent of the preparer to ensure segregation of duties.

**2015-07**

The County should improve controls over cash receipts.

Contact Person(s): Diane Melendez and Brenda DeHaan

Anticipated completion date: June 30, 2017

Concur. The financial policies and procedures will include processes to separate responsibilities over cash receipts, including the recording and depositing of receipts. It will require a supervisor or other employee who is independent of this process to review and approve the documents for accuracy and completeness. In addition to requiring deposits be reviewed and approved prior to processing, deposits will be verified again by a supervisor after deposits are made.



## Federal Award Findings and Questioned Costs

### **2015-101**

CFDA No.: Not applicable

The County should develop and implement policies and procedures that include a process of identifying federal award expenditures separately from expenditures of nonfederal sources.

Name(s) of contact person(s): Terri Bryant and Diane Melendez

Anticipated completion date: June 30, 2017

Concur. The County will develop procedures to identify federal award expenditures separately from expenditures of nonfederal sources, such as program income and matching contributions. Procedures will address the process for compiling the SEFA and accompanying note disclosures.

### **2015-102**

CFDA No. 17.259 WIA Youth Activities

The County should have adequate policies and procedures to identify and ensure earmarked expenditures for out-of-school youth services are met.

Name(s) of contact person(s): Jen Miles and Christina Register

Anticipated completion date: New procedure implemented on July 1, 2015

Concur. The County has completed a database that tracks all expenditures for program participants. This database identifies characteristics such as out-of-school youth (OSY) and in-school youth (ISY) which results in the ability to reconcile the funding and ensure award funding is used as earmarked.

### **2015-103**

CFDA No. 97.045 Cooperating Technical Partners

The County should modify its policies and procedures to expand and retain documentation that vendor's contracts, upon renewal, do not appear on the federal government's list of debarred or suspended parties on the System for Award Management website.

Name(s) of contact person(s): Annie Fruhwirth

Anticipated completion date: Completed

Concur. The County procurement policy has been modified to include procedures to re-verify the suspension and debarment status of those vendors whose contracts of \$25,000 or more are being renewed.

**2015-104**

CFDA No. Not applicable

The County should improve its financial reporting process so that it can submit its Single Audit Reporting Package in a timely manner in order to meet audit reporting and filing requirements.

Name(s) of contact person(s): Diane Melendez

Anticipated completion date: June 30, 2017

Concur. The County will improve upon its comprehensive internal control policies and procedures as well as dedicate necessary resources to ensure financial statements and applicable single audit documents are compiled and issued in a timely manner.

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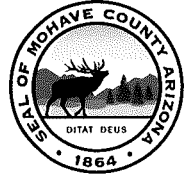
# MOHAVE COUNTY FINANCIAL SERVICES

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May 12, 2016

Debbie Davenport  
Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards.

Sincerely,

Coral A. Loyd  
Financial Services Director

Mohave County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2015

Status of Prior Federal Award Findings and Questioned Costs

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CFDA No.: Not Applicable  
Finding No.: 2014-101  
Status: Not Corrected

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The County is in the process of identifying and separating federal award expenditures from nonfederal expenditures to be in compliance with OMB Circular A-133 (2 CFR 200 (Subpart F)).

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CFDA No.: 17.258 **WIA Adult Program**  
17.259 **WIA Youth Activities**  
17.278 **WIA Dislocated Worker Formula Grants**  
Finding No: 2014-102  
Status: Not Corrected

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The County did not have adequate procedures to identify and record expenditures related to out-of-school youth and did not maintain supporting documentation evidencing that the earmarking requirement was met. As a result, auditors were unable to verify that at least 30 percent of Youth Activities program expenditures were for services for out-of-school youth. Corrective procedures were implemented in FY2016.

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CFDA No.: 14.267 **Continuum of Care Program**  
Finding No.: 2014-103  
Status: Fully Corrected

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CFDA No.: 93.045 **Special Programs for the Aging –Title III, Part C-Nutrition Services**  
93.053 **Nutrition Services Incentive Program**  
Finding No.: 2014-104  
Status: Fully Corrected

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CFDA No.: 93.045 **Special Programs for the Aging –Title III, Part C-Nutrition Services**  
93.053 **Nutrition Services Incentive Program**  
Finding No.: 2014-105  
Status: Fully Corrected

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