

Mohave County, Arizona
SINGLE AUDIT REPORTING PACKAGE
Year Ended June 30, 2017

Mohave County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2017
Table of Contents

Single Audit Reports

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*.....1-2

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.....3-5

Schedule of Expenditures of Federal Awards.....6-8

Notes to Schedule of Expenditures of Federal Awards.....9

Schedule of Findings and Questioned Costs.....10-14

Corrective Action Plan

Summary Schedule of Prior Audit Findings

Report Issued Separately

Annual Financial Report



**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***

The Auditor General of the State of Arizona

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 23, 2018.

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 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 2017-001 and 2017-002 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2017-003 to be a significant deficiency.

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's Response to Findings

Mohave 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'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.

Fester & Chapman, PLLC

April 23, 2018



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

The Auditor General of the State of Arizona

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, 2017. 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, 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, 2017.

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 items 2017-101 and 2017-102. 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.

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-101 and 2017-102, that we consider to be significant deficiencies.

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

Mohave County's Response to Findings

Mohave 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'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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 23, 2018, 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 auditing standards generally accepted in the United States of America. 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.

Fester & Chapman, PLLC

April 23, 2018

Mohave County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ADE Contract 0001	\$ 7,111	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ADE Contract 0001		11,204
10 555	National School Lunch Program (Non cash)	Child Nutrition Cluster	Arizona Department of Education	ADE Contract 0001		976
	<i>Total 10.555</i>					<u>12,180</u>
	<i>Total Child Nutrition Cluster</i>					19,291
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS14-053050		617,256
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS 12-030682, ADHS16-105573		122,493
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS12-010888		5,275
10 665	Schools and Roads - Grants to States	Forest Service Schools and Roads Cluster	Arizona State Treasurer			235
	Total Department of Agriculture					<u>764,550</u>
Department of Housing and Urban Development						
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		Arizona Department of Housing	112-15, 114-15, 123-15, 102-17		286,474
14 239	Home Investment Partnerships Program		Arizona Department of Housing	308-15, 303-16		270,035
14 241	Housing Opportunities for Persons with AIDS		Arizona Department of Housing	509-16, 522-16, 524-17		113,308
14 267	Continuum of Care Program		Arizona Department of Housing	520-16, 500-17, 544-17, 546-17		234,782
14 871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster				2,014,064
14 879	Mainstream Vouchers	Housing Voucher Cluster				265,180
	<i>Total Housing Voucher Cluster</i>					<u>2,279,244</u>
	Total Department of Housing and Urban Development					<u>3,183,843</u>
Department of the Interior						
15 226	Payments in Lieu of Taxes					3,664,090
15 228	BLM Wildland Urban Interface Community Fire Assistance		Arizona Department of Forestry	WFHF-15B-312		16,366
15 659	National Wildlife Refuge Fund					3,156
	Total Department of the Interior					<u>3,683,612</u>
Department of Justice						
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2015-419, 2015-420, 2015-421, 2015-422		135,453
16 606	State Criminal Alien Assistance Program					2,783
16 738	Edward Byrne Memorial Justice Assistance Grant Program					12,210
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-17-028		61,470
	<i>Total 16.738</i>					<u>73,680</u>
	Total Department of Justice					<u>211,916</u>

See accompanying notes to schedule

Mohave County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Department of Labor						
17 207	Employment Service/Wagner-Peyser Funded Activities	Employment Service Cluster	Arizona Department of Economic Security	IGA - DE081154-001	4,196	
17 258	WIA/WIOA Adult Program	WIOA Cluster	Arizona Department of Economic Security	DI16-002116	572,309	94,986
17 259	WIA/WIOA Youth Activities	WIOA Cluster	Arizona Department of Economic Security	DI16-002116	749,004	89,449
17 278	WIA/WIOA Dislocated Worker Formula Grants	WIOA Cluster	Arizona Department of Economic Security	DI16-002116	415,112	15,609
	<i>Total WIOA Cluster</i>				<u>1,736,425</u>	<u>200,044</u>
17 281	WIOA Dislocated Worker National Reserve Technical Assistance and Training		Arizona Department of Economic Security	DI16-002116	3,047	
	Total Department of Labor				<u>1,743,668</u>	<u>200,044</u>
Environmental Protection Agency						
66 463	Water Quality Cooperative Agreements		Arizona Department of Environmental Quality	ADEQ GSC 2015 00002	4,050	
Department of Health and Human Services						
93 045	Special Programs for the Aging - Title III, Part C - Nutrition Services	Aging Cluster	Western Arizona Council of Governments	E86-6000539-401-01-12	314,229	
93 053	Nutrition Services Incentive Program	Aging Cluster	Western Arizona Council of Governments	E86-6000539-401-01-12	56,921	
	<i>Total Aging Cluster</i>				<u>371,150</u>	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS 12-007892, ADHS 17-133195	328,302	
93 074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		Arizona Department of Health Services	ADHS 17-133195	45,107	
93 136	Injury Prevention and Control Research and State and community Based Programs		Arizona Department of Health Services	ADHS 16-110821	93,227	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS 13-041543	264,508	
93 323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		Arizona Department of Health Services	ADHS 17-133195	38,874	
93 505	Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program	Maternal, Infant, and Early Childhood Home Visiting Cluster	Arizona Department of Health Services	ADHS 14-053747	25,720	
93 563	Child Support Enforcement		Arizona Department of Economic Security	ADES 13-028556	75,497	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	DE111148001	10,599	
93 667	Social Services Block Grant		Western Arizona Council of Governments	E86-6000539-401-01-12	40,501	

See accompanying notes to schedule

Mohave County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
93 758	Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		Arizona Department of Health Services	ADHS 16-102329	26,583	
93 940	HIV Prevention Activities - Health Department Based		Arizona Department of Health Services	ADHS13-031197	49,031	
93 977	Sexually Transmitted Diseases (STD) Prevention and Control Grants		Arizona Department of Health Services	ADHS 14-071554	8,574	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS 14-074961, ADHS 16-102329	126,988	
Total Department of Health and Human Services					<u>1,504,661</u>	
Office of National Drug Control Policy						
95 001	High Intensity Drug Trafficking Areas Program		City of Tucson Police Department	G16SA007A	86,683	
Department of Homeland Security						
97 024	Emergency Food and Shelter National Board Program				2,116	
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2016-EP-00009-SO1	200,437	
97 045	Cooperating Technical Partners				346,904	
97 047	Pre-Disaster Mitigation				437,629	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	15-ADOHS-HSGP-150509-2, 15-ADOHS-HSGP-150602-01, 160510.01	18,058	
Total Department of Homeland Security					<u>1,005,144</u>	
Miscellaneous Federal Agencies						
99 15-T-187	Technical Assistance Grants		State Justice Institute	SJI-15-T-187	30,000	
Total expenditures of federal awards					<u>\$ 12,218,127</u>	<u>\$ 200,044</u>

Mohave County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

NOTE 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes Mohave County's federal grant activity for the year ended June 30, 2017. 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* (Uniform Guidance).

NOTE 2 - Summary of Significant Accounting Policies

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.

NOTE 3 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two digit federal agency identifier and the federal contract number were used.

NOTE 4 - Indirect Cost Rate

The County did not elect to use the 10 percent de minimus indirect cost rate as covered in 2 CFR §200.414.

Mohave County, Arizona
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2017

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	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?	<u>X</u>	<u> </u>
Significant deficiency(ies) identified?	<u>X</u>	<u> </u>
Noncompliance material to the financial statements noted?	<u> </u>	<u>X</u>

Federal Awards:

Internal control over major programs:		
Material weakness(es) identified?	<u> </u>	<u>X</u>
Significant deficiency(ies) identified?	<u>X</u>	<u> </u>
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)?	<u>X</u>	<u> </u>

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
15.226	Payments in Lieu of Taxes
	WIOA Cluster:
17.258	WIA/WIOA Adult Program
17.259	WIA/WIOA Youth Activities
17.278	WIA/WIOA Dislocated Worker Formula Grants

Mohave County, Arizona
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2017

Summary of Auditors' Results - Continued

Dollar threshold used to distinguish between Type A and Type B programs:	\$	750,000
	<u>Yes</u>	<u>No</u>
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 2 CFR §200.511 (b)?	<u> X </u>	<u> </u>
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Financial Statement Findings

2017-001 Internal controls over financial reporting (Repeat finding: 2016-01)

- Criteria: The County should have comprehensive policies and procedures to help ensure that it prepares accurate and complete financial statements in accordance with U.S. generally accepted accounting principles (GAAP) and that they are prepared in a timely manner.
- Condition: The County did not prepare its financial statement in a timely manner.
- Cause: The County did not have adequate policies and procedures in place to help ensure that accurate financial statements were prepared and issued in a timely manner.
- Effect: The County's financial statements were not issued in time to meet the single audit reporting deadline of March 31, 2018. The County did not issue its single audit reporting package until April 2018.
- Recommendation: The County should develop written policies and procedures over financial statement preparation to help to meet reporting deadlines.

2017-002 Internal controls over information technology - Risk assessment (Repeat finding: 2016-02)

- Criteria: The County should consider performing county-wide risk assessment that involves members of the County's administration and information technology (IT) management to determine the risks the County faces as it seeks to achieve its objectives to report accurate financial information and protect sensitive data.
- Condition: The County did not perform a formal county-wide IT risk assessment.
- Cause: The County has relied on an informal process to perform risk-assessment procedures.
- Effect: There is an increased risk that the County's administration and IT management may not effectively respond to risks that may impact its IT resources.

Mohave County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Financial Statement Findings (continued)

Recommendation: To help ensure the County has effective policies and procedures to identify, analyze, and respond to risks that may impact its IT resources, the County needs to implement a countywide IT risk-assessment process.

2017-003 County-wide written contingency plan (Repeat finding: 2016-06)

Criteria: The County should have a comprehensive and up-to-date contingency plan; taking steps to facilitate activation of the plan; and having system and data backup policies and procedures.

Condition: The County did not have a county-wide written contingency plan in effect for the year. Also, although the County was performing system and data backups, it did not have documented policies and procedures for inventorying, securing, and testing them to ensure they were operational and could be used to restore its IT resources.

Cause: The County had some contingency planning processes in place, but had not yet developed county-wide written contingency planning policies and procedures.

Effect: In case of a disaster, system or equipment failure, or other interruption, the County may be at an increased risk of losing financial data or other data critical to operations.

Recommendation: The County should develop a county-wide contingency plan for its financial systems, including system and data backup, and test the plan on a regular basis to ensure the sufficiency of the plan and the integrity of the back up data.

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

Mohave County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Federal Award Findings and Questioned Costs

2017-101 Timeliness of financial reporting (Repeating finding: 2016-106)

CFDA number and name	Not applicable
Federal agency	Not applicable
Questioned costs	Not applicable
Criteria:	2 CFR §200.512(a) requires the County to submit its single audit reporting package to the federal audit clearinghouse no later than 9 months after fiscal year-end.
Condition:	The federal reporting deadline for the County's 2017 single audit reporting package was March 31, 2018. However, the County did not issue its single audit reporting package until April 2017.
Cause:	As described in item 2017-001, the County lacked effective internal control policies and procedures needed to prepare accurate financial statements and issue them in a timely manner.
Effect:	The late submission of the single audit reporting package affects all federal programs administered by the County, resulting in noncompliance with 2 CFR §200.512(a). However, this finding does not result in noncompliance for the individual federal programs.
Recommendation:	The County should submit its single audit reporting package to the federal clearinghouse website by the filing deadline.

2017-102 Subrecipient monitoring (Repeat finding: 2016-105)

Cluster name:	WIOA Cluster
CFDA number and names:	17.258 WIA/WIOA Adult Program 17.259 WIA/WIOA Youth Activities 17.278 WIA/WIOA Dislocated Worker Formula Grants
Award number and years:	DI16-002116, 2013, 2014, 2015, 2016
Federal agency:	Department of Labor
Pass-through grant:	Arizona Department of Economic Security
Compliance requirement:	Subrecipient monitoring
Questioned costs:	None
Criteria:	In accordance with the Uniform Guidance requirements of 2 CFR §200.331, the County should maintain effective internal control policies and procedures in order to properly monitor its subrecipients.
Condition:	The County performed fiscal and programmatic monitoring. However, the County did not update its subaward agreement to identify to the subrecipient all current federal award information and Uniform Guidance requirements. Additionally, the County did not have a written policy for subrecipient monitoring.

Mohave County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Federal Award Findings and Questioned Costs (continued)

Cause:	The County lacked written policies and procedures related to subrecipient monitoring.
Effect:	There is an increased risk of noncompliance with the subaward's terms and conditions and federal program requirements.
Recommendation:	To help ensure the County is in compliance with subrecipient monitoring requirements, the County should develop written policies and procedures that address all applicable items in 2 CFR §200.331.

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

MOHAVE COUNTY FINANCIAL SERVICES

Coral A. Loyd
Financial Services Director

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P.O. Box 7000
Kingman, AZ 86402-7000

Phone: (928) 753-0735
Fax: (928)753-0704
www.mohavecounty.us



April 23, 2018

Mr. Jay Zsorey
Director, Financial Audit Division
2910 N. 44th Street, Ste. 410
Phoenix, AZ 85018

Dear Mr. Zsorey:

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* (Uniform Guidance). Specifically, for each finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Coral A. Loyd
Financial Services Director

Financial Statement Findings

2017-001 Internal controls over financial reporting

Contact Person(s): Diane Melendez and Brenda deHaan

Anticipated completion date: June 30, 2019

COUNTY DISCUSSION : Concur. At the end of the fiscal year 2017, Mohave County purchased software to assist with and improve the compilation of the financial statements. The Financial Services Department will formalize its policies and procedures over financial statement preparations to include instructions for obtaining information from the accounting system, preparing supporting schedules, and documenting and reviewing adjustments necessary for compilation and timely issuance of the financial statement.

2017-002 Internal controls over information technology - Risk assessment

Contact Person(s): Nathan McDaniel

Anticipated completion date: June 30, 2018

COUNTY DISCUSSION: Concur. During fiscal year 2017, the Information Technology (IT) Department formalized their policies and procedures to identify, analyze and respond to risks that may impact its IT resources. These procedures include annual risk assessments, implementation of security measures to protect sensitive information, and evaluation of the impact of disasters and other interruptions on critical IT resources.

2017-003 County-wide written contingency plan

Contact Person(s): Nathan McDaniel

Anticipated completion date: June 30, 2018

COUNTY DISCUSSION: Concur. In fiscal year 2017, the IT Department formalized a county-wide policy and procedure and procured required equipment to finalize the network, server, and storage infrastructure required in order to achieve data center level fault tolerance. Upon installation, IT will be able to achieve the hardware configuration desired for the basis of the documented Disaster Recovery Plan.

Federal Award Findings and Questioned Costs

2017-101 Timeliness of financial reporting

Contact Person(s): Diane Melendez

Anticipated completion date: June 30, 2018

COUNTY DISCUSSION: 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.

2017-102 Subrecipient monitoring

CFDA number and program name: 17.258 WIA/WIOA Adult Program
17.259 WIA/WIOA Youth Activities
17.278 WIA/WIOA Dislocated Worker Formula Grants

Contact Person(s): Christina Register, Administrative Supervisor

Anticipated completion date: June 30, 2018

COUNTY DISCUSSION: Concur. Community Services is finalizing policies and procedures specific to Mohave County and the WIA/WIOA program. Also, the sub-recipient agreement language has been updated during fiscal year 2018.

MOHAVE COUNTY FINANCIAL SERVICES

Coral A. Loyd
Financial Services Director

700 West Beale Street, 3rd Floor
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April 23, 2018

Mr. Jay Zsorey
Director, Financial Audit Division
2910 N. 44th Street, Ste. 410
Phoenix, AZ 85018

Dear Mr. Zsorey:

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,

Coral A. Loyd
Financial Services Director

Mohave County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Status of Financial Statement Findings

The County should develop detailed financial statement preparation policies and procedures
Finding No.: 2016-01, 2015-01, 2014-01, 2013-07
Status: Not corrected

At the end of fiscal year 2017, Mohave County purchased software to assist with and improve the compilation of the financial statements. The Financial Services Department will have a baseline CAFR developed for FY2017 by June 30, 2018, using this program. We will formalize our policies and procedures over financial statement preparations, designed around this program. They will include documented processes with timelines supporting an appropriate compilation, review and issuance of the financial statements.

The County should improve its risk assessment process to include information technology security
Finding No.: 2016-02, 2015-02, 2014-05, 2013-05
Status: Not corrected

While Mohave County has continued to have operating processes and procedures to monitor information technology (IT) risk assessments and security protocols, these processes were not formalized in written policies and procedures. In fiscal years 2015 and 2016, IT staff researched best practices and drafted policies and procedures documents for consideration. In fiscal year 2017, the County formalized its risk assessment process to include written policies and procedures over IT security to identify, classify, inventory and protect sensitive information. These policies and procedures include evaluating the impact of disasters or other system interruptions that could occur and identified prioritization of key business function contingency plans. The County-wide assessment still was not complete, as of June 30, 2017.

The County should improve security over its information technology resources
Finding No.: 2016-03
Status: Fully corrected

The County should improve access controls over its information technology resources
Finding No.: 2016-04, 2015-03, 2014-06, 2013-03
Status: Fully corrected

The County should improve its configuration management processes over its information technology resources
Finding No.: 2016-05, 2015-04, 2014-07
Status: Fully corrected

The County should improve its contingency planning procedures for its information technology resources

Finding No.: 2016-06, 2015-05, 2014-08

Status: Not corrected

While Mohave County has continued to have contingency planning procedures, these processes were not formalized in a written policies and procedures document as of June 30, 2017. The County has formalized its written policies and procedures to help ensure county operations continue in the event of a disaster, system or equipment failure or other interruption. The County-wide recovery policy and procedures was completed effective July 2017 and the written data back-up policy and procedures was completed effective December 2017.

The County should improve controls over cash receipts

Finding No.: 2016-07, 2015-07

Status: Not corrected

The County provided cash controls training for all County departments in July 2017 with assistance from the Arizona Auditor General's Office. Written procedures for the departments to help mitigate risk of cash receipts theft, misappropriation, or loss and identify the necessity of segregation of employee responsibilities, is still in process. It is estimated the County will have its processes formalized to include written policies and procedures by June 30, 2018.

Status of Federal Award Findings and Questioned Costs

CFDA No. and Program Name: Not Applicable

Finding No.: 2016-101, 2015-101, 2014-101

Status: Not corrected

The County successfully separated federal award expenditures from nonfederal expenditures in most programs. However, due to the complexity of some federal awards and limited staff, remediation of this finding took several fiscal years. To help ensure the county's schedule is accurate and complete, the County is identifying and separating federal award expenditures from nonfederal expenditures to be in compliance with *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The County is still in the process of fully correcting this finding.

CFDA No. and Program Name:

16.922 Equitable Sharing Program

Finding No.: 2016-102

Status: Not corrected

The Sheriff's Office has implemented a review policy, however the written procedures were not completed by the end of FY17.

CFDA No. and Program Name: 97.045 Cooperating Technical Partners

Finding No.: 2016-103

Status: Not corrected

Flood Control has implemented the correction, however the policy governing the procedures were not approved until October 4, 2017. FEMA followed up on this finding and found Mohave County in compliance and stated the audit finding is resolved/closed in their letter dated November 29, 2017.

CFDA No. and Program Name: Not Applicable

Finding No.: 2016-106, 2015-104

Status: Not corrected

During the economic downturn, County staff and training appropriations were significantly reduced. Consequently, the County did not have the ability to dedicate resources to formalize policies and procedures. To achieve this goal, in fiscal year 2017 one additional accounting position was added which should assist in ensuring the federal reporting deadline for the County's single audit reporting package is met, and 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.

CFDA No. and Program Name: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children

Finding No.: 2016-104

Status: Fully corrected

Cluster Name: WIA/WIOA Cluster

CFDA Nos. and Program Names:

17.258 WIA/WIOA Adult Program

17.259 WIA/WIOA Youth Activities

17.278 WIA/WIOA Dislocated Worker Formula Grants

Finding No.: 2016-105

Status: Not corrected

Community Services used the WIOA policy in the past. However a new policy was created and the department has been in the process of finalizing it in FY2018. The language has been updated in the La Paz County IGA. The agreement was signed by Mohave County authorized personnel on February 5, 2018 and La Paz County on February 20, 2018.