

Navajo County

Single Audit Report

Year Ended June 30, 2020



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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Comprehensive 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*



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
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 the Uniform Guidance**

Members of the Arizona State Legislature

The Board of Supervisors of
Navajo County, Arizona

Report on compliance for each major federal program

We have audited Navajo County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

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

Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each major federal program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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 2020-101 and 2020-102. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-101 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-102 to be a significant deficiency.

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

County response to findings

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

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

We have audited the financial statements of the County's governmental activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 17, 2020, that contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lindsey A. Perry, CPA, CFE
Auditor General

April 29, 2021



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

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

Internal control over financial reporting

Material weaknesses identified? **Yes**

Significant deficiencies identified? **Yes**

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

Federal awards

Internal control over major programs

Material weaknesses identified? **Yes**

Significant deficiencies identified? **Yes**

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

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

Identification of major programs

Assistance Listings number	Name of federal program or cluster
10.561	SNAP Cluster
17.258, 17.259, 17.278	WIOA Cluster
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? **No**

Financial statement findings

Financial statement findings were reported in the separately issued 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*.

Federal award findings and questioned costs

2020-101

Cluster name:	WIOA Cluster
Assistance Listings numbers and names:	17.258 WIOA Adult Program 17.259 WIOA Youth Activities 17.278 WIOA Dislocated Worker Formula Grants
Award number and years:	DI19-002204, April 1, 2018 through June 30, 2020
Federal agency:	U.S. Department of Labor
Pass-through grantor:	Arizona Department of Economic Security
Compliance requirements:	Earmarking, Reporting
Questioned costs:	\$21,113

Condition—The County failed to ensure that it spent the required 20 percent, or \$47,022, of WIOA Youth Activities monies earmarked to provide in-school and out-of-school youth with paid and unpaid work experiences from April 2018 through June 2020. Instead, the County spent only 11 percent, or \$25,909, of the required 20 percent and spent the remaining 9 percent, or \$21,113, for other youth activities, such as education and youth development. Further, the County improperly tracked and reported these expenditures to the pass-through grantor in all monthly required WIOA Youth Activities financial reports. The County erroneously reported that it spent \$74,038, which is \$48,129, or 65 percent, more than it actually spent in total for paid and unpaid work experiences during the award period.

Effect—County youth did not receive \$21,113 of paid and unpaid work experience services that the federal program intended. Also, the County submitted erroneous financial reports to the pass-through grantor and may have received \$21,113 in federal program monies that it was not entitled to.

Cause—The County did not oversee the Northeastern Arizona Innovative Workforce Solutions (NEAZIWS) that operates the WIOA Youth Activities programs to ensure its executive director developed an effective strategy to recruit and retain qualified in-school and out-of-school youth that would benefit from paid and unpaid work experiences, created a tracking mechanism to properly monitor and report its paid and unpaid work experience expenditures throughout the award period, and adjusted spending when work experience participation was lower than expected. Also, the County did not include a process in its policies and procedures or train its employees to prepare and review the required financial reports to ensure they did not include incorrect or unallowable costs or activities prior to submitting them to the pass-through grantor. Therefore, the submitted reports were not always independently reviewed and approved.

Criteria—Federal regulation requires the County to spend no less than 20 percent of its WIOA Youth Activities monies to provide in-school and out-of-school youth with paid and unpaid work experiences. The County must track and report such expenditures to the pass-through grantor monthly throughout the award period to ensure the County is spending in a timely manner to meet the earmarking requirement. (20 Code of Federal Regulations [CFR] §681.590) Federal regulation also requires establishing and maintaining

effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303)

Recommendations—The County should:

1. Spend no less than 20 percent of its WIOA Youth Activities monies to provide in-school and out-of-school youth with paid and unpaid work experiences and accurately report to the pass-through grantor whether this earmarking requirement was met by:
 - a. Creating a tracking mechanism to properly monitor and report its paid and unpaid work experiences spending throughout the award period.
 - b. Developing an effective strategy to recruit and retain qualified in-school and out-of-school youth who will benefit from the paid and unpaid work experiences the program provides and adjust spending to meet the earmarking requirement if work experience participation is lower than expected.
2. Include a process in its policies and procedures to review financial reports to ensure they do not include incorrect or unallowable costs or activities, including:
 - a. Designating knowledgeable, responsible employees to prepare financial reports and separate independent employees to conduct financial report reviews and approvals prior to submitting them to the pass-through grantor.
 - b. Training employees to prepare accurate reports and perform independent reviews and approvals of financial reports. The training should describe what should be reported, how to identify and address errors, and how to properly record their review and approval.

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

This finding is similar to prior-year findings 2019-101 and 2019-102.

2020-102

Cluster name:	SNAP Cluster
Assistance Listings number and name:	10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Award number and years:	ADHS16-106531; October 1, 2015 through September 30, 2020
Federal agency:	U.S. Department of Agriculture
Pass-through grantor:	Arizona Department of Health Services
Compliance requirements:	Activities allowed or unallowed and allowable costs/cost principles
Questioned costs:	\$5,351

Condition—Contrary to County policy and federal regulation, the County’s Public Health Services District (District) did not retain documentation needed to support \$5,351 of costs charged to the federal program, and the program manager reviewed and approved 2 of her own travel claims. Specifically, we tested 43 transactions and noted the District did not:

- Retain documentation that indicated the actual number of District vehicles used and vehicle usage dates and purposes to support 2 vehicle-use charges totaling \$5,295.
- Obtain an itemized receipt detailing \$31 spent at Amazon with a purchasing card, which appeared to be for a phone case and screen protector in the purchasing card records.

- Require an independent review for 2 of the program manager's 3 travel claims and associated lodging, meal, and fuel charges totaling \$637. The District retained documentation to support these costs and we determined they were allowable, except for 1 purchase without an itemized receipt for \$25 spent at a gas station.

Effect—The District may have misspent \$5,351 of federal program monies for purposes other than intended. Further, when program managers do not follow established policies, they set an unfavorable tone that policies do not need to be followed.

Cause—The County did not always train employees responsible for reviewing and approving federal program purchases and vehicle-use charges to ensure employees followed County policy requirements to retain itemized receipts or other necessary supporting documentation for the claims. Further, the County did not provide adequate oversight of the program manager's travel expenses because the County did not designate an employee, such as someone from the Finance Department or executive management level, to be responsible for performing an independent review of the program manager's travel claims.

Criteria—County policy and federal regulation require adequate documentation to support costs charged to federal awards. (2 Code of Federal Regulations [CFR] §200.400[d]) Also, County policy requires properly approving all accounting records, and federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303)

Recommendations—The County should:

1. Require employees to follow County policy, such as:
 - a. Retaining supporting documentation, including actual number of vehicles used and vehicle usage dates for vehicle-use charges and itemized receipts for purchasing card costs that clearly support the costs charged to the federal award.
 - b. Ensuring all accounting records are properly approved.
2. Improve its policy to:
 - a. Provide annual training to employees who review and approve federal program purchases. The training should describe the requirement to retain documentation to support federal program purchases. Employees should document their understanding in writing.
 - b. Designate an employee, such as someone from the Finance Department or executive management level, to be responsible for performing an independent review of the program manager's travel claims.

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

COUNTY SECTION

NAVAJO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2019 - 6/30/2020

Federal Awarding Agency/Program Title	Federal CFDA Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE								
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS19-207423	\$262,314	\$262,314	N/A	\$0
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-106531	\$339,689	\$339,689	SNAP CLUSTER	\$339,689
COOPERATIVE FORESTRY ASSISTANCE	10.664		ARIZONA DEPARTMENT OF FORESTRY AND FIRE MANAGEMENT	WFHF 18-204	\$29,120	\$29,120	N/A	\$0
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				\$834,203	\$834,203	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$834,203
TOTAL DEPARTMENT OF AGRICULTURE					<u>\$1,465,326</u>			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228		ARIZONA DEPARTMENT OF HOUSING	109-20 110-20	\$27,500	\$27,500	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u>\$27,500</u>			
DEPARTMENT OF JUSTICE								
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	2017-VA-GX0046	\$246,749	\$246,749	N/A	\$0
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588		ARIZONA GOVERNOR'S OFFICE OF YOUTH, FAITH AND FAMILY	IGA-ST-19-010118-01	\$45,833	\$45,833	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DC-20-009 DC-20-029	\$126,683	\$126,683	N/A	\$0
EQUITABLE SHARING PROGRAM	16.922				\$242,344	\$242,344	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE					<u>\$661,609</u>			
DEPARTMENT OF LABOR								
WIOA ADULT PROGRAM	17.258		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D119-002204	\$552,964	\$552,964	WIOA CLUSTER	\$961,005
WIOA YOUTH ACTIVITIES	17.259		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D119-002204	\$279,676	\$279,676	WIOA CLUSTER	\$961,005
WIOA DISLOCATED WORKER FORMULA GRANTS	17.278		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D119-002204	\$128,365	\$128,365	WIOA CLUSTER	\$961,005
TOTAL DEPARTMENT OF LABOR					<u>\$961,005</u>			
DEPARTMENT OF TRANSPORTATION								
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-PTS-040 2018-AL-019 2019-AL-020 2019-PTS-065	\$35,735	\$35,735	HIGHWAY SAFETY CLUSTER	\$35,735
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-405C-13	\$33,868	\$33,868	N/A	\$0
TOTAL DEPARTMENT OF TRANSPORTATION					<u>\$69,603</u>			
DEPARTMENT OF TREASURY								
CORONAVIRUS RELIEF FUND	21.019	COVID-19	STATE OF ARIZONA GOVERNORS OFFICE	ERMT-20-061	\$3,728,201	\$3,728,201	N/A	\$0
TOTAL DEPARTMENT OF TREASURY					<u>\$3,728,201</u>			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES								
GRANTS TO STATES	45.310		ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS	2018-0260-13 2019-0010-0-J 2019-0260-7	\$39,924	\$39,924	N/A	\$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES					<u>\$39,924</u>			
ELECTION ASSISTANCE COMMISSION								
2018 HAVA ELECTION SECURITY GRANT	90.404		ARIZONA SECRETARY OF STATE	AZ18101001	\$136,685	\$136,685	N/A	\$0
TOTAL ELECTION ASSISTANCE COMMISSION					<u>\$136,685</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
MEDICAL RESERVE CORPS SMALL GRANT PROGRAM	93.008		NATIONAL ASSOCIATION OF COUNTY AND CITY HEALTH OFFICIALS (NACCHO)	MRC14-0945	\$253	\$253	N/A	\$0
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133196	\$201,517	\$201,517	N/A	\$0
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-110830 CTR043091	\$197,725	\$197,725	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177684	\$67,676	\$67,676	N/A	\$0
PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE	93.354	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR042784	\$4,750	\$4,750	N/A	\$0
CHILD SUPPORT ENFORCEMENT	93.563		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI 18-002166	\$24,333	\$24,333	N/A	\$0
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT FUNDED SOLELY WITH PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.758		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS15-094982	\$52,772	\$52,772	N/A	\$0
OPIOID STR	93.788		STEWART HEALTH CHOICE ARIZONA	YH17-0003-02	\$42,984	\$67,984	N/A	\$0

<i>OPIOID STR</i>	93.788	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043091	\$25,000	\$67,984	N/A	\$0
<i>HIV PREVENTION ACTIVITIES_ HEALTH DEPARTMENT BASED</i>	93.940	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-188830	\$22,135	\$22,135	N/A	\$0
<i>PREVENTIVE HEALTH SERVICES_SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS</i>	93.977	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS14-071223	\$8,540	\$8,540	N/A	\$0
<i>MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES</i>	93.994	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS15-094982	\$77,044	\$77,044	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>\$724,729</u>		
EXECUTIVE OFFICE OF THE PRESIDENT							
<i>HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM</i>	95.001	CITY OF TUCSON	HT-19-2924	\$125,782	\$125,782	N/A	\$0
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT					<u>\$125,782</u>		
DEPARTMENT OF HOMELAND SECURITY							
<i>EMERGENCY MANAGEMENT PERFORMANCE GRANTS</i>	97.042	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2019-EF-00010	\$145,397	\$145,397	N/A	\$0
<i>HOMELAND SECURITY GRANT PROGRAM</i>	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	19-AZDOHS-HSGP-190106-01/03	\$22,858	\$22,858	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY					<u>\$168,255</u>		
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u>\$8,108,619</u>		

Please Note:

Italicized award lines indicate pass-through funding

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

NAVAJO COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2019 - 6/30/2020

Significant Accounting Policies Used in Preparing the SEFA

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

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Navajo County's federal grant activity for the year ended June 30, 2020. 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.

Federal Assistance Listings number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2020 Federal Assistance Listings.

COUNTY RESPONSE



NAVAJO COUNTY

Administration

Bryan Layton
Assistant County Manager

Glenn Kephart
County Manager

Jayson Vowell
Finance Director

We are Navajo County

April 29, 2021

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

Dear Ms. Perry:

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

Sincerely,

Jayson Vowell
Finance Director

Federal award findings and questioned costs

2020-101

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

Contact Person: Stephanie Ray, WIOA Executive Director

Anticipated completion date: 4/1/2021

To help ensure financial reports that are submitted to the pass-through grantor are complete and accurate, the County has revised its policy for an independent review and approval of the financial reports. Moving forward, the reports will be completed by WIOA department staff and forwarded to the Finance department for review and approval prior to submission. We have followed this policy and procedure that requires the Finance department to conduct an independent review and approval of all reports submitted to the pass-through grantor since March 2020. The reports that were examined during the FY20 audit that did not have independent review were all prior to the new procedure.

To help ensure the County meets the WIOA Cluster's earmarking requirement to spend no less than 20 percent of WIOA Youth Activities funds allocated to the County to provide in-school and out-of-school youth with paid and unpaid work experiences (WEX), the County has revised its process for tracking work experience expenditures. The County will utilize the revised process and the Workforce Board staff will provide technical assistance to the Health Department Operations Staff to implement procedures that will lead to an increase in Youth enrollments and placement into WEX to ensure at least 20 percent of the WIOA Youth Activities funds allocated to the County are used to provide in-school and out-of-school youth with paid and unpaid WEX.

2020-102

CFDA no. 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Contact Person: Briony Buchholz

Anticipated completion date: 06/30/2021

To help ensure County policy and federal regulations are followed, the County will require employees to follow policy by ensuring they retain itemized receipts or other supporting documentation for expenditures related to the program. Regarding vehicle usage costs, supporting information for the quarterly charge is now tracked with a department vehicle invoice. For the purchasing card expenditure, employees are required to take purchasing card training annually and will be informed that itemized receipts are required to support the purchase. The County will also designate an employee to be responsible for performing a review of the program manager's travel claims. The County has recently revised the travel policy. The policy requires either the elected official or department director to ensure that all travel expenditures are properly approved; that adequate documentation is maintained; and the employee travel form is signed by both the employee and appropriate department official.



NAVAJO COUNTY

Administration

Bryan Layton
Assistant County Manager

Glenn Kephart
County Manager

Jayson Vowell
Finance Director

We are Navajo County

April 29, 2021

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

Dear Ms. Perry:

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

Sincerely,

Jayson Vowell
Finance Director

Navajo County
Summary Schedule of Prior Audit Findings
Year ended June 30, 2020

Status of financial statement findings

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

Finding No.: 2019-01

Year finding initially occurred: FY 2019

Status: Partially corrected

Response: Internal controls are an important function in Navajo County's operations and the County is dedicated to ensuring internal controls over P-Card transactions are strengthened. However, due to the timing of County staff becoming aware of the issue, there were additional transactions that occurred during the beginning of Fiscal Year 2020 that conflicted with policies and lacked proper documentation. Upon learning of the misuse of County funds, the County took steps to strengthen the internal control process regarding P-Card transactions. In addition, a thorough review was made of the County Health Department Director's P-Card transactions occurring in previous fiscal years as well as the current fiscal year in which reimbursement was made to the County for unsupported and questionable costs identified as a result of the review.

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

Finding No.: 2019-02

Year finding initially occurred: FY 2019

Status: Not corrected

Response: Navajo County realizes the need to implement a fuel tracking process that is affordable and reasonable to better track fuel purchased with County purchasing cards. County Administration does not believe there was any intentional abuse of County P-Card fuel purchases or any misuse of County funds except for fuel purchases made by the County's Public Health Department Director. The County continues to evaluate options to ensure fuel is used in County vehicles as required.

Managing Risk

Finding No. 2019-03

Year finding initially occurred: FY 2016

Status: Partially corrected

Response: Navajo County takes all IT audit findings seriously and will make efforts to resolve deficiencies. The County has taken steps to mitigate IT audit findings and will continue to make improvements for managing and documenting risks. There have been several meetings and processes put in place to help staff understand the importance of a safe working environment including identifying and safeguarding sensitive information. Meetings are scheduled county-wide to move this to completion.

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

Finding No. 2019-04

Year finding initially occurred: FY 2014 (security, and configuration and change management) and FY 2007 (access).

Status: Partially corrected

Response: Navajo County takes all IT audit findings seriously and will make efforts to resolve deficiencies. The County has taken steps to mitigate IT audit findings and will continue to improve controls over its IT resources.

Restricting Access: Financial system access has been reviewed each year during the audit for the past few years. An annual review has been performed and issues identified by the auditors have been corrected.

Managing system configurations and changes: The County will maintain baseline configurations for systems and manage the system for unauthorized or unintended changes.

Securing systems and data: The County will evaluate and develop a process to perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges. The County will also prepare and implement a security incident response plan.

Status of federal award findings and questioned costs

WIOA Cluster

Finding No.: 2019-101

Year finding initially occurred: FY 2019

Status: Partially Corrected

Response: Internal controls are an important function in Navajo County's operations and the County is dedicated to ensuring internal controls over financial reporting are strengthened. To help ensure financial reports submitted to the pass-through grantor are complete and accurate, the County revised its policy for an independent review and approval of the financial reports. The reports that were examined during the Fiscal Year 2020 audit that did not have independent review were all prior to the new procedure. Going forward, the County expects to comply with financial reporting policy and internal control processes.

WIOA Cluster

Finding No.: 2019-102

Year finding initially occurred: FY 2019

Status: Not Corrected

Response: Navajo County will establish and maintain effective internal control over its federal awards that provides reasonable assurance that it is managing them in compliance with all applicable laws, regulations, and award terms. Specifically, the County must spend no less than 20 percent of its Youth funding to provide in-school and out-of-school youth with paid and unpaid work experience. To meet these earmarking requirements, Navajo County will revise its process for tracking work experience related expenditures.

