

Navajo County

Annual financial statement and compliance audits

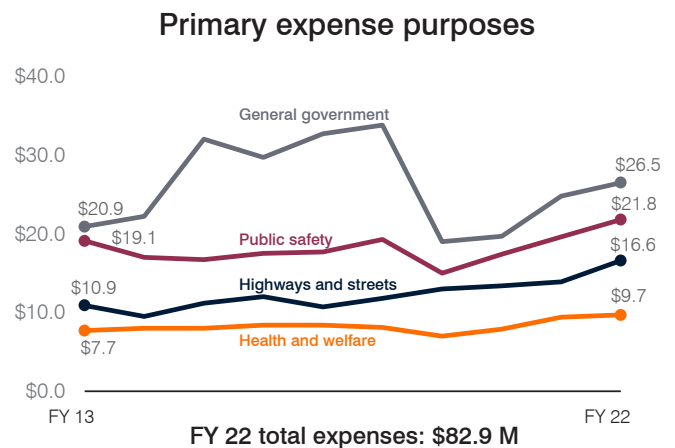
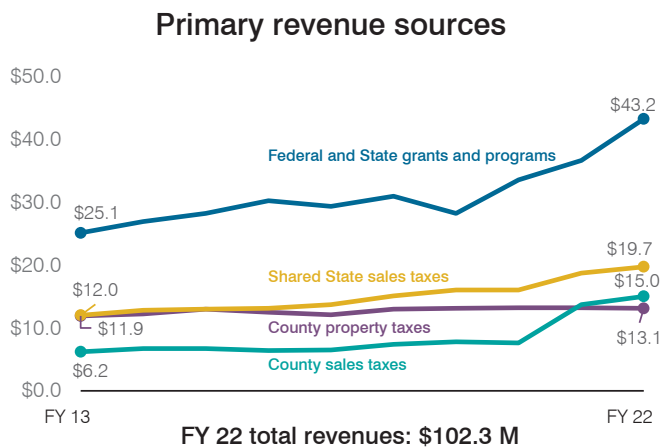
The County's fiscal year 2022 reported financial information is reliable. However, we reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.

Audits' purpose

To express our opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

Primary revenue sources and how they were spent

Fiscal years (FY) 2013 through 2022
(In millions)



Source: Auditor General staff summary of information obtained from the County's financial statements.

Largest primary revenue sources FY 2022

- **Federal and State grants and programs 42.2%**—Includes federal and State government grants and programs awarded as assistance to the County and its residents, including highway user tax revenues for authorized transportation purposes.
- **Shared State taxes 19.2%**—Comes from State sales and other shared taxes the State of Arizona collects, and the Arizona State Treasurer distributes to the County based on the State's statutory distribution formulas.

Largest primary expense purposes FY 2022

- **General government 32.0%**—Costs for general operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.
- **Public safety 26.3%**—Costs for protecting the County's persons and property with the largest portion for County jail operations, County Sheriff's office services, probation services, and Flood Control District operations.

County's net position increased in FY 2022

County revenues were \$19.4 million greater than its expenses, increasing total net position to \$89.9 million at June 30, 2022. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

Auditor findings and recommendations

Summarized below are our findings and recommendations included in the County's [Single Audit Report](#) where there is further information and the County's responses. The County needs to:

- Develop and implement policies and procedures to prepare and independently review the financial statements to ensure they are accurate and prepared in accordance with GAAP so that it can detect and correct errors in the financial statements before providing them for audit. We found that the County's initial financial statements contained a \$16.1 million error that required correction and could have otherwise misinformed those relying on the reported financial information. We reported a similar finding in the prior year.
- Ensure employees using purchasing cards follow County policies for fuel purchases and establish procedures for making fuel purchases and ensuring purchased fuel is used in a County vehicle. We found that the County paid nearly \$35,000 for purchasing card fuel purchases without ensuring that the fuel was used in County vehicles, elevating the County's risk of misusing public monies. We reported a similar finding in prior years.
- Prioritize implementing policies and procedures to identify, classify, and inventory the sensitive data that the County holds and assess where stronger information technology (IT) access and security controls may be needed to protect it. We found that the County's deficiencies in its processes for managing IT risks, restricting access, and managing configuration settings may put County operations and IT systems and data at unintended and unnecessary risk of potential harm. We reported similar findings in prior years.
- Develop and implement policies and procedures to submit its proposal for spending federal Schools and Roads—Title III monies to its resource advisory committee, publish public notice of the proposal for comment, and spend the monies on allowable uses only after the required 45-day comment period. We found that the County's Public Health Services Department did not provide its resource advisory committee and the public the required 45-day comment period before it spent the monies.
- Develop strategies and processes to recruit and retain youth in its Workforce Innovation and Opportunity Act (WIOA) program, monitor the paid and unpaid work experiences it provides to them with program monies, and adjust its spending for this program area based on monitoring results. We found that the County's WIOA Department failed to ensure that it spent the required 20 percent, or \$68,164, of federal WIOA Youth Activities monies for in- and out-of-school youth with paid and unpaid work experiences from April 2020 through June 2022. We reported similar findings in prior years.
- Improve its oversight and policies and procedures over contracting with and reimbursing federal program costs for third parties involved in administering the County's federal programs to comply with federal program requirements. We found that the County's WIOA Department used \$25,761 of federal WIOA monies to pay for unallowable purchases and invoices of a nonprofit organization, contrary to the WIOA program's requirements and the County's policies and procedures.
- Require employees who administer the County's federal programs to following existing policies and procedures to independently review and approve all federal program reports prior to submitting them to the grantor. We found that the County's Finance Department reported it spent \$10,035,175 of Coronavirus State and Local Fiscal Recovery Fund program monies without documenting how it ensured the 4 reports it submitted during the year were accurate, agreed to County records, and contained only allowable expenditures.

Auditor General website report links

- The June 30, 2022, Navajo County Annual Comprehensive Financial Report and the Single Audit Report that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the County's overall financial picture and our reporting responsibilities.
- The County's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
 - [Financial Report User Guide for State and Local Governments](#).
 - [Internal Control and Compliance Reports User Guide](#).