

Navajo County

Single Audit Report

Year Ended June 30, 2022



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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Annual Comprehensive Financial Report



LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
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
Navajo County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Navajo County as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 23, 2023.

Report on 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) as a basis for designing 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 that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-02, 2022-03, and 2022-04 to be significant deficiencies.

Report on 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 financial statements. 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*.

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that 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 other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

February 23, 2023



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

Opinion on each major federal program

We have audited Navajo County's compliance with the types of compliance requirements identified as subject to audit 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, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the 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, 2022.

Basis for opinion on each major federal program

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 U.S. Comptroller General, 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). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Management's responsibilities for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 2022-101, 2022-102, and 2022-103. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, 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.

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 2022-101, 2022-102, 2022-103, and 2022-104 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 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the noncompliance and internal control over compliance findings that 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 other 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated February 23, 2023, that contained unmodified opinions on those financial statements. Our audit was performed 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

Lindsey A. Perry, CPA, CFE
Auditor General

March 31, 2023



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?	None reported
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
10.557	WIC - Special Supplemental Nutrition Program for Women, Infants, and Children
10.665	Forest Service Schools and Roads Cluster
17.258, 17.259, 17.278	WIOA Cluster
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Financial statement findings

2022-01

The County's initial financial statements contained misstatements, which increased the risk that those relying on the reported information could be misinformed

Condition—Contrary to generally accepted accounting principles (GAAP), the County's initial financial statements contained an error we identified that required correction so that the County's financial statements would contain accurate information to ensure its financial statement users would not be misinformed. The County's Finance Department subsequently corrected the error, which consisted of \$16.1 million of deferred outflows of resources related to pensions being understated and likewise, overstating unrestricted net position by the same amount.

Effect—Although the Department corrected the error before issuing its final financial statements, without implementing corrective action to improve its financial reporting process, there is an increased risk that the County's financial statements could contain significant errors and misinform those who are relying on the information.

Cause—The Finance Department lacked written policies and procedures for preparing the County's financial statements and supporting schedules to ensure they are accurate and prepared in accordance with GAAP. In addition, the Finance Department did not require someone who is independent of the financial statements' preparation and is knowledgeable about GAAP and the County's financial operations to review them to detect errors and correct them prior to providing them for audit.

Criteria—The Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the County to prepare its financial statements in accordance with GAAP. Accurate financial statements provide valuable information to those charged with the County's governance, management, and other financial statement users who rely on the reported financial information to make important decisions about the County's financial operations.

Recommendations—The Department should develop and implement written policies and procedures to:

1. Prepare the financial statements and supporting schedules to ensure they are accurate and prepared in accordance with GAAP.
2. Require someone who is independent of the financial statements' preparation and is knowledgeable about GAAP and the County's financial operations to review them to detect errors and correct them prior to providing them for audit.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2021-01.

2022-02

The County paid nearly \$35,000 for employees' fuel purchases but did not ensure the fuel was used in County vehicles, contrary to County policies, placing the County at risk of misusing public monies and violating the Arizona Constitution

Condition—Contrary to its policies, in fiscal year 2022, the County paid nearly \$35,000 for employees' purchasing card fuel purchases but did not ensure the fuel was used in County vehicles. Specifically, we estimated that the County paid for approximately 740 purchasing card fuel purchases made by over 150 employees. We and the County could not determine whether these fuel purchases were for official County business purposes because the supporting documentation was not readily available and sufficient to conduct an in-depth review prior to issuing this report.

Effect—The County spent nearly \$35,000 of public monies for fuel that may not have been for County purposes, elevating the County's risk of misusing public monies and violating the Arizona Constitution.

Cause—The County does not have procedures to ensure that fuel purchases are for official County business. Specifically, the County does not have procedures to reconcile that fuel purchases were solely used for an authorized County vehicle, including maintaining County vehicle logs with mileage driven, trip purpose, fuel purchased, and responsible employee name and requiring employees to document the County vehicle number or license plate number on the purchasing card fuel receipt and, when applicable, on the County travel form.

Criteria—County policies prohibit employees from using their purchasing cards to buy fuel for their personal vehicles even if used for County purposes and requires County vehicles to be used for travel when possible (Navajo County. [2020]. *Purchasing Card Program Policy*, Section I, Subsection E.).¹ Further, the Arizona Constitution bans gifts or loans of public monies to individuals, including employees, by counties (Arizona Constitution, Art. IX, Sec. 7).

Recommendations—The County should:

1. Ensure all employees approved to use County purchasing cards follow County policy, which does not allow them to use their card to purchase fuel for personal vehicles even when using a personal vehicle for official County business, by improving its procedures over purchasing card fuel purchases. Specifically, the County should:
 - a. Create and maintain vehicle logs for all County vehicles and require employees to document the date and vehicle odometer readings at the time of check-out and check-in, the public purpose for using the County vehicle, and any fuel purchased.
 - b. Require employees to record the County vehicle and license plate number on the purchasing card fuel receipt and, when applicable, the travel form when purchasing fuel.
 - c. Require the travel form approver to reconcile purchasing card fuel purchases to County vehicle logs.
 - d. Periodically review purchasing card fuel costs to evaluate whether employees followed policy and purchasing card fuel purchases appear reasonable, and investigate and take appropriate action for any questionable purchases.
2. Conduct an in-depth review of all employees' purchasing card fuel costs made during the fiscal year to determine whether they are reasonable and appropriate, investigate any questionable purchases, and take action such as seeking reimbursement from employees, as appropriate.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2021-02.

¹ When a County vehicle is not available, employees may obtain pre-approval to use a personal vehicle for County purposes and are required to request mileage reimbursement on an approved travel form, rather than using their purchasing card for fuel costs (Navajo County. [2021]. *Navajo County Fiscal Policy Manual* [2021], Section 12, Subsection 12.6.). Further, employees are required to include documentation of odometer readings or map or internet mileage calculations for each authorized trip to support the mileage reimbursement request (Navajo County. [2021]. *Navajo County Personnel Policies Manual* [2021], Section 6, Subsection 6.6).

2022-03

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

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

Effect—The County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk.

Cause—The County's administration and IT management did not prioritize implementing policies and procedures it developed and documented during the year to manage risks related to sensitive information it maintains.

Criteria—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the County to effectively manage risk related to IT systems and data. The process of managing risks should address the risk of unauthorized access and use, modification, or loss of sensitive information.

Recommendations—The County should:

1. Make it a priority to implement written policies and procedures and develop a process to manage risks and determine where to implement critical controls.
2. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2021-03.

2022-04

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Condition—The County's control procedures were not sufficiently implemented to respond to risks associated with its IT systems and data. The County lacked sufficient procedures over the following:

- **Restricting access**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
- **Managing system configurations and changes**—Procedures did not ensure configuration settings were securely maintained and all IT system changes were adequately managed.

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

Cause—The County's administration and IT management did not prioritize implementing policies and procedures it developed and documented during the year to restrict access and manage configurations and changes for its IT systems and data.

Criteria—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the County to protect its IT systems and ensure the integrity and accuracy of the data it maintains, as follows:

- **Restrict access through logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Manage system configurations and changes through well-defined, documented configuration management process**—Ensures the County's IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system's security or operation. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.

Recommendations—The County should:

1. Make it a priority to implement comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

Restrict access—To restrict access to its IT systems and data, implement processes to:

2. Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts.

Manage system configurations and changes—To configure IT systems securely and manage system changes, implement processes to:

3. Document changes, testing procedures and results, change approvals, and post-change review.
4. Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
5. Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2021-04.

Federal award findings and questioned costs

2022-101

Cluster name:	Forest Service Schools and Roads Cluster
Assistance Listings number and name:	10.665 Schools and Roads—Grants to States
Award number and year:	Not applicable
Federal agency:	U.S. Department of Agriculture
Compliance requirements:	Special tests and provisions
Questioned costs:	Not applicable

Condition—Contrary to federal law, the County's Public Health Services Department did not provide to its resource advisory committee and the public the required 45-day comment period on its proposal to spend its Title III monies prior to spending them. Specifically, the County spent its entire Title III award of \$50,417 for wildfire education, prevention, and protection; and search, rescue, and patrol activities without submitting its proposal to its resource advisory committee. Additionally, the Department had already spent \$46,506, or 92 percent, of its awarded Title III monies before it provided notice of its proposal to the public, which occurred 10 months later.

Effect—Although the County spent its Title III monies for allowable uses, neither the County's resource advisory committee nor the public had the opportunity to comment on the County's use of the Title III monies.

Cause—The Department reported that they were unaware of the federal law's requirements and, therefore, did not have written policies and procedures to ensure that it provided its resource advisory committee and the public the required 45-day comment period prior to spending its Title III monies.

Criteria—Federal law provides that the County can use Title III monies for allowable uses, such as wildfire education, prevention, and protection; and search, rescue, and patrol activities, only after the County provides a 45-day comment period on its proposed spending. Specifically, the County is required to submit its proposed use of the monies to its resource advisory committee, while also publishing in a public notice for comment, allowing 45-days for comments on its proposal before spending the monies

(16 U.S.C. §7142[b]). Further, 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 Department should:

1. Develop and implement written policies and procedures for submitting its proposal for spending Title III monies to its resource advisory committee, publishing public notice of the proposal for comment, and spending the monies on allowable uses only after the required 45-day comment period.
2. Ensure that its employees responsible for administering the program are aware of the federal law's requirement and are trained on the Department's policies and procedures.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

2022-102

Cluster name:

Assistance Listings numbers and names:

Award number and year:

Federal agency:

Pass-through grantor:

Compliance requirements:

Questioned costs:

WIOA Cluster

17.258 **WIOA Adult Program**

17.259 **WIOA Youth Activities**

17.278 **WIOA Dislocated Worker Formula Grants**

DI21-002285 A1, April 1, 2020 through June 30, 2022

U.S. Department of Labor

Arizona Department of Economic Security

Activities allowed or unallowed and allowable costs/cost principles

\$25,761

Condition—Contrary to federal regulations and grantor and County policies and procedures, the County's Workforce Innovation and Opportunity Act (WIOA) Department (Department) spent \$25,761 of WIOA program monies for unallowable purposes. Specifically, we found that the Department paid for unallowable purchases and invoices of a third-party nonprofit organization that the Department's former director helped create while employed by the County and that the County had contracted with to increase the capacity of the local workforce system. Despite the contract between the County and the nonprofit organization not authorizing the nonprofit organization to obligate the County for its expenses or enter into agreements on the County's behalf, both occurred. The \$25,761 of unallowable purchases included:

- \$25,431 for the nonprofit organization's leased building (\$18,700), electronic data services (\$3,545), utilities invoices (\$2,951), and a storage unit (\$235).
- \$260 for purchases made using County purchasing cards, consisting of gift cards, food and beverages, and board games, \$245 of which were for the nonprofit organization's program outreach activities but not allowed by the program's requirements or the County's purchasing card policies and procedures.
- \$70 for other purchases made using County purchasing cards that the Department charged to the program but did not have documentation to support their allowability.

Effect—The Department received federal reimbursement for \$25,761 in unallowable charges it made to the program that it was not eligible to receive and, therefore, is at risk of having to return these monies to the pass-through grantor.¹ Further, the Department made \$25,761 of grant monies unavailable for their intended purpose.

Cause—The County’s lack of internal controls and former WIOA director’s inadequate oversight of the WIOA program contributed to the Department’s spending of WIOA program monies for unallowable purposes. Specifically, the County’s policies and procedures did not include detailed instructions for departments to follow for initiating new vendors with the County and processing vendor invoices using its established accounts payable process through the Finance Department. This, combined with the former WIOA director’s comingling of the nonprofit organization’s financial activities, contributed to the Department directly paying for purchases and invoices belonging to the nonprofit organization despite them not being invoiced to or addressed to the County. In addition, Department staff reported that they believed the nonprofit organization’s purchases and invoices were allowable for the County to pay for and charge to the program; however, they did not maintain documentation to support this justification. Further, the former WIOA director did not provide proper oversight and ensure that the Department followed federal regulations and grantor and County policies and procedures to incur and pay for or reimburse only authorized federal program costs and to maintain documentation to support that the County’s program costs were allowable.

Criteria—Federal regulations require the Department to reimburse only those federal program costs that are necessary and reasonable for the federal award’s performance, adequately documented, and allowed by the federal program’s requirements (2 CFR 200.403). The grantor and County policies and procedures contain similar requirements and also require the Department to retain records and other documentation supporting the County’s administration of federal awards for at least 3 years (Navajo County. [2019]. Fiscal Policy Manual, Section 4.4).² Finally, 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. Improve its accounts payable policies and procedures to include detailed instructions for departments to follow for initiating new vendors with the County and processing vendor invoices using its established accounts payable process through the Finance Department.
2. Follow federal regulations and grantor and County policies and procedures requiring it to:
 - a. Incur and pay for or reimburse only authorized federal program costs that are necessary and reasonable for the federal award’s performance, adequately documented, and allowed by the federal program’s requirements.
 - b. Maintain documentation to support that federal program costs it incurs and pays for or reimburses are allowable.
3. Verify all invoices belong to and are addressed to the County prior to payment.
4. Ensure that the Department establishes clear contractual arrangements with entities the Department plans to use to help administer the federal program that comply with County policies and procedures and the program’s requirements.
5. Coordinate with the pass-through grantor to adjust future federal reimbursements requests or repay the pass-through grantor for the unallowable costs the Department charged to the program.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

¹ Arizona Department of Economic Security. (n.d.). *Workforce Innovation and Opportunity Act Policy Manual*. Retrieved on 3/1/2023 from <https://des.az.gov/services/employment/workforce-innovation-and-opportunity-act-wioa/title-i-b-policy-and-procedure>

² Federal Uniform Guidance requires the pass-through entities to follow up, issue management decisions, and resolve subrecipients single audit findings as part of their monitoring responsibilities for ensuring that subawards are used for authorized purposes, in compliance with federal laws and regulations and the award terms, and that the program's performance goals are achieved (2 CFR §200.332[d]).

2022-103

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 year:	DI21-002285 A1, April 1, 2020 through June 30, 2022
Federal agency:	U.S. Department of Labor
Pass-through grantor:	Arizona Department of Economic Security
Compliance requirement:	Earmarking
Questioned costs:	\$27,180

Condition—Contrary to federal regulation, the County's Workforce Innovation and Opportunity Act (WIOA) Department failed to ensure that it spent the required 20 percent, or \$68,164, of WIOA Youth Activities monies earmarked to provide in-school and out-of-school youth with paid and unpaid work experiences from April 2020 through June 2022. Instead, the County spent only 11 percent, or \$40,985, of the required 20 percent and spent the remaining 9 percent, or \$27,180, for other youth activities, such as education and youth development.

Effect—County youth did not receive \$27,180 of paid and unpaid work experience services that the federal program intended. Also, the Department may have received \$27,180 in federal program monies that it was not entitled to.

Cause—The Department used a tracking mechanism to accurately report its paid and unpaid work experiences spending throughout the fiscal year but did not properly monitor its WIOA Youth Activities spending to ensure the 20 percent earmarking requirement was met. Further, the Department did not include in its policies and procedures a requirement for its WIOA Youth Activities program to ensure it developed an effective strategy to recruit and retain qualified in-school and out-of-school youth who would benefit from paid and unpaid work experiences, monitored its paid and unpaid work experience expenditures throughout the award period, and adjusted spending when work experience participation was lower than expected.

Criteria—Federal regulation requires the Department to earmark and 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. Additionally, federal regulation also requires the Department to monitor such expenditures and report them to the pass-through grantor monthly throughout the award period to ensure it is spending the monies 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 Department should:

1. Spend no less than the required 20 percent of its WIOA Youth Activities monies to provide in-school and out-of-school youth with paid and unpaid work experiences.
2. Include a process in its WIOA Youth Activities program’s policies and procedures to:
 - a. Develop an effective strategy to recruit and retain qualified in-school and out-of-school youth who will benefit from the paid and unpaid work experience the program provides.
 - b. Monitor its paid and unpaid work experiences spending throughout the award period.
 - c. Adjust spending to meet the earmarking requirement if work experience participation is lower than expected.

The County’s corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2021-101.

2022-104

Assistance Listings number and name:	21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Fund
Award number and years:	SLFRP2144, March 3, 2021 through December 31, 2026
Federal agency:	U.S. Department of Treasury
Compliance requirement:	Reporting
Questioned costs:	Not applicable

Condition—Contrary to County policies and procedures, the County’s Finance Department did not review and approve all 4 federal program reports (progress reports), including 1 interim and 3 project and expenditure reports, before submitting them to the federal agency. Specifically, the Department was advanced \$21,545,688 of program monies, and of this amount, the Department reported expenditures totaling \$10,035,175 in progress reports as of June 30, 2022. However, the Department did not perform an independent review and approval of these required progress reports to ensure the \$10,035,175 of reported expenditures was accurate, agreed to County records, and contained only allowable expenditures.

Effect—Although we noted no errors on these reports, there is an increased risk that the Department may not prevent or detect and correct errors on reports it submits to the federal agency, which relies on them to effectively monitor the County’s program administration, including its compliance with program requirements and ability to prevent and detect fraud, and to evaluate the program’s success.

Cause—While the Department was aware of County policies and procedures requiring it to perform an independent review and approval of the program’s reports before submitting them to the federal agency, the Department reported that it prioritized identifying allowable projects for the program and forgot to implement a process to review and approve the interim report and first 2 project and expenditure reports. Further, the Department reported that while it reviewed the third and final project and expenditure report, it did not maintain documentation of that review and approval.

Criteria—The County’s policies and procedures require departments to perform an independent review and approval of all federal award transactions and reports for accuracy before submitting them to the federal agency (Navajo County. [2019]. *Fiscal Policy Manual*, Section 4.9). Also, 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 Department should follow the County’s policies and procedures requiring it to perform and document an independent review and approval of all federal program reports before submitting them to the federal agency to ensure the reports are accurate, agree to County records, and contain only allowable expenditures.

The County’s corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

COUNTY SECTION

NAVAJO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022

Federal Awarding Agency/Program Title	Assistance Listings 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								
WIC - SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS19-207423 CTR040869	\$301,581	\$301,581	N/A	\$0
COOPERATIVE FORESTRY ASSISTANCE	10.664		GOVERNORS OFFICE OF HIGHWAY SAFETY	HFI 21-306 WFHF 18-204	\$40,982	\$40,982	N/A	\$0
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				\$907,511	\$907,511	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$907,511
TOTAL DEPARTMENT OF AGRICULTURE					<u>\$1,250,074</u>			
DEPARTMENT OF JUSTICE								
CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	COVID-19	ARIZONA CRIMINAL JUSTICE COMMISSION	ACESF-21-035	\$63,750	\$63,750	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	2020-180	\$157,569	\$157,569	N/A	\$0
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588		ARIZONA GOVERNOR'S OFFICE OF YOUTH, FAITH & FAMILY	ST-WSG-20-010121-13	\$30,461	\$30,461	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DC-22-009	\$75,984	\$75,984	N/A	\$0
EQUITABLE SHARING PROGRAM	16.922				\$111,090	\$111,090	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE					<u>\$438,854</u>			
DEPARTMENT OF LABOR								
WIA ADULT PROGRAM	17.258		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D121-002285	\$879,038	\$879,038	WIOA CLUSTER	\$1,445,456
WIA YOUTH ACTIVITIES	17.259		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D121-002285	\$430,582	\$430,582	WIOA CLUSTER	\$1,445,456
WIA DISLOCATED WORKER FORMULA GRANTS	17.278		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D121-002285	\$135,836	\$135,836	WIOA CLUSTER	\$1,445,456
TOTAL DEPARTMENT OF LABOR					<u>\$1,445,456</u>			
DEPARTMENT OF TRANSPORTATION								
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		GOVERNORS OFFICE OF HIGHWAY SAFETY	2021-AL-022 2022-405D-031 2022-PTS-041 2021-PTS-038	\$46,665	\$46,665	HIGHWAY SAFETY CLUSTER	\$46,665
TOTAL DEPARTMENT OF TRANSPORTATION					<u>\$46,665</u>			
DEPARTMENT OF TREASURY								
CORONAVIRUS RELIEF FUND	21.019	COVID-19	STATE OF ARIZONA GOVERNORS OFFICE	EMRP-EP-21	\$66,945	\$66,945	N/A	\$0
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19			\$10,000,000	\$10,000,000	N/A	\$0
TOTAL DEPARTMENT OF TREASURY					<u>\$10,066,945</u>			
FEDERAL COMMUNICATIONS COMMISSION								
EMERGENCY CONNECTIVITY FUND PROGRAM	32.009	COVID-19	UNIVERSAL SERVICE ADMINISTRATIVE COMPANY	ECF202113625	\$25,141	\$25,141	N/A	\$0
TOTAL FEDERAL COMMUNICATIONS COMMISSION					<u>\$25,141</u>			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES								
GRANTS TO STATES	45.310	COVID-19	ARIZONA STATE LIBRARY, ARCHIVES AND PUBLIC RECORDS	2021-ARPA-36	\$21,057	\$21,057	N/A	\$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES					<u>\$21,057</u>			
DEPARTMENT OF EDUCATION								
COMPREHENSIVE LITERACY DEVELOPMENT	84.371	84.371C	ARIZONA DEPARTMENT OF EDUCATION	22FCLSD-213277-01A	\$160,000	\$160,000	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION					<u>\$160,000</u>			
DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION								
2018 HAVA ELECTION SECURITY GRANTS	90.404	COVID-19	ARIZONA SECRETARY OF STATES OFFICE	AZ 20101001	\$5,278	\$5,278	N/A	\$0
TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION					<u>\$5,278</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR040477 CTR055216	\$206,905	\$206,905	N/A	\$0
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-110830 CTR043091 IGA 2021-071	\$141,678	\$141,678	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177684 IGA 2021-038	\$89,860	\$89,860	N/A	\$0
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR057323 CTR057424	\$1,801,490	\$1,801,490	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 CTR055216	\$118,929	\$118,929	N/A	\$0
NON-ACA/PPHF BUILDING CAPACITY OF THE PUBLIC HEALTH SYSTEM TO IMPROVE POPULATION HEALTH THROUGH NATIONAL NONPROFIT ORGANIZATIONS	93.424				\$480	\$480	N/A	\$0
CHILD SUPPORT ENFORCEMENT	93.563		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D1 18-002166	\$76,175	\$76,175	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	IGA2020-021 CTR054412	\$53,753	\$53,753	N/A	\$0
OPIOID STR	93.788		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-110830 CTR043091	\$13,924	\$13,924	N/A	\$0

HIV PREVENTION ACTIVITIES, HEALTH DEPARTMENT BASED	93.940	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-188830 CTRO42929	\$17,598	\$17,598	N/A	\$0
PREVENTIVE HEALTH SERVICES, SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	93.977	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS14-071223 CTRO43084	\$1,653	\$1,653	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994	ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2020-045	\$102,433	\$102,433	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$2,624,878</u>			
EXECUTIVE OFFICE OF THE PRESIDENT							
			HT-20-2993 HT-20-2993A HT-21-2993				
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001	CITY OF TUCSON		\$222,212	\$222,212	N/A	\$0
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT				<u>\$222,212</u>			
DEPARTMENT OF HOMELAND SECURITY							
		ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2021-EF-0016/18	\$157,234	\$157,234	N/A	\$0
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	ARIZONA DEPARTMENT OF HOMELAND SECURITY	19-AZDOHS-HSGP-190106-04	\$2,227	\$2,227	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067						
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>\$159,461</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u>\$16,466,021</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 7/1/2021 - 6/30/2022

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reported on the schedule are reported on the modified accrual basis of accounting, except for \$10 million that was received from the Coronavirus State and Local Fiscal Recovery Funds program as reimbursement for lost revenues that were reduced or eliminated because of the COVID-19 pandemic. All other 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 County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

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, 2022. 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*, §200.502.

Federal Assistance Listings number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2022 *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

March 31, 2023

Lindsey A. Perry
Arizona 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,

A handwritten signature in black ink that reads "Jayson Vowell".

Jayson Vowell
Finance Director

• 928.524.4065 • Fax: 928.524.4239 • P.O. Box 668 • Holbrook, AZ 86025 •

• navajocountyaz.gov •

• jayson.vowell@navajocountyaz.gov

Navajo County
Corrective Action Plan
Year ended June 30, 2022

Financial statement findings

2022-01

Financial Statement Preparation

Contact Person(s): Jayson Vowell, Finance Director

Anticipated completion date: June 30, 2023

Concur. The County is in the process of implementing procedures for financial reporting including requiring reviews to ensure that the financial statements are accurate, properly supported, presented in accordance with GAAP and to detect and correct errors in the financial statements before providing them for audit. Staff inadvertently left out the contributions from the pledged revenue obligations in the calculation of deferred outflows of resources related to pensions. This specific transaction was not included in the procedures implemented by the County as it was a non-routine event and staff did not consider the impact to the deferred outflows of resources. The audit schedules for pensions will be updated to include contributions from financing in addition to amounts contributed to the County's pensions through the normal payroll process.

2022-02

P-Card Fuel Purchases

Contact Person(s): Bryan Layton, Assistant County Manager and Jayson Vowell, Finance Director

Anticipated completion date: June 30, 2024

Concur. The 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 that there was any intentional abuse of County P-Card fuel purchases or any misuse of County funds during fiscal year 21-22. The County has had preliminary discussions regarding potential solutions to this issue. However, these solutions have been determined to be either inefficient as they involve multiple manual processes or too costly for the benefit received by implementing a new fuel management system. The County will continue to evaluate practical options that will address the issues identified by the auditors of being able to document that County policies were followed, that fuel purchases were for County vehicles only and used for official County business purposes.

2022-03

Information Technology - Managing Risk

Contact Person(s): Ken Dewitt, Information Technology Director

Anticipated completion date: June 30, 2024

Concur. Navajo County takes all IT audit findings seriously and will make efforts to resolve deficiencies. County Administration and IT have engaged a consultant to review and update IT Policies and Procedures based on NIST standards. The County has been working toward a long-term solution for addressing this topic and have made several steps in that direction including hiring a data analyst, engaging in discussions with consultants for assistance in getting the process going, researching tools that will help with the

process, and getting staff exposed to necessary training in the vast space of data governance. The County is utilizing Varonis to begin the process of classifying sensitive data and have begun internal discussions at a broader level of data governance.

2022-04

Information Technology - Controls

Contact Person(s): Ken Dewitt, Information Technology Director

Anticipated completion date: June 30, 2024

Concur. The County has engaged a consultant to review and update IT Policies and Procedures based on NIST standards. Within our updated procedures we will address the process. The County is using a change control process to document changes to systems including approval for changes. Post implementation reviews are completed and are documented when the person requesting the change is the same person that is making the changes. With each IT person wearing many hats, it falls within the position responsibility to both identify and make changes on a system. Because of the change management software, Jira, changes are cloned to create new changes. There have been and continue to be times where fields in the newly created change are not updated prior to be sent through the approval process. This will be corrected in the future.

Federal award findings and questioned costs.

2022-101

Assistance Listings number: 10.665 Schools and Roads – Grants to States

Contact Person(s): Catrina Jenkins, Emergency Management Manager

Anticipated completion date: June 30, 2023

Concur. County staff has been educated on the 45-day comment period and proposal to the Resource Advisory Committee (RAC). The County has put into place corrective actions to negate these issues in the future. These actions have included a calendar reminder to publish the 45-day comment period in our paper of record and to submit the proposed use of fund to the local RAC prior to spending any funds. The County has reached out to the current coordinator of the local RAC to ensure the County will be able to coordinate our efforts efficiently in the future. The County will develop written policy and procedures for these funds to ensure that these action items are followed and will train all staff according to these policies as it is applicable.

2022-102

Assistance Listings number: 17.258 WIOA Adult Program;

Assistance Listings number: 17.259 WIOA Youth Activities; and

Assistance Listings number: 17.258 WIOA Dislocated Worker Formula Grants

Contact Person(s): Jeremy Flowers, WIOA Executive Director and Lisa Grannis, WIOA Board Clerk and Compliance Specialist

Anticipated completion date: June 30, 2023

Concur. The nonprofit organization was created in part to serve as the administrative arm of the Local Board and to provide a location for a resource center where WIOA services would be provided. The County did not distinguish fiscal responsibilities between parties and therefore assumed that certain expenditures of the Local Board and nonprofit would be allowable and could be paid directly by the

County. The County considered the expenditures of the nonprofit to be program related, even though they were not directly incurred by the County. The County will improve its accounts payable policies and procedures for processing invoices using established process within the Finance Department, including ensuring all invoices are addressed to the County prior to payment. In addition, the County will establish clear contractual agreements that establish fiscal responsibilities that follow the program's requirements. Finally, the County will coordinate with the pass-through grantor for the repayment of the unallowable costs identified in the finding.

2022-103

Assistance Listings number: 17.258 WIOA Adult Program;

Assistance Listings number: 17.259 WIOA Youth Activities; and

Assistance Listings number: 17.258 WIOA Dislocated Worker Formula Grants

Contact Person(s): Jeremy Flowers, WIOA Executive Director and Lisa Grannis, WIOA Board Clerk and Compliance Specialist

Anticipated completion date: June 30, 2023

Concur. 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 provide technical assistance to the sub-recipient, Chicanos Por La Causa (CPLC) 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.

County staff is currently working with CPLC staff to implement a different approach to attaining the WEX requirements. The recommended solutions include improved tracking and monitoring of the WIOA Youth WEX activities to include both paid and unpaid work experiences, increasing all youth outreach, partnering with other local youth programs, and enrolling youth with barriers pursuant to current policy. The County will be tracking Youth progress and will be revising strategies as needed. The County's goal is to see a significant increase in Youth WEX program activities by the end of fiscal year 22-23.

2022-104

Assistance Listings number: 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Fund

Contact Person(s): Jayson Vowell, Finance Director

Anticipated completion date: June 30, 2023

Concur. During the audit period, fiscal year 21-22, the only reportable expenditure to the grantor was the \$10 million standard deduction for revenue loss claimed by the County. The remaining reports did not include reportable expenditures as the projects identified had not begun as construction contracts are currently being negotiated between the County and contractors. Therefore, the County either did not perform a review or did so verbally between staff. To ensure County policy and procedures are followed, the County will require that all future program reports are reviewed for accuracy, agree to County records, and contain only allowable expenditures before submitting them to the federal agency. In addition, the County will ensure that this review process is documented.



NAVAJO COUNTY

Administration

Bryan Layton
Assistant County Manager

Glenn Kephart
County Manager

Jayson Vowell
Finance Director

We are Navajo County

March 31, 2023

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,

A handwritten signature in black ink that reads "Jayson Vowell".

Jayson Vowell
Finance Director

Navajo County
Summary Schedule of Prior Audit Findings
Year ended June 30, 2022

Status of financial statement findings

The County's initial financial statements contained misstatements and misclassifications, which delayed their issuance and increased the risk that those relying on the reported financial information could be misinformed.

Finding No.: 2021-01

Year finding initially occurred: FY 2021

Status: Partially corrected.

Response: The misstatements, misclassifications and delayed issuance identified in this finding were corrected in preparing the County's Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2022. The County implemented control procedures to address these issues and to review the financial statements to ensure that they are accurate, properly supported, presented in accordance with GAAP, and to detect and correct errors before providing them for audit. However, a non-routine event issuing pledged revenue obligations for the purpose of funding the County's unfunded pension liabilities were not accounted for properly in the initial report given to the auditors. The contributions were not included in the deferred outflows of resources related to pensions causing this line item to be understated and overstating unrestricted net position by the same amount.

The County paid \$20,000 for employees' County purchasing card fuel purchases but did not ensure the fuel was used in County vehicles as required, contrary to County policies, placing the County at risk of misusing public monies and violating the Arizona Constitution.

Finding No.: 2021-02

Year finding initially occurred: FY 2019

Status: Not corrected.

Response: Navajo County recognizes 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. The County continues to evaluate practical options to ensure fuel is used in County vehicles as required.

Managing Risk

Finding No. 2021-03

Year finding initially occurred: FY 2016

Status: Partially corrected.

Response: County Administration and IT have identified resources that will allow us to further mitigate potential risks to sensitive information. The County will continue the process of evaluating and managing the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds. During the past year the County has purchased and installed the Varonis software which is one of the top cloud-native Data Security Platforms. The County has also hired a Data Analyst position within IT and the job will be to review County data within the network and begin the job of identifying and inventorying the information in the County. The County expect this process to take a few years.

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

Finding No. 2021-04

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

Status: Partially corrected.

Response: The County has taken steps to mitigate IT audit findings and will continue to improve controls over its IT resources. A policy review will start the first part of April 2023. This will be based on NIST standards. After the review is complete there will be changes in processes to bring these in line with our modified policies after we receive Board of Supervisor’s approval. Multi Factor Authentication has been installed for all IT staff and will be implemented for financial staff this spring.

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.

Status of federal award findings and questioned costs

WIOA Cluster

Finding No.: 2021-101

Year finding initially occurred: FY 2019

Status: Not corrected.

Response: The County continues to work toward compliance for the earmarking requirement of spending the required 20 percent of WIOA Youth Activities monies on in-school and out-of-school paid and unpaid work experience. The County is in the process of revising its procedures and providing support/training to the sub-recipient to implement procedures to ensure the earmarking requirements are met.

COVID-19 Public Health Emergency Response

Finding No.: 2021-102

Year finding initially occurred: FY 2021

Status: Fully corrected.

Response: n/a

