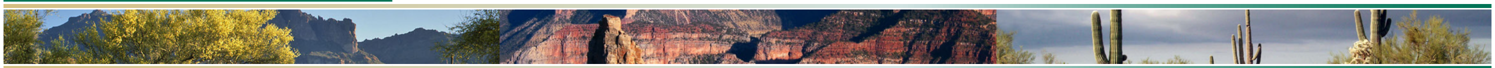
STATE OF ARIZONA
OFFICE OF THE AUDITOR GENERAL

Navajo County



REPORT HIGHLIGHTS
FINANCIAL STATEMENT AND SINGLE AUDITS

Condensed financial information

Our Conclusion

Navajo County is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of the financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinions on the County's financial statements and schedule of expenditures of federal awards, and reports on its internal control and compliance over financial reporting and major federal programs. The information in the County's fiscal year 2013 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified deficiencies the County should address to improve accountability. The most significant findings and recommendations are summarized on the next page.

2013

Year Ended June 30, 2013

Statement of net position—This statement reports all of the County's assets, liabilities, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in land, buildings, equipment, and infrastructure.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the resources available for general operations.

Statement of activities—This statement reports all revenues, expenses, and the year's change in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes raised for general purposes. During fiscal year 2013, net position decreased by $4 million, or 4.6 percent, as compared to a decrease of $0.4 million, or 0.3 percent, in fiscal year 2012.

Schedule of expenditures of federal awards—During fiscal year 2013, the County expended $6.7 million in federal awards. The County's federal award expenditures decreased by approximately $0.2 million, or 3 percent, compared to fiscal year 2012.

Condensed statement of net position
Governmental activities
As of June 30, 2013
(In thousands)

Assets	
Current and other assets	$ 40,780
Capital assets, net of depreciation	73,774
Total assets	114,554
Liabilities	
Current liabilities	4,283
Noncurrent liabilities	17,514
Total liabilities	21,797
Net position	
Net investment in capital assets	58,803
Restricted	26,944
Unrestricted	7,010
Total net position	$ 92,757

Condensed statement of activities
Governmental activities
For the year ended June 30, 2013
(In thousands)

Program revenues	
Charges for services	$ 5,305
Operating grants and contributions	12,173
Capital grants and contributions	9,939
Total program revenues	27,417
General revenues	
Property taxes	11,925
Sales taxes	18,263
Other	3,861
Total general revenues	34,049
Total revenues	61,466
Expenses	65,897
Change in net position	(4,431)
Net position—beginning, as restated	97,188
Net position—ending	$ 92,757

Condensed schedule of expenditures of federal awards by grantor agency
For the year ended June 30, 2013
(In thousands)

Department of Agriculture	$1,811
Department of the Interior	1,425
Department of Health and Human Services	1,089
Department of Justice	808
Department of Education	548
Department of Labor	461
Department of Homeland Security	232
Executive Office of the President	153
Department of Transportation	152
Other	59
Total federal expenditures	$6,738

Summary of audit findings and recommendations

For the financial statement audit, we found four internal control weaknesses. For the federal compliance audit, we tested seven federal programs under the major program guidelines established by the Single Audit Act and found that the County did not always have adequate internal controls for three of those programs and did not always comply with federal program requirements for one of those programs. Our Report on Internal Control and Compliance over financial reporting and our Single Audit Report over federal programs contain further details to help the County correct these deficiencies. The most significant findings and recommendations are summarized below.

Inadequate information system access controls

The County lacked adequate internal controls over its information systems to ensure that it properly reviewed and approved user access and properly monitored the activity of system users with elevated or unlimited access. We noted that some users had the ability to make data and system changes with no oversight. As a result, there was an increased risk of theft, manipulation, or misuse of financial, sensitive, or confidential information.

Recommendation

The County should follow its established policies and procedures requiring that it properly review and approve system access requests prior to granting access. In addition, the County should develop and implement policies and procedures to monitor system users with elevated or unlimited access.

Inadequate controls over cash at the School Superintendent's Office

The School Superintendent's Office did not have adequate internal controls to properly safeguard cash and process cash disbursements. For example, employees with access to blank checks and access to the Superintendent's electronic signature used to sign checks performed monthly bank reconciliations, and a supervisor did not formally review the bank reconciliations for accuracy. In addition, some employees had the authority to both initiate and process cash disbursements without a supervisory review. As a result, there was an increased risk of theft and misappropriation of cash.

Recommendation

To help ensure that cash is adequately safeguarded from theft or misappropriation, the School Superintendent's Office should either implement the County's existing policies and procedures or develop its own so that cash is adequately safeguarded; no one employee can initiate, process, and approve purchases; and bank accounts are reconciled.