



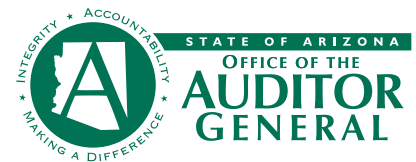
A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Navajo County

Year Ended June 30, 2014



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



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Navajo County
Single Audit Reporting Package
Year Ended June 30, 2014

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Reports Issued Separately

Comprehensive Annual Financial Report

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*



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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 OMB Circular A-133

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) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

Basis for Adverse Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with certain compliance requirements that are applicable to the major federal program listed below. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

<u>Program Title (CFDA Number)</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Public Health Emergency Preparedness (93.069)	Allowable Costs/Cost Principles, Cash Management, Matching, and Reporting	2014-103, 2014-104, 2014-105

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph above, Navajo County did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program listed above for the year ended June 30, 2014.

Basis for Qualified Opinion

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements that are applicable to the major federal programs listed below. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

<u>Program Title (CFDA Number)</u>	<u>Compliance Requirement</u>	<u>Finding Number</u>
Forest Service Schools and Roads Cluster (10.665)	Activities Allowed or Unallowed, Earmarking, Reporting, and Special Tests and Provisions	2014-102
SNAP Cluster (10.561)	Allowable Costs/Cost Principles, Cash Management, and Reporting	2014-106, 2014-107

Qualified Opinions

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Navajo County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed above for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Navajo 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 other major federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-101, 2014-108, 2014-109, and 2014-110. Our opinion on each major federal program is not modified with respect to these matters.

Navajo County's responses to the noncompliance findings identified in our audit are presented on pages 23 through 26. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

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 OMB Circular A-133, 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 were not identified. However, as discussed below, we identified 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-101, 2014-102, 2014-103, 2014-104, 2014-105, 2014-106, and 2014-107 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 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-108, 2014-109, and 2014-110 to be significant deficiencies.

Navajo County's responses to the internal control over compliance findings identified in our audit are presented on pages 23 through 26. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited 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, 2014, 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, 2014, 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 OMB Circular A-133 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.

Jay Zsorey, CPA
Financial Audit Director

March 31, 2015

Navajo County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
Department of Agriculture					
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	HG050273, ADHS14-053056	\$ 299,836
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030681	302,680
10 664	Cooperative Forestry Assistance		Arizona State Forestry Division	SFA-11-201	117,373
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster			1,075,633
Total Department of Agriculture					<u>1,795,522</u>
Department of Housing and Urban Development					
14 228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	CDBG-State-Administered CDBG Cluster	Arizona Department of Housing	155-12, 156-12, 157-12, 158-12, 159-12	356,840
Department of the Interior					
15 226	Payments in Lieu of Taxes				1,519,256
Department of Justice					
16 523	Juvenile Accountability Block Grant		Governor's Office for Children, Youth, and Families	JB-CSG-13-3365-13	15,000
16 554	National Criminal History Improvement Program		Arizona Criminal Justice Commission	NCP13-14-004	38,424
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2012-VA-GX-0022	41,715
16 582	Crime Victim Assistance/Discretionary Grants		National Association of VOCA	13-095	4,984
16 585	Drug Court Discretionary Grant Program				48,303
16 607	Bulletproof Vest Partnership Program		Office of the Attorney General	OMB# 1121-0235	6,138
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster	Arizona Criminal Justice Commission	DC-14-021, DC-14-017	170,070
16 813	NICS Act Record Improvement Program		Arizona Criminal Justice Commission	NIC11-12-003	9,345
16 922	Equitable Sharing Program				45,587
Total Department of Justice					<u>379,566</u>
Department of Labor					
17 258	WIA Adult Program	WIA Cluster	Arizona Department of Economic Security	DE111011-001, ADES 14-051529	266,971
17 259	WIA Youth Activities	WIA Cluster	Arizona Department of Economic Security	DE111011-001, ADES 14-051529	287,090
17 278	WIA Dislocated Worker Formula Grants	WIA Cluster	Arizona Department of Economic Security	DE111011-001, ADES 14-051529	216,641
<i>Total WIA Cluster</i>					<u>770,702</u>
Total Department of Labor					<u>770,702</u>

See accompanying notes to schedule.

Navajo County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
Department of Transportation					
20 Unknown	Reservation Roadway Maintenance		Arizona Department of Transportation	KR06-0664 TRN, INDRES-PINDR18P, INDRES-PINDR21P	165,191
20 600	State and Community Highway Safety	Highway Safety Cluster	Governor's Office of Highway Safety	2012-PT-018, 2012-PT-029, 2012-PT-058, 2013-AL-025, 2014-AL-022, 2014-AL-039, 2014A-164-115	26,397
20 608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		Governor's Office of Highway Safety	2014A-164-115	35,168
20 616	National Priority Safety Programs		Governor's Office of Highway Safety	2014A-164-115	7,033
20 703	Interagency Hazardous Materials Public Sector Training and Planning Grants		Arizona Department of Emergency and Military Affairs	None	5,207
Total Department of Transportation					<u>238,996</u>
Institute of Museum and Library Services					
45 310	Grants to States		Arizona State Library, Archives and Public Records	2012-32038-06, 2013-33026-17	19,662
Department of Education					
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Supreme Court	KR12-0093, KR13-0071	25,460
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	KR12-0093, H027A0090007, H027A050007	32,428
84 366	Mathematics and Science Partnerships		Arizona Department of Education	S366B090003, S366B040003	111,491
84 367	Improving Teacher Quality State Grants		Arizona Supreme Court	S367A110049	9,049
84 395	State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants, Recovery Act		Arizona Department of Education	13-04-EDSG	55,532
Total Department of Education					<u>233,960</u>
Election Assistance Commission					
90 401	Help America Vote Act Requirements Payments		Arizona Secretary of State	None	60,393
Department of Health and Human Services					
93 008	Medical Reserve Corps Small Grant Program		National Association of County and City Health Officials	6 MRCSEG061001-03	2,505
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007893	222,180
93 217	Family Planning—Services		Arizona Department of Health Services	HG854251	48,090
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	HG854290	51,381

See accompanying notes to schedule.

Navajo County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
93 283	Centers for Disease Control and Prevention— Investigations and Technical Assistance				3,399
93 505	Affordable Care Act (ACA), Maternal, Infant, and Early Childhood Home Visiting Program		Arizona Department of Health Services	ADHS13-028371	71,873
93 563	Child Support Enforcement		Arizona Department of Economic Security	G-04-04-AZ-4004	461,930
93 617	Voting Access for Individuals with Disabilities—Grants to States		Arizona Secretary of State	None	72,730
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	HG852272	14,722
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	HG854320	7,218
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS11-007633	72,065
	Total Department of Health and Human Services				<u>1,028,093</u>
Executive Office of the President					
95 001	High Intensity Drug Trafficking Areas Program		City of Tucson	HT-12-2221, HT- 122247, HT-12-2249, HT-13-2321	114,915
Department of Homeland Security					
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	None	68,031
97 067	Homeland Security Grant Program	Homeland Security Cluster	Arizona Department of Homeland Security	13-AZDOHS-HSGP- 130105-01, 11- AZDOHS-HSGP- 888102-05, 12-AZDOHS-HSGP- 999102-04, 12- AZDOHS-HSGP- 999102-05, 12-AZDOHS-HSGP- 999102-06	93,518
	Total Department of Homeland Security				<u>161,549</u>
	Total expenditures of federal awards				<u>\$ 6,679,454</u>

See accompanying notes to schedule.

Navajo County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Navajo County and is presented on a modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2014 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program and when there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients for major programs:

Cluster Title	CFDA Number	Amount
SNAP Cluster	10.561	\$29,535

Navajo County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified		
	Yes	No	
Internal control over financial reporting:			
Material weakness identified?	<u> X </u>	<u> </u>	
Significant deficiencies identified?	<u> X </u>	<u> </u>	
Noncompliance material to the financial statements noted?	<u> </u>	<u> X </u>	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	<u> X </u>	<u> </u>	
Significant deficiencies identified?	<u> X </u>	<u> </u>	
Type of auditors' report issued on compliance for major programs:			
Unmodified for all major programs except for the Public Health Emergency Preparedness program (93.069), which was adverse, and the Forest Service Schools and Roads Cluster (10.665) and SNAP Cluster (10.561), which were qualified.			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u> X </u>	<u> </u>	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.561	SNAP Cluster
10.665	Forest Service Schools and Roads Cluster
14.228	CDBG—State-Administered CDBG Cluster
15.226	Payments in Lieu of Taxes
93.069	Public Health Emergency Preparedness

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000		
	Yes	No	
Auditee qualified as low-risk auditee?	___	___	<u>X</u>
<i>Other Matters</i>			
Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	___	<u>X</u>	___

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

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

2014-101

Compliance Requirement:	Not applicable
Questioned Costs:	N/A

Criteria: In accordance with OMB Circular A-133, §.300, the County is required to identify, in its accounts, all federal awards received and expended and the federal programs under which they are received, and prepare a Schedule of Expenditures of Federal Awards (SEFA) that is accurate and complete. The SEFA should report federal award expenditures in accordance with OMB Circular A-133, §.205. In addition, OMB Circular A-133, §.310(b), requires the SEFA to include the Catalog of Federal Domestic Assistance title and number, amount expended, name of the federal awarding agency, and if applicable, the identifying information of the pass-through grantor for each of the County's federal awards.

Condition and context: The County did not properly identify federal awards in its records and accounting system so that it could prepare an accurate and complete SEFA. Specifically, auditors noted that the County omitted the Forest Service Schools and Roads Cluster, a major federal program, and incorrectly reported other expenditures for four of its federal programs, errors of which totaled \$1,166,510. In addition, the County did not correctly report information regarding the pass-through grantor for several federal programs. The County's SEFA was adjusted for all significant errors noted. This finding was not a result of internal control deficiencies of individual federal programs and accordingly, did not have a direct and material effect on the reporting requirements over the County's major federal programs.

Effect: The County's SEFA was not accurate and complete, and accordingly, did not comply with OMB Circular A-133 requirements for reporting federal awards.

Cause: The County did not have effective policies and procedures in place to ensure that all federal awards were identifiable in its accounting system and properly reported on the SEFA. Additionally, county personnel responsible for preparing the SEFA were not adequately trained on the OMB Circular A-133 requirements for reporting federal awards.

Recommendation: To help ensure that the County prepares its SEFA in compliance with OMB Circular A-133, the County should develop and implement policies and procedures to identify in its accounting system all federal awards the County receives and disburses and establish a review process to help ensure that the SEFA is accurate and complete.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

2014-102

Cluster Name:	Forest Service Schools and Roads Cluster
CFDA No. and Name:	10.665 Schools and Roads—Grants to States
Award Numbers and Years:	None
Federal Agency:	U.S. Department of Agriculture
Compliance Requirements:	Activities Allowed or Unallowed, Earmarking, Reporting, and Special Tests and Provisions
Questioned Costs:	\$59,385

Criteria: In accordance with 16 United States Code (U.S.C.), §7142, the County is required to spend federal Title III monies received under the program to provide education, assistance, and plans for wildfire protection and emergency wildfire services for its citizens and their property. The County should publish a proposal of the intended use of the Title III monies and submit the proposal to its resource advisory committee at least 45 days prior to spending the monies. Additionally, in accordance with 16 U.S.C., §7143, the County should submit a report certifying to the federal awarding agency by February 1, 2015, that the monies were used for allowable activities.

Condition and context: The County did not spend Title III monies totaling \$59,385 on allowable activities. Instead, they were incorrectly disbursed to county schools with Title I monies. Further, the County did not prepare and publish the required proposal for the intended use of the Title III monies, and did not prepare or submit the required certification report on its use of the Title III monies to the federal awarding agency.

Effect: The County did not spend program monies on required activities.

Cause: The County did not have policies and procedures to ensure that program monies were spent for allowable activities. Specifically, the County distributed all program monies to county schools because the County had not assigned someone knowledgeable of the program's Title III requirements to help ensure that the Title III monies were administered and spent for allowable activities.

Recommendation: To help ensure that the County complies with U.S.C. §§7142-7143, it should establish policies and procedures that include:

- Assigning someone who is knowledgeable of the program's Title III requirements to help ensure that the Title III monies were administered and spent for allowable activities.
- Reviewing and approving the distribution of program monies by comparing the amount received to the allocation elections authorized by the County Board of Supervisors and federal awarding agency's payment reports. This review and approval should occur prior to distributing program monies.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

2014-103

CFDA No. and Name:	93.069 Public Health Emergency Preparedness
Award Numbers and Years:	ADHS12-007893, 2013 & 2014
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Arizona Department of Health Services
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	Unknown

Criteria: In accordance with 2 Code of Federal Regulations (CFR), §225, Appendix B, 8(h)(3-4), the County should maintain records that certify or confirm on an after-the-fact basis that employee compensation charged to federal programs represents a reasonable distribution of employees' actual time and effort worked on federal program activities. If employees work on multiple federal program activities or both federal and nonfederal activities, payroll activity reports or time sheets should be prepared on at least a monthly basis. If employees' compensation is paid entirely with program monies, written semi-annual certifications should be prepared that include the applicable period of time for which the employee worked solely on the federal program. These certifications should be signed by either the employee or a supervisor with first-hand knowledge of the work the employee performs. Alternatively, if budgeted estimates or predetermined allocation percentages are used to charge employees' compensation to federal programs, comparisons to actual employees' time and effort based on at least monthly payroll activity reports or time sheets should be performed on a quarterly basis, and employee compensation should be adjusted to reflect the actual after-the-fact distribution as appropriate.

Condition and context: The County spent approximately \$222,000 of program monies, with \$180,000 spent on employees' compensation. Three of five employees' compensation was charged to the program based on predetermined allocation percentages and two of five employees' compensation was paid entirely with program monies. The County did not have payroll activity reports or time sheets for employees working on multiple activities, and did not have semi-annual certifications for employees working solely on the program that reflected the employees' actual time and effort spent working on the program's activities. Alternatively, the County did not perform comparisons of the allocation and the employees' actual hours worked for the program.

Effect: The County did not comply with the program's requirements for allowable costs. There is an increased risk that employees' compensation charged to the program may not have represented an actual after-the-fact distribution of employees' time and effort spent working on the program's activities. It was not practical to extend our auditing procedures sufficiently to determine the questioned costs, if any, that may have resulted from this finding.

Cause: The County did not have policies and procedures for ensuring employees' compensation charged to federal programs represented an after-the-fact distribution of employees' actual time and effort spent working on federal program activities.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Recommendation: To help ensure the County complies with 2 CFR §225, Appendix B, 8(h)(3-4), it should develop and implement policies and procedures that ensure that employees' compensation charged to federal programs reflect an after-the-fact distribution of employees' actual time and effort spent working on federal programs. Specifically, the County should:

- Prepare payroll activity reports or time sheets on at least a monthly basis to record employees' actual time and effort spent on federal programs as the basis for charging employees' compensation to federal programs for employees working on multiple federal program activities or both federal and nonfederal activities. Alternatively, for employees whose compensation is paid entirely with a single federal program's monies, the County should prepare written semi-annual certifications that include the applicable period of time for which the employee worked solely on the federal program. Such records and certifications should be signed by the employee and supervisor having first-hand knowledge of the work the employee performs.
- Perform comparisons on at least a quarterly basis of predetermined allocations to employees' actual time and effort spent working on federal programs, if budgeted estimates or predetermined allocation percentages are used to distribute employees' compensation to federal programs. Employee compensation charged to federal programs should be adjusted to reflect the actual after-the-fact distribution, as appropriate.

2014-104

CFDA No. and Name:	93.069 Public Health Emergency Preparedness
Award Numbers and Years:	ADHS12-007893, 2013 and 2014
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Arizona Department of Health Services
Compliance Requirements:	Cash Management and Reporting
Questioned Costs:	Unknown

Criteria: In accordance with 45 CFR §92.20 and the grant agreement, the County should submit a monthly Contractor's Expenditure Report (CER) to the pass-through grantor by the 30th day of the following month to report its program expenditures and request reimbursement. The report should contain accurate data that is based on the County's accounting records.

Condition and context: The County did not have adequate policies and procedures to report and request reimbursement of program expenditures. Specifically, for 9 of 12 CERs tested, the report did not agree to the County's accounting records. Auditors tested an additional ten CERs and determined a total of 18 reports did not agree to the County's accounting records. Differences in the amounts reported on monthly CERs and the County's accounting records varied from understating expenditures by \$1,790 to overstating expenditures by \$2,015. The total amount of errors could not be determined.

Effect: The County may have been reimbursed more federal program monies than it had expended based on its accounting records. It was not practical to extend our auditing procedures sufficiently to determine the questioned costs, if any, that may have resulted from this finding.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Cause: The County did not have policies and procedures to follow for preparing reimbursement requests to grantors for federal programs, and the CERs were not reviewed and approved by someone independent of their preparation.

Recommendation: To help ensure that the County complies with 45 CFR §92.20 and the grant agreement, and submits accurate reports to its pass-through grantor, the County should develop and implement policies and procedures that include:

- Preparing federal reimbursement requests in a timely manner, such as CERs and other reports, which are based on and agree to the County's accounting records.
- Requiring federal reimbursement requests, such as CERs and other reports, to be reviewed for accuracy and approved by someone who has firsthand knowledge of the program's requirements and is also independent of the report's preparation.

2014-105

CFDA No. and Name:	93.069 Public Health Emergency Preparedness
Award Numbers and Years:	ADHS12-007893, 2013 and 2014
Federal Agency:	U.S. Department of Health and Human Services
Pass-Through Grantor:	Arizona Department of Health Services
Compliance Requirement:	Matching
Questioned Costs:	Unknown

Criteria: In accordance with 2 CFR §225, Appendix B(37), 45 CFR §92.24, and the grant agreement, the County is required to match 10 percent of total program expenditures with nonfederal monies. Rental costs for building space, equipment, and services for matching the program should be supported by documentation and should be reasonably based after considering rental costs of comparable property, market conditions, alternatives available, and the type, life expectancy, condition, and value of the property.

Condition and context: The County did not have adequate documentation to support that it met its matching requirements for the program. Specifically, the County considered rental costs for warehouse space, equipment, and services that it provided as matching expenditures for the program. However, the County did not have documentation to support the costs that were calculated as the matching expenditures composed of rental costs were reasonably based after considering comparable property; market conditions; any alternatives available; and the type, life expectancy, condition, and value of the property. As a result, auditors were unable to verify whether the County's matching expenditures, totaling approximately \$20,033, were reasonably valued and met the 10 percent requirement.

Effect: There is an increased risk that the County may not have met its matching requirement. It was not practical to extend our auditing procedures sufficiently to determine the questioned costs, if any, that may have resulted from this finding. This finding could potentially impact other federal programs that the County administers.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Cause: The County did not have policies and procedures for recording and valuing matching expenditures for federal programs. Specifically, the County did not have documentation to demonstrate that it considered the required factors to ensure that rental costs used as matching were reasonably valued.

Recommendation: To help ensure the County meets its matching requirement and complies with 2 CFR §225, Appendix B(37) and 45 CFR §92.24, it should establish policies and procedures for recording and valuing matching expenditures for federal programs. These policies and procedures should include documenting the County's considerations in valuing rental costs for matching, which consisted of building space, equipment, and services, were reasonably based on comparable property, market conditions, alternatives available, and the type, life expectancy, condition, and value of the property.

2014-106

Cluster Name:	SNAP Cluster
CFDA No. and Name:	10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program
Award Numbers and Years:	ADHS12-030681, 2013 & 2014
Federal Agency:	U.S. Department of Agriculture
Pass-Through Grantor:	Arizona Department of Health Services
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	Unknown

Criteria: In accordance with 2 CFR, §225, Appendix B, 8(h)(3-4), the County should maintain records that certify or confirm on an after-the-fact basis that employee compensation charged to federal programs represents a reasonable distribution of employees' actual time and effort worked on federal program activities. If employees work on multiple federal program activities or both federal and nonfederal activities payroll activity reports or time sheets should be prepared on at least a monthly basis. If employees' compensation is paid entirely with program monies, written semi-annual certifications should be prepared that include the applicable period of time for which the employee worked solely on the federal program. These certifications should be signed by either the employee or a supervisor with first-hand knowledge of the work the employee performs. Alternatively, if budgeted estimates or predetermined allocation percentages are used to charge employees' compensation to federal programs, comparisons to actual employees' time and effort based on at least monthly payroll activity reports or time sheets should be performed on a quarterly basis, and employee compensation should be adjusted to reflect the actual after-the-fact distribution as appropriate.

Condition and context: The County spent approximately \$303,000 of program monies, with \$193,000 spent on employees' compensation. Specifically, for four of five employees whose compensation is paid entirely with program monies, the County performed semi-annual certifications that reflected the employee's actual time and effort spent working on the program's activities. However, these certifications were not completed until June 2014, and encompassed a nearly 2-year period. Additionally, for the one

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

employee who worked on both federal and nonfederal activities, the employee's compensation was charged to the program based on a predetermined allocation percentage. The County did not have payroll activity reports or time sheets that reflected the employees' actual time and effort spent working on the program's activities. Alternatively, the County did not perform comparisons of the amount allocated to the program and the employee's actual hours worked for the program.

Effect: Employees' compensation costs charged to the program may not have represented an accurate after-the-fact distribution of time and effort spent on the program's activities, which could result in unallowed costs being charged to the program. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding could potentially affect other federal programs that the County administered.

Cause: The County did not have policies and procedures for ensuring that employees' compensation charged to federal programs represented an after-the-fact distribution of employees' time and effort spent working on federal program activities.

Recommendation: To help ensure that the County complies with 2 CFR §225, Appendix B, 8(h)(3-4), it should develop and implement policies and procedures that ensure that employees' compensation charged to federal programs reflect an after-the-fact distribution of employees' actual time and effort spent working on federal programs. Specifically, the County should:

- Prepare payroll activity reports or time sheets on at least a monthly basis to record employees' actual time and effort spent on federal programs as the basis for charging employees' compensation to federal programs for employees working on multiple federal program activities or both federal and nonfederal activities. Alternatively, for employees whose compensation is paid entirely with a single federal program's monies, the County should prepare written semi-annual certifications that include the applicable period of time for which the employee worked solely on the federal program. Such records and certifications should be signed by the employee and supervisor having first-hand knowledge of the work the employee performs.
- Perform comparisons on at least a quarterly basis of predetermined allocations to employees' actual time and effort spent working on federal programs, if budgeted estimates or predetermined allocation percentages are used to distribute employees' compensation to federal programs. Employee compensation charged to federal programs should be adjusted to reflect the actual after-the-fact distribution, as appropriate.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

2014-107

Cluster Name:	SNAP Cluster
CFDA No. and Name:	10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program
Award Numbers and Years:	ADHS12-030681, 2013 & 2014
Federal Agency:	U.S. Department of Agriculture
Pass-Through Grantor:	Arizona Department of Health Services
Compliance Requirement:	Cash Management and Reporting
Questioned Costs:	\$16,553

Criteria: In accordance with 7 CFR §3016.20, the grant agreement, and the Arizona Nutrition Network policies, the County should submit a monthly Contractor's Expenditure Report (CER) to the pass-through grantor by the 30th day of the following month to report its program expenditures and request reimbursement. The report should contain accurate data that is based on the County's accounting records.

Condition and context: The County did not have adequate policies and procedures to ensure that CERs used to report expenditures and request reimbursement were accurate and supported. For two of six CERs tested, the County made errors totaling \$16,553, which consisted of expenditures that were duplicated and reimbursed on prior CERs. Finally, for three of the CERs tested, the County submitted the CERs between 14 and 101 days after the 30-day deadline.

Effect: The County was reimbursed for \$16,553 more than it should have and did not comply with the report submission timeline requirements. It was not practical to extend our auditing procedures sufficiently to determine additional questioned costs, if any, that may have resulted from this finding.

Cause: The County did not have policies and procedures to follow for preparing reimbursement requests for federal programs, and the CERs were not reviewed by someone with firsthand knowledge of the program requirements.

Recommendation: To help ensure the County complies with 7 CFR §3016.20 and the grant agreement, and submits accurate and timely reports to its pass-through grantor, it should develop and implement policies and procedures that include:

- Preparing federal reimbursement requests in a timely manner, such as CERs and other reports, which are based on and agree to the County's accounting records.
- Requiring federal reimbursement requests, such as CERs and other reports, to be reviewed for accuracy and approved by someone who has firsthand knowledge of the program's requirements and is also independent of the report's preparation.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

2014-108

Cluster Name:	SNAP Cluster
CFDA No. and Name:	10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program
Award Numbers and Years:	ADHS12-030681, 2013 & 2014
Federal Agency:	U.S. Department of Agriculture
Pass-Through Grantor:	Arizona Department of Health Services
Compliance Requirement:	Procurement
Questioned Costs:	Unknown

Criteria: In accordance with 2 CFR §215.318(a), the County should follow its documented procurement policies and procedures when purchasing goods and services with federal monies. This policy required the County to obtain three written price quotations for purchases between \$1,000 and \$50,000.

Condition and context: For 6 of 19 program purchases tested, the County did not obtain the necessary written price quotations from potential vendors. Program purchases tested for which written price quotations were required and not obtained totaled \$26,129.

Effect: Noncompliance with 2 CFR §215.318. There is an increased risk that the County may not have received the most advantageous price for goods and services purchased with program monies. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding has the potential to effect other federal programs that the County administered.

Cause: The County did not follow its documented procurement policies and procedures.

Recommendation: To help ensure that the County receives the most advantageous price for goods and services purchased with program monies and to comply with 2 CFR §215.318(a), it should follow its existing procurement policies and procedures.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

2014-109

Cluster Name:	SNAP Cluster
CFDA No. and Name:	10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program
Award Numbers and Years:	ADHS12-030681, 2013 & 2014
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:	Unknown

Criteria: To help ensure that it complies with allowable cost principles outlined in 2 CFR §225, Appendix B, the County should follow its internal control policies and procedures for reviewing and approving program expenditures.

Condition and context: For 1 of 40 expenditures tested, there was no review and approval by program management to ensure that the expenditure was allowable. The expenditure totaled \$3,662. Auditors were able to extend auditing procedures to verify that the expenditure was allowable.

Effect: There is an increased risk that the County may be charging the program for goods and services that are not in compliance with the program's requirements for activities allowed or unallowed and allowable costs/cost principles. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

Cause: The County has documented policies and procedures requiring the review and approval of all expenditures; however, these policies and procedures were not properly followed for this one transaction.

Recommendation: To help ensure the County complies with allowable cost principles outlined in 2 CFR §225, Appendix B, it should ensure its existing policies and procedures for reviewing and approving all expenditures are followed.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

2014-110

CFDA No. and Name:	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Award Numbers and Years:	HG050273, 2013; ADHS14-053056, 2014
Federal Agency:	U.S. Department of Agriculture
Pass-Through Grantor:	Arizona Department of Health Services
Compliance Requirement:	Eligibility
Questioned Costs:	Unknown

Criteria: In accordance with 7 CFR, §246.25(a)(1), the County should retain full and complete records of program operations, including records pertaining to participant eligibility certification.

Condition and context: For 1 of 40 program participants tested, the County did not have the participant's form certifying their rights and obligations and eligibility to participate in the program.

Effect: There is an increased risk of program benefits being given to ineligible participants. Auditors were unable to verify whether the participant selected for test work was eligible for program benefits. It was not practical to extend our auditing procedures sufficiently to determine the questioned costs, if any, that may have resulted from this finding.

Cause: The County did not follow its existing policies and procedures for retaining documentation related to participant eligibility.

Recommendation: To help ensure that the County complies with 7 CFR, §246.25(a)(1), and that program benefits are provided to only eligible participants, it should ensure established policies and procedures to retain records pertaining to participant eligibility are followed.

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NAVAJO COUNTY

FINANCE DEPARTMENT

James Menlove • Finance Director

Mary Springer • Deputy Finance Director

"Proudly Serving, Continuously Improving"

March 20, 2015

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

W. James Menlove, CPA
Finance Director

Navajo County
Corrective Action Plan
Year Ended June 30, 2014

Federal Award Findings and Questioned Costs

2014-101

Contact person: Lynda Young, Grants Administrator, 928-524-4421

Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The County will develop and implement policies and procedures to verify transactions are entered into the County's accounting system accurately and establish a review process to ensure that the SEFA is accurate and complete.

2014-102

CFDA No.: 10.665 Forest Service Schools and Roads Cluster

Contact person: Lynda Young, Grants Administrator, 928-524-4421

Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The County will establish policies and procedures that include:

- Assigning someone who is knowledgeable of the program's Title III requirements to help ensure that the Title III monies were administered and spent for allowable activities.
- Reviewing and approving the distribution of program monies by comparing the amount received to the allocation elections authorized by the County Board of Supervisors and federal awarding agency's payment reports.

2014-103

CFDA No.: 93.069 Public Health Emergency Preparedness

Contact person: Mary Tyler, Navajo County Health District Director, 928-524-4750

Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The County will develop and implement policies and procedures to ensure that employee compensation charged to federal programs reflect an after-the-fact distribution verification of employees' actual time and effort spent working on federal programs.

2014-104

CFDA No.: 93.069 Public Health Emergency Preparedness

Contact person: Mary Tyler, Navajo County Health District Director, 928-524-4750

Anticipated completion date: June 30, 2015

County Response: Concur

Navajo County
Corrective Action Plan
Year Ended June 30, 2014

County Corrective Action Plan: The County will develop and implement policies and procedures to ensure the reporting and requesting reimbursement of federal program expenditures are accurate.

2014-105

CFDA No.: 93.069 Public Health Emergency Preparedness

Contact person: Mary Tyler, Navajo County Health District Director, 928-524-4750

Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The County will establish policies and procedures for recording and valuing matching expenditures for federal programs.

2014-106

SNAP Cluster

CFDA No.: 10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program

Contact person: Mary Tyler, Navajo County Health District Director, 928-524-4750

Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The County will develop and implement policies and procedures that ensure that employee compensation charged to federal programs reflect an after-the-fact distribution of employees' actual time and effort spent working on federal programs.

2014-107

SNAP Cluster

CFDA No.: 10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program

Contact person: Mary Tyler, Navajo County Health District Director, 928-524-4750

Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The County will develop and implement policies and procedures to ensure that reporting and requesting reimbursement of federal program expenditures are accurate and submitted on time.

Navajo County
Corrective Action Plan
Year Ended June 30, 2014

2014-108

SNAP Cluster

CFDA No.: 10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program

Contact person: Mary Tyler, Navajo County Health District Director, 928-524-4750

Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The County Health District, SNAP Program will follow existing procurement policies and procedures to ensure it receives the most advantageous price for goods and services purchased with program monies.

2014-109

SNAP Cluster

CFDA No.: 10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program

Contact person: Mary Tyler, Navajo County Health District Director, 928-524-4750

Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The County will enforce existing policies and procedures for reviewing and approving all expenditures, including procurement card purchases.

2014-110

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

Contact person: Mary Tyler, Navajo County Health District Director, 928-524-4750

Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The County will follow established policies and procedures to retain records pertaining to participant eligibility.



NAVAJO COUNTY

FINANCE DEPARTMENT

James Menlove • Finance Director

Mary Springer • Deputy Finance Director

"Proudly Serving, Continuously Improving"

March 6, 2015

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards. This schedule also includes audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Sincerely,

W. James Menlove, CPA
Finance Director

Navajo County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

Status of Federal Award Findings and Questioned Costs

CFDA No.: 16.803 **ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories**

Finding No.: 10-105

Status: Fully corrected

CFDA No.: 16.738 **Edward Byrne Memorial Justice Assistance Grant Program**

16.803 **ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories**

16.804 **ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government**

Finding No.: 11-103

Status: Fully corrected

CFDA No.: 16.738 **Edward Byrne Memorial Justice Assistance Grant Program**

16.803 **ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories**

16.804 **ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government**

Finding No.: 12-101

Status: Fully corrected

CFDA No.: 16.738 **Edward Byrne Memorial Justice Assistance Grant (JAG) Program**

16.803 **ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories**

16.804 **ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government**

Finding No.: 13-101

Status: Fully corrected

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

Finding No.: 13-102

Status: Fully corrected

CFDA No.: 84.366 **Mathematics and Science Partnerships**

Finding No.: 13-103

Status: Fully corrected
