

Navajo County, Arizona
SINGLE AUDIT REPORTING PACKAGE
Year Ended June 30, 2025

Navajo County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2025
Table of Contents

Single Audit Reports

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*1-2

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 Guidance3-5

Schedule of Expenditures of Federal Awards.....6-7

Notes to Schedule of Expenditures of Federal Awards.....8

Schedule of Findings and Questioned Costs.....9-17

Corrective Action Plan

Summary Schedule of Prior Audit Findings

Report Issued Separately

Annual Comprehensive Financial Report



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Basic Financial
Statements Performed in Accordance with *Government Auditing Standards***

The Arizona Auditor General

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 the aggregate remaining fund information of Navajo County, Arizona (the County), as of and for the year ended June 30, 2025, 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 26, 2026.

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 the 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.

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 financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, and 2025-003, that we consider 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.

Fester & Chapman, PLLC

February 26, 2026



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

The Arizona Auditor General

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 the County's major federal programs for the year ended June 30, 2025. 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, 2025.

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 is described in the accompanying schedule of findings and questioned costs as items 2025-101 and 2025-102. 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 we 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-101 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2025-102 to be a significant deficiency.

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 governmental activities, each major fund, and aggregate remaining fund information of Navajo County as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated February 26, 2026, 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.

Fester & Chapman, PLLC

March 27, 2026

Navajo County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Agency/Assistance Listings	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	CTR067944	\$ 474,803	-
10.664	Cooperative Forestry Assistance		Governor's Office of Highway Safety	HFI 23-201, HFI 22-323, HFI21-306	92,511	-
10.665	Schools and Roads - Grants to States	Forest Service Schools and Roads Cluster			52,753	-
	<i>Total Forest Service Schools and Roads Cluster</i>				<u>52,753</u>	<u>-</u>
	Total Department of Agriculture				<u>620,067</u>	<u>-</u>
Department of Housing and Urban Development						
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		Assistant Secretary for Community Planning and Development	113-24, 117-24	185,000	-
	Total Department of Housing and Urban Development				<u>185,000</u>	<u>-</u>
Department of Justice						
16.043	Veterans Treatment Court Discretionary Grant Program				76,896	-
16.554	National Criminal History Improvement Program (NCHIP)		Arizona Criminal Justice Commission	15PBJS-24-GK-0251-NCHI	20,300	-
16.575	Crime Victim Assistance		Arizona Department of Public Safety	15POVC-23-003880-ASSI	168,785	-
16.588	Violence Against Women Formula Grants		Arizona Governor's Office of Youth, Faith & Family	GR-STOP-GOYFF-010124-13Y2	30,983	-
16.593	Residential Substance Abuse Treatment for State Prisoners				183,483	-
16.710	Public Safety Partnership and Community Policing Grants				27,383	-
16.738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-25-008	106,095	-
16.838	Comprehensive Opioid, Stimulant, and other Substances Abuse Use Program		Arizona Criminal Justice Commission	15PBJA-22-GG-04456-COAP, CJTIP-24-003, CJTIP-25-016,	479,150	-
16.922	Equitable Sharing Program				411	-
	Total Department of Justice				<u>1,093,486</u>	<u>-</u>
Department of Labor						
17.258	WIOA Adult Program	WIOA Cluster	Arizona Department of Economic Security	DI21-002285	595,257	\$ 421,191
17.259	WIOA Youth Activities	WIOA Cluster	Arizona Department of Economic Security	DI21-002285	403,834	285,557
17.278	WIOA Dislocated Worker Formula Grants	WIOA Cluster	Arizona Department of Economic Security	DI21-002285	593,232	98,843
	<i>Total WIOA Cluster</i>				<u>1,592,323</u>	<u>805,592</u>
	Total Department of Labor				<u>1,592,323</u>	<u>805,592</u>
Department of Transportation						
20.205	Highway Planning and Construction		State of Arizona Department of Transportation	IGA 23-0009562-1 P0012024000189	543,429	-
20.600	State and Community Highway Safety	Highway Safety Cluster	Governor's Office of Highway Safety	24ICSGBA-411411-01A	16,524	-
20.616	National Priority Safety Programs	Highway Safety Cluster	Arizona Department of Health Services	2025-405D-025, 2024-405d-025, None	11,814	-
	<i>Total Highway Safety Cluster</i>				<u>28,338</u>	<u>-</u>
20.933	National Infrastructure Investments		State of Arizona Department of Transportation	693JJ32340064 HOFM230030PR	132,474	-
	Total Department of Transportation				<u>704,241</u>	<u>-</u>
Department of Treasury						
21.016	Equitable Sharing				61,486	-
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds				6,957,478	-
	Total Department of Treasury				<u>7,018,964</u>	<u>-</u>
Institute of Museum and Library Services or National Endowment for the Humanities						
45.310	Grants to States		Arizona State Library, Archives and Public Records	602-542-6267	75,396	-
	Total Institute of Museum and Library Services or National Endowment for the Humanities				<u>75,396</u>	<u>-</u>
Department of Education						
84.027A	Special Education Grants to States	Special Education Cluster (IDEA)	Office of Special Education and Rehabilitative Services	24ICSGBA-411413-01A	6,814	-
	<i>Total Special Education Cluster (IDEA)</i>				<u>6,814</u>	<u>-</u>
84.371C	Comprehensive Literacy Development Grant-Continuation		Office of Elementary and Secondary Education	24FCLSDS-413277-01A	122,691	-
	Total Department of Education				<u>129,505</u>	<u>-</u>

See accompanying notes to schedule.

Federal Agency/Assistance Listings	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Election Assistance Commission						
90.401	Help America Vote Act Requirements Payments		US Election Assistance Commission	EAC-ELSEC18AZ	143	-
90.404	HAVA Election Security Grants		Arizona Secretary of State Office	AZ18101001	228	-
	Total Election Assistance Commission				<u>371</u>	<u>-</u>
Department of Health and Human Services						
93.069	Public Health Emergency Preparedness		Arizona Department of Health Services	CTR055216	23,652	-
93.103	Food and Drug Administration Research		Retail Flexible Funding Model Grant Program	G-BDEV2-202309-04684	8,108	-
93.136	Injury Prevention and Control Research and State and Community Based Programs		Arizona Department of Health Services	CTR070152	56,003	-
93.268	COVID-19 Immunization Cooperative Agreements		Arizona Department of Health Services	CTR060273, CTR059500	775,019	-
93.323	COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Total Covid Cluster	Covid Cluster	Arizona Department of Health Services	CTR061423	167,748	-
93.354	COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		Arizona Department of Health Services	CTR055216	278,535	-
93.391	COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crisis		Arizona Department of Health Services	CTR055993	131,449	-
93.788	Opioid STR		Arizona Department of Health Services	ADHS16-110830, CTR043091	30,384	-
93.940	HIV Prevention and Surveillance Activities-Health Department Based		Arizona Department of Health Services	CTR065530	30,548	-
93.967	Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health		Arizona Department of Health Services	CTR064801	59,858	-
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants		Arizona Department of Health Services	CTR043084	9,544	-
93.991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	CTR055268	49,200	-
93.994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	CTR055268	94,231	-
	Total Department of Health and Human Services				<u>1,714,279</u>	<u>-</u>
Executive Office of the President						
95.001	High Intensity Drug Trafficking Areas Program		City of Tucson	HT-23-2993a, HT-22-2993a	133,783	-
	Total Executive Office of the President				<u>133,783</u>	<u>-</u>
Department of Homeland Security						
97.042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMF-2023-APP-00008-S01	137,951	-
97.067	Homeland Security Grant Program		Arizona Department of Homeland Security	23-AZDOHS-HSGP-230105-01	3,183	-
	Total Department of Homeland Security				<u>141,134</u>	<u>-</u>
	Total Expenditures of Federal Awards				<u>\$ 13,408,549</u>	<u>\$ 805,592</u>

See accompanying notes to schedule.

Navajo County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

NOTE 1 - 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, 2025. 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*.

NOTE 2 - Summary of Significant Accounting Policies

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

NOTE 3 - Federal Assistance Listings Number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2025 *Federal Assistance Listings*.

NOTE 4 - Indirect Cost Rate

The County did not elect to use the 15 percent de minimus indirect cost rate as covered in 2 CFR §200.414.

Navajo County, Arizona
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2025

Summary of Auditors' Results

Financial Statements:

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

	Unmodified	
	Yes	No
Is a going concern emphasis-of-matter paragraph included in the auditors' report?		X
Internal control over financial reporting:		
Material weakness(es) identified?		X
Significant deficiency(ies) identified?	X	
Noncompliance material to the financial statements noted?		X

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	X	
Significant deficiency(ies) identified?	X	
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)?	X	

Identification of major programs:

Federal Assistance Listings Number	Name of Federal Program or Cluster
17.258, 17.259, 17.278	WIOA Cluster
21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds
93.268	COVID-19: Immunization Cooperative Agreements
93.354	COVID-19: Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response

Navajo County, Arizona
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2025

Summary of Auditors' Results (continued)

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

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Financial Statement Findings

2025-001 Internal Controls over Information Technology - Managing and Documenting Risk
(Significant Deficiency in Internal Control)

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 risks did not include an overall risk assessment process that included identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT system and data. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls and evaluating and determining the business functions and IT systems that would need to be restored quickly if the County were impacted by disasters of other system interruptions.

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

Cause: The County administration and IT management are prioritizing data classification software to improve access controls and secure sensitive information. IT risk assessment policies have not yet been adopted or fully implemented.

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. Effectively managing risk includes an entity-wide risk assessment process that involved members of the County's administration and IT management. An effective risk assessment process helps the County determine the risks it faces as the County seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and service objectives. Additionally, an effective risk management process provides the County the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which it might be subjected. To help ensure the County's objectives can be met, an effective annual risk assessment considers and identifies IT risk in the County's operating environment, analyzes and prioritizes each identified risk, and develops a plan to respond to each risk within the context of the County's defined objectives and risk tolerances. Finally, effectively managing risk includes the County's process for identifying, classifying, and inventorying sensitive information that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information and the process of evaluating risk of losing the continuity of business operations in the event of a disaster or system interruption.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

- Recommendation: The County's administration and IT management should:
1. Analyze and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.
 2. Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would effect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.
 3. 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.
 4. Regularly review and obtain approvals for the corresponding policies and procedures to ensure they are updated in a timely and contemporaneous manner.
 5. Evaluate and determine the critical organization functions and IT systems that would need to be restored quickly given the potential impact disasters or other IT system interruptions could have on the organization's operations, and determine how to prioritize and plan for recovery.

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 2024-01.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Financial Statement Findings (continued)

2025-002 Internal Controls over Information Technology - Protecting Systems and Data (Significant Deficiency in Internal Control)

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 developed, documented, and 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 timely updated.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.
- **Ensuring operations continue** - Contingency plan lacked key elements related to restoring operations in the event of a disaster or other system interruption.

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. It also increases the County's risk of not being able to effectively continue daily operations and completely and accurately recover vital IT systems and data in the event of a disaster or system interruption.

Cause: The County's administration and IT management reported prioritizing authentication enforcements for County-wide purposes.

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 it seeks to achieve its financial reporting, compliance, and operational objectives. Effective internal controls include the following:

- **Restrict access through logical and physical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, 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 systems are updated and contemporary to ensure optimal performance and security. This helps limit the possibility of an adverse impact on the system's security or operation.
- **Secure systems and data through IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

- **Ensure operations continue through a comprehensive, documented, and tested contingency plan**—Provides the preparation necessary to place the plan in operation and helps to ensure business operations continue and systems and data can be recovered in the event of a disaster, system or equipment failure, or other interruption.

Recommendation: The County should:

1. Continue to implement comprehensive IT policies and procedures and develop a process to ensure the procedures are consistently followed.

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

2. Review all other account access to ensure it remains appropriate and necessary.
3. Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts.
4. Enhance authentication requirements for IT systems.

Manage system configurations and changes—To configure IT systems securely to:

5. Assess and upgrade outdated systems requiring immediate updates or replacements to ensure they meet current operational and security requirements.

Secure systems and data—To secure IT systems and data, develop, document and implement processes to:

6. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
7. Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to verify vendor qualifications and adherence to the vendor contract.

Ensure operations continue—To ensure operations continue, implement processes to:

8. Evaluate and fully implement the Continuity of Operations Plan (COOP) to enhance overall resilience. Additionally, establish a structured process for testing the plan, analyzing test results, identifying gaps, and updating procedures to ensure its effectiveness and confirm the plan functionality.

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 2024-02.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Financial Statement Findings (continued)

2025-003: Internal Control over Financial Reporting - Treasurer's bank reconciliation (Significant Deficiency in Internal Control)

Condition: The County did not ensure that bank reconciliations were completed and reviewed in a timely manner throughout the fiscal year. Specifically, our audit procedures identified the following:

- **Lack of Timely Reconciliation:** Treasurer's bank reconciliations for the month ended June 30, 2025 were not completed within 30 days of the year-end, with some reconciliations delayed by over 90 days.
- **Unreconciled Balances:** The June 30, 2025, reconciliation included a "unreconciled difference" of approximately \$78,000 between the bank balances and the Treasurer's General Ledger.
- **Bank Reconciliation Errors:** A minor error was identified in the June 2025 reconciliation where accrued interest of \$32,867 was reflected twice in the reconciliation. The error was not detected during the internal review process.

Criteria: In accordance with the Uniform Accounting Manual for Arizona County Treasurers (UAMACT), internal controls should be designed to provide reasonable assurance that assets are safeguarded and financial records are reliable. This includes performing monthly reconciliations to ensure that any discrepancies between bank and book balances are identified, investigated, and resolved promptly.

Cause: The County Treasurer's department experienced turnover in key accounting positions, including the County Treasurer's position. During the transition the department did not have written procedures to follow the monthly reconciliation preparing process.

Effect: Failure to perform timely and accurate reconciliations increases the risk that:

- Errors or omissions in the financial statements will not be detected.
- Unauthorized transactions or fraudulent activity could occur and remain undetected for an extended period.
- The County's Annual Comprehensive Financial Report (ACFR) may be materially misstated.

Recommendation: The County Treasurer should:

- **Enforce Deadlines:** Develop comprehensive procedures for the bank reconciliation process and implement a formal policy requiring all bank reconciliations to be completed and approved within 30 days of month-end.
- **Resolve Balances:** Investigate the unreconciled balance of approximately \$78,000 and post the necessary adjusting entries to the Treasurer's General Ledger to ensure the ledger matches the bank records.
- **Enhance Review:** Assign a supervisor independent of the reconciliation process to review and sign off on all monthly reconciliations to verify accuracy and catch minor ledger errors.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Federal Award Findings and Questioned Costs

2025-101 Earmarking (Material Weakness in Internal Control and Noncompliance)

Cluster name: WIOA Cluster

Assistance Listings number and program name: 17.258 WIOA Adult Program
17.259 WIOA Youth Activities
17.278 WIOA Dislocated Worker Formula Grants

Award numbers and years: DI23-002388 from July 1, 2023 through June 30, 2028

Federal Agency: U.S. Department of Labor

Pass-through grantor: Arizona Department of Economic Security

Questioned costs: \$ 30,494

Condition: The County failed to allocate 20 percent of \$403,834 ($\$403,834 \times .20 = \$80,767$), of the Workforce Innovation and Opportunity Act (WIOA) Youth Activities spending to provide in-school and out-of-school youth with paid and unpaid work experiences. Instead, the County spent 12 percent, or \$50,273, of the required 20 percent.

Effect: The minimum appropriation of funding was not used by the County for youth through paid and unpaid work experiences.

Cause: The County did not properly monitor the WIOA Youth Activities monies to ensure the 20 percent earmarking requirement was met.

Criteria: As provided in 20 CFR §681.590 of the Uniform Guidance, grantees must not expend less than 20 percent of the WIOA Youth Activities program funding to provide eligible in-school and out-of-school youth with paid and unpaid work experiences.

Recommendation: The County should strengthen WIOA Youth Activities program policies and procedures to ensure no less than the required 20 percent of its monies is spent to provide in-school and out-of-school youth with paid and unpaid work experience, retain qualified in-school and out-of-school youth, and consistently monitor the County's and subrecipients spending throughout the award period.

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

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Federal Award Findings and Questioned Costs (continued)

2025-102 Matching (Significant Deficiency in Internal Control and Noncompliance)

Cluster Name:	Not applicable
Assistance Listings number and program name:	COVID-19 93.354 Public Health Emergency
Award numbers and years:	CTR055216 from July 1, 2020 through June 30, 2025
Federal Agency:	Centers for Disease Control and Prevention
Pass-through grantor:	Arizona Department of Health Services
Questioned costs:	\$22,991 (10% local match required for the total of \$229,901 award).
Condition:	During testing, it was noted that the recipient drew down 100% of the federal funds (\$229,901) but failed to document the required 10% matching contribution (\$22,991). The County used in-kind office space rent to satisfy the match but failed to maintain records detailing how the value of those rentals were calculated.
Effect:	The federal agency may disallow and request repayment of the \$22,991 in federal funds due to the unfulfilled matching requirement.
Cause:	The County's financial management system was not configured to track the required local match contribution, and staff was unaware that in-kind contributions required formal valuation documentation.
Context:	The County did not adhere to the 2 CFR §200.306 cost-sharing requirements, which state that matching funds must be verifiable from the records and not included as contributions for any other federal program.
Criteria:	The grant agreement requires a 10% non-federal "in-kind" or "soft" match for all project expenditures. The County must document this match in its accounting records.
Recommendation:	The County should establish procedures to track matching requirements in the general ledger, ensure all in-kind contributions are supported by proper documentation (e.g., timesheets), and review match compliance before use of federal funds.



NAVAJO COUNTY

Administration

Bryan Layton
County Manager

Rochelle Lacapa
Assistant County Manager

Jayson Vowell
Chief Financial Officer

"We are Navajo County"

March 27, 2026

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". The signature is written in a cursive style.

Jayson Vowell
Finance Director
Navajo County, Arizona

Financial Statement Findings

2025-001 Internal Controls over Information Technology - Managing and Documenting Risk (Significant Deficiency in Internal Control)

Recommendation:	<p>The County's administration and IT management should:</p> <ol style="list-style-type: none">1. Analyze and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.2. Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.3. 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.4. Regularly review and obtain approvals for the corresponding policies and procedures to ensure they are updated in a timely and contemporaneous manner.5. Evaluate and determine the critical organization functions and IT systems that would need to be restored quickly given the potential impact disasters or other IT system interruptions could have on the organization's operations and determine how to prioritize and plan for recovery.
Contact Person(s):	Kenneth Dewitt, Chief Information Officer
Anticipated completion date:	May 3, 2027
County Discussion:	<p>Concur: The County process needs to be more fully documented, consistently implemented, and actively managed. New IT policies which establish a clearer governance framework for how the County protects systems and data were approved at the February 10, 2026, Board of Supervisors Meeting. As part of the process of implementing these policies, the IT Department will conduct a systematic review of its existing processes to identify any gaps in control design and execution. These improvements will support a more effective internal control environment and help reduce operational and security risks.</p>

2025-002 Internal Controls over Information Technology - Protecting Systems and Data (Significant Deficiency in Internal Control)

Recommendation:

The County should:

1. Continue to implement comprehensive IT policies and procedures and develop a process to ensure the procedures are consistently followed.

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

1. Review all other account access to ensure it remains appropriate and necessary.
2. Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts.
3. Enhance authentication requirements for IT systems.

Manage system configurations and changes—To configure IT systems securely to:

1. Assess and upgrade outdated systems requiring immediate updates or replacements to ensure they meet current operational and security requirements.

Secure systems and data—To secure IT systems and data, develop, document and implement processes to:

1. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
2. Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to verify vendor qualifications and adherence to the vendor contract.

Ensure operations continue—To ensure operations continue, implement processes to:

1. Evaluate and fully implement the Continuity of Operations Plan (COOP) to enhance overall resilience. Additionally, establish a structured process for testing the plan, analyzing test results, identifying gaps, and updating procedures to ensure its effectiveness and confirm the plan functionality.

Contact Person(s):

Kenneth Dewitt, Chief Information Officer

Anticipated completion date:

May 3, 2027

County Discussion:

Concur: The County needs to strengthen internal controls within the IT Department. With the adoption of new IT policies, the County now has a clear framework for governing system access, data protection, and operational continuity. These updated policies will guide staff as the IT Department documents, implements, and test the County's internal controls more comprehensively.

In addition, the IT Department will be conducting a review of existing processes to identify any gap in control design and execution. The IT Department will remediate gaps by strengthening monitoring and improving accountability measures.

The County will also explore the option of engaging external consultants to assist with maturing our internal control environment, including process cleanup and formal documentation. This will help ensure that the remediation efforts align with best practices and meet audit expectations.

2025-003 Internal Controls over Financial Reporting - Treasurer's Bank Reconciliation (Significant Deficiency in Internal Control)

Recommendation: The County Treasurer should:

- **Enforce Deadlines:** Develop comprehensive procedures for the bank reconciliation process and implement a formal policy requiring all bank reconciliations to be completed and approved within 30 days of month-end.
- **Resolve Balances:** Investigate the unreconciled balance of approximately \$78,000 and post the necessary adjusting entries to the Treasurer's General Ledger to ensure the ledger matches the bank record.
- **Enhance Review:** Assign a supervisor independent of the reconciliation process to review and sign off on all monthly reconciliations to verify accuracy and catch minor ledger errors.

Contact Person(s): Danielle Earl, Navajo County Treasurer

Anticipated completion date: August 31, 2026

County Discussion: Concur: The Treasurer was new to the office in January 2025. The previous administration did not leave any instructions on how the reconciliation is completed, or where to locate all the information included in the reconciliation. The Treasurer's Office is not the only office/department that is responsible for receipting, and the other offices and departments use different software than the Treasurer's Office. Consequently, The Treasurer's Office has had to self-investigate the processes and try to locate the required information, and responsible receipting parties. This has been a long, difficult process, and the information is eventually getting found, but not timely.

The County will hire temporary assistance to help find the unreconciled items in a timely manner. Deadlines for bank reconciliations to be completed and approved within 30 days of month-end will be implemented and enforced. The Chief Deputy will be assigned to supervise the process and review and sign off on all monthly reconciliations to verify accuracy and catch minor ledger errors.

Federal Award Findings and Questioned Costs

2025-101 Earmarking (Material Weakness in Internal Control and Noncompliance)

Cluster name: WIOA Cluster
Assistance Listings number and program name: 17.258 WIOA Adult Program
17.259 WIOA Youth Program
17.278 WIOA Dislocated Worker Formula Grants
Recommendation: The County should strengthen WIOA Youth Activities program policies and procedures to ensure no less than the required 20 percent of its monies is spent to provide in-school and out-of-school youth with paid and unpaid work experience, retain qualified in-school and out-of-school youth, and consistently monitor the County's and subrecipients spending throughout the award period.

Contact Person(s): Adam Garrard, WIOA Executive Director
Anticipated completion date: June 30, 2026
County Discussion: Concur: The County will take corrective actions to strengthen WIOA Youth program policies, procedures, and oversight to ensure compliance with the 20 percent work experience requirement. This includes ongoing monitoring and oversight of sub-recipient expenditures, addressing barriers to work experience opportunities, and increasing engagement and enrollment of both in-school and out-of-school youth. These activities will include the following: 1) include local school counselors and administrators to support recruitment of in-school youth; 2) engage community partners with access to out-of-school youth; and 3) support outreach, enrollment, and retention strategies to attract eligible youth participants.

2025-102 Matching (Significant Deficiency in Internal Control and Noncompliance)

Assistance Listings number and program name: COVID-19 93.354 Public Health Emergency
Recommendation: The County should establish procedures to track matching requirements in the general ledger, ensure all in-kind contributions are supported by proper documentation (e.g., timesheets), and review match compliance before use of federal funds.

Contact Person(s): Catrina Jenkins, Emergency Management Manager
Anticipated completion date: June 30, 2026
County Discussion: Concur: In coordination with the Arizona Department of Health Services (ADHS), the County will implement procedures to ensure matching activity is properly tracked within the general ledger. The County will also ensure that all in-kind contributions are supported by appropriate documentation, such as timesheets or other relevant supporting records, in accordance with federal grant requirements.

Additionally, the County will implement a review process to verify that matching requirements are properly documented and met prior to the drawdown or use of federal funds. These measures are intended to strengthen internal controls and ensure compliance with federal grant matching requirements.



NAVAJO COUNTY

Administration

Bryan Layton
County Manager

Rochelle Lacapa
Assistant County Manager

Jayson Vowell
Chief Financial Officer

"We are Navajo County"

March 27, 2026

Lindsey A. Perry
Arizona 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". The signature is written in a cursive style with a horizontal line extending to the right.

Jayson Vowell
Finance Director
Navajo County, Arizona

Status of Financial Statement Findings

Title: Information Technology (IT) - Managing Risk
Finding No.: 2024-01 (This finding initially occurred in fiscal year 2016)
Status: Not corrected
County Discussion: Navajo County and the Information Technology (IT) Department will continue the process of identifying resources that will mitigate potential risks that could impact business functions and data. This process will include an annual entity-wide IT risk assessment along with identifying, classifying, and inventorying the information the County stores. The County expects this process to take multiple years to complete.

Title: Information Technology (IT) - Controls
Finding No.: 2024-02 (This finding initially occurred in fiscal year 2014)
Status: Not corrected
County Discussion: Navajo County and the Information Technology (IT) Department will continue the process of mitigating audit findings and will continue to improve controls over the County's IT resources. The County expects this process to take multiple years to complete.

Status of Federal Award Findings and Questioned Costs

Assistance Listings number and program name: 17.258, 17.259, 17.278 WIOA Cluster
Finding No.: 2024-101 Allowable Costs/Cost Principles
Status: Fully corrected.

Assistance Listings number and program name: 17.258, 17.259, 17.278 WIOA Cluster
Finding No.: 2024-102 Earmarking (This finding initially occurred in fiscal year 2019)
Status: Not corrected.
County Discussion: Navajo County continues to work toward compliance with the earmarking requirement of spending the required 20 percent of WIOA Youth Activities funds on in-school and out-of-school unpaid work experience. The County is in the process of reviewing its procedures to implement processes to ensure earmarking requirements are met.

Assistance Listings number and program name: 17.258, 17.259, 17.278 WIOA Cluster
Finding No.: 2024-103 Subrecipient Monitoring
Status: Fully corrected.

Assistance Listings number and program name: 17.258, 17.259, 17.278 WIOA Cluster
Finding No.: 2024-104 Reporting
Status: Fully corrected.

Assistance Listings number and program name: 93.391 COVID-19: Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises
Finding No.: 2024-105 Allowable Costs/Cost Principles
Status: Fully corrected.