



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# Navajo County

Year Ended June 30, 2010

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**Debra K. Davenport**  
Auditor General

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Navajo County  
Single Audit Reporting Package  
Year Ended June 30, 2010

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**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of  
Navajo County, Arizona

We have audited 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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 10, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 10-01, 10-02, 10-03, 10-06, and 10-07 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 10-04, 10-05, and 10-10 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of 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 determination of financial statement amounts. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 10-08 through 10-10.

Navajo County's responses to the findings identified in our audit are presented on pages 41 through 50. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA  
Financial Audit Director

May 10, 2011



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 with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on  
Internal Control over Compliance in Accordance with OMB Circular A-133

Members of the Arizona State Legislature

The Board of Supervisors of  
Navajo County, Arizona

**Compliance**

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, 2010. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in the following table, the County did not comply with certain compliance requirements that are applicable to the following major federal programs. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Program Title (CFDA Number)	Compliance Requirement	Finding Number
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories (16.803)	Procurement and Suspension and Debarment	10-104

WIA Cluster (17.258, 17.259, 17.260)	Reporting	10-106
ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG) (81.128)	Reporting	10-108
Child Support Enforcement (93.563)	Allowable Costs/Cost Principles and Matching	10-112 and 10-113

In our opinion, except for the noncompliance described in the preceding paragraph, Navajo 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, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements 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 10-101, 10-102, 10-103, 10-107, 10-109, 10-111, and 10-115.

### **Internal Control over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and others that we consider to be 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 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 10-101, 10-102, 10-104, 10-106, 10-107, 10-108, 10-109, 10-110, 10-112, 10-113, and 10-115 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 10-103, 10-105, 10-111, 10-114, and 10-116 to be significant deficiencies.

### **Schedule of Expenditures of Federal Awards**

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, 2010, and have issued our report thereon dated May 10, 2011. 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 OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navajo County's responses to the findings identified in our audit are presented on pages 41 through 50. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA  
Financial Audit Director

May 31, 2011, except for the  
Schedule of Expenditures of Federal  
Awards, for which the date is May 10, 2011

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Navajo County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Agriculture</b>			
Special Supplemental Nutrition Program for Women, Infants, and Children, passed through the Arizona Department of Health Services SNAP Cluster:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program, passed through the Arizona Department of Health Services	10.557	HG861085	\$ 337,285
Total SNAP Cluster	10.561	HG661039	<u>131,795</u>
Cooperative Forestry Assistance, passed through the Arizona State Land Department	10.664	SFA 5-5, SFA 08-003	208,099
Schools and Roads Cluster:			
Schools and Roads—Grants to States	10.665		<u>1,335,715</u>
Total Schools and Roads Cluster			<u>1,335,715</u>
Total U.S. Department of Agriculture			<u>2,012,894</u>
<b>U.S. Department of Housing and Urban Development</b>			
CDBG—State-Administered Small Cities Program Cluster:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, passed through the Arizona Department of Housing	14.228	152-08, 153-08, 154-08, 155-08, 156-08	<u>356,778</u>
<b>U.S. Department of the Interior</b>			
Payments in Lieu of Taxes	15.226		948,316
Distribution of Receipts to State and Local Governments	15.227		<u>7,187</u>
Total U.S. Department of the Interior			<u>955,503</u>
<b>U.S. Department of Justice</b>			
Federal Equitable Sharing Agreement	16.unknown		154,785
Domestic Cannabis Eradication/Suppression Program	16.unknown		1,036
Program Development and Expansion, passed through the National Children's Alliance	16.unknown	HOLB-AZ-PDE-10	4,463
Southwest Border Prosecution Initiative (SWBPI)	16.unknown		125,756
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2009-207	39,107
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-10-058	9,783
Crime Victim Assistance/Discretionary Grants, passed through the National Association of VOCA Assistance Administrators	16.582	10-042	3,408
Bulletproof Vest Partnership Program, passed through the Office of the Attorney General	16.607	2009BUBX09049291	7,933
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	DC-10-002	10,803
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories, passed through the Arizona Criminal Justice Commission	16.803	DC-10-023, DC-10-001	402,593
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		58,267
ARRA—Recovery Act Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	16.810		<u>119,217</u>
Total U.S. Department of Justice			<u>937,151</u>

(Continued)

See accompanying notes to schedule.

Navajo County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Labor</b>			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	DE081298001, DE101049001	\$ 13,725
ARRA—WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	DE091202001	179,699
WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	DE081298001, DE101049001	89,479
ARRA—WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	DE091202001	116,793
WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	DE081298001, DE101049001	11,247
ARRA—WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	DE091202001	11,475
Total WIA Cluster			<u>422,418</u>
Total U.S. Department of Labor			<u>422,418</u>
<b>U.S. Department of Transportation</b>			
Reservation Roadway Maintenance, passed through the Arizona Department of Transportation	20.unknown	JPA 06-017T	36,357
Highway Planning and Construction Cluster:			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	JPA08-008T, JPA10-008T	85,428
Total Highway Planning and Construction Cluster			<u>85,428</u>
Highway Safety Cluster:			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2010-PT-031	30,950
Total Highway Safety Cluster			<u>30,950</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants, passed through the Arizona-Emergency Response Commission	20.703	None	4,100
Total U.S. Department of Transportation			<u>156,835</u>
<b>Institute of Museum and Library Services</b>			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	381-21-01-(05), 271-7-1-(09), 2009-32201-08, 2009-34501-04	45,561
<b>U.S. Department of Energy</b>			
ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>207,040</u>
<b>U.S. Department of Education</b>			
Title I State Agency Program for Neglected and Delinquent Children, passed through the Arizona Supreme Court	84.013	KR10-0024	21,842
Special Education Cluster (IDEA):			
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	10FESCBG-060926-01A, 10FESCBG-060926-02A	12,651

(Continued)

See accompanying notes to schedule.

Navajo County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Special Education—Grants to States, passed through the Arizona Supreme Court	84.027	KR10-0024	\$ 19,694
ARRA—Special Education—Grants to States, Recovery Act, passed through the Arizona Supreme Court	84.391	KR10-0024	<u>20,768</u>
Total Special Education Cluster			<u>53,113</u>
Safe and Drug-Free Schools and Communities-State Grants, passed through the Arizona Supreme Court	84.186	KR10-0024	65
Fund for the Improvement of Education	84.215		5,000
Educational Technology State Grants/Cluster:			
Educational Technology State Grants, passed through Pima County	84.318	S318X090003	<u>62,937</u>
Total Educational Technology State Grants/Cluster			<u>62,937</u>
Rural Education	84.358		16,567
Mathematics and Science Partnerships, passed through the Arizona Department of Education	84.366	10FSDPPR-070720-02A	198,797
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	10FAAAZE-070720-01A	27,898
Improving Teacher Quality State Grants, passed through the Arizona Supreme Court	84.367	KR10-0024	<u>10,813</u>
Total Improving Teacher Quality State Grants			<u>38,711</u>
State Fiscal Stabilization Fund Cluster:			
ARRA—State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, passed through the Arizona Office of Economic Recovery	84.394	10FAAGSG-060925-01A, 10FAAGSG-060925-02A	<u>217,271</u>
Total State Fiscal Stabilization Fund Cluster			<u>217,271</u>
Total U.S. Department of Education			<u>614,303</u>
<b>U.S. Election Assistance Commission</b>			
Help America Vote Act Requirements Payments, passed through the Arizona Secretary of State	90.401	None	<u>69,595</u>
<b>U.S. Department of Health and Human Services</b>			
Medical Reserve Corps Small Grant Program, passed through the Arizona Department of Health Services	93.008	6 MRCSG061001-03	770
Public Health Emergency Preparedness, passed through the Arizona Department of Health Services	93.069	HG754201	335,911
Family Planning—Services, passed through the Arizona Department of Health Services	93.217	HG854251	47,006
Grants for Dental Public Health Residency Training, passed through the Arizona Department of Health Services	93.236	HG061187	2,000
Immunization Cluster:			
Immunization Grants, passed through the Arizona Department of Health Services	93.268	HG854290	<u>41,262</u>
Total Immunization Cluster			<u>41,262</u>
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	G 04-04-AZ-4004	607,951
Voting Access for Individuals with Disabilities—Grants to States, passed through the Arizona Office of the Secretary of State	93.617	None	7,208

(Continued)

See accompanying notes to schedule.

Navajo County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Children's Justice Grants to States, passed through the Arizona Governor's Office	93.643	CJ-CSG-09-9273-04Y2	\$ 23,923
HIV Prevention Activities—Health Department Based, passed through the Arizona Department of Health Services	93.940	HG852272	4,586
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Department of Health Services	93.977	HG854320	5,126
Preventive Health and Health Services Block Grant, passed through the Arizona Department of Health Services	93.991	HG854373	38,820
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	HG754060-008	75,090
Total U.S. Department of Health and Human Services			<u>1,189,653</u>
<b>U.S. Department of Homeland Security</b>			
Emergency Management Performance Grants, passed through the Department of Emergency and Military Affairs	97.042	2010-EP-EX-0034	67,366
Homeland Security Cluster: Homeland Security Grant Program, passed through the Arizona Department of Emergency and Military Affairs	97.067	07-AZDOHS-HSGP-333100-01, 07-AZDOHS-HSGP-333100-02, 07-AZDOHS-HSGP-333100-03, 07-AZDOHS-HSGP-333100-04, 07-AZDOHS-HSGP-333100-05, 07-AZDOHS-HSGP-333100-06, 07-AZDOHS-HSGP-333110-01, 07-AZDOHS-LETPP-333100-07, 08-AZDOHS-HSGP-444102-01, 08-AZDOHS-HSGP-444102-02, 08-AZDOHS-HSGP-444109-02, 08-AZDOHS-HSGP-444109-06, 09-AZDOHS-HSGP-555102-01, 09-AZDOHS-HSGP-555102-03, 09-AZDOHS-HSGP-555102-04, 09-AZDOHS-HSGP-555102-05, 09-AZDOHS-HSGP-555107-01	515,544
Total Homeland Security Cluster			<u>515,544</u>
Total U.S. Department of Homeland Security			<u>582,910</u>
Total Expenditures of Federal Awards			<u>\$ 7,550,641</u>

See accompanying notes to schedule.

Navajo County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010

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 2010 *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, a period, and the word "unknown" were used.

Note 3 - Subrecipients

Navajo County did not have any subrecipients for the year ended June 30, 2010.

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Navajo County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2010

**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unqualified		
	<b>Yes</b>	<b>No</b>	
Internal control over financial reporting:			
Material weaknesses 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:  
 Unqualified for all major programs except for the following programs, which were qualified:  
 ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories; WIA Cluster; ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG); and Child Support Enforcement.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>  X  </u>	<u>    </u>	
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads Cluster
14.228	CDBG—State—Administered Small Cities Program Cluster
16.803	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
17.258, 17.259, 17.260	WIA Cluster
81.128	ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)
84.394	ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act
93.069	Public Health Emergency Preparedness

Navajo County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2010

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement
97.067	Homeland Security Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

**Yes      No**

Auditee qualified as low-risk auditee? \_\_\_\_\_ X

***Other Matters***

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])? X \_\_\_\_\_

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Financial Statement Findings

10-01

**The County should continue improving its procedures to prepare accurate and timely financial statements**

Criteria: The County should issue accurate and timely financial statements to satisfy the audit requirements imposed by federal and state laws and regulations, grant contracts, and long-term debt covenants. To help achieve this, the County should have adequate internal controls to help ensure that financial activity is accurately recorded on its general ledger system, classified in the correct accounts, accrued and recognized in the proper fiscal year, and reported in accordance with generally accepted accounting principles (GAAP).

Condition and context: The County is responsible for establishing internal controls over financial reporting and preparing accurate and timely financial reports, including the issuance of its Comprehensive Annual Financial Report (CAFR). However, during the audit, there were numerous compilation errors noted in the schedules used to prepare the financial statements and notes that contributed to the County issuing its CAFR 2 months late. Specifically, the Finance Department did not correctly compile the revenue and expenditure activity recorded on the County School Superintendent's Office general ledger system into the County's financial statements and did not prepare the proper adjustments to eliminate the internal service fund activity. In addition, the County did not reconcile its capital asset additions to capital outlay expenditures resulting in numerous errors recorded in the capital asset balances. Further, the County did not implement a policy to identify and report intangible assets in the financial statements and notes. The County has allocated resources to prepare and issue more timely financial statements and to correct prior-year material weaknesses and, as a result, issued its financial statements in a more timely manner than the prior fiscal year.

Effect: The County's financial statements and notes were adjusted for all significant errors. The federal reporting deadline for the County's fiscal year 2010 Single Audit Reporting Package, which includes the County's CAFR, was March 31, 2011; however, the County did not issue its Single Audit Reporting Package until May 2011. This finding is a material weakness in internal control over financial reporting.

Cause: In an effort to prepare financial statements and supporting schedules and issue them in a timely manner, the County hired a consultant to help compile the financial statements and address the deficiencies noted in prior years. However, the County lacked the resources and policies and procedures to adequately monitor, detect, and correct errors that occurred when recording and classifying transactions on its general ledger accounting system. In addition, the County did not perform a detailed review of information maintained on separate general ledger systems to ensure the transactions recorded followed GAAP. Further, the County did not have detailed policies and procedures to ensure that its financial statements were prepared accurately and its capital assets were properly reconciled and accurately identified, recorded, and valued.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Recommendation: To help ensure that financial statements are prepared accurately and issued in a timely manner, the County should develop detailed policies and procedures. This should include allocating resources to:

- Research all accounting and reporting requirements to ensure the financial statements are properly presented in accordance with GAAP.
- Establish and follow detailed written procedures for compiling information and preparing the financial statements and accompanying notes. These procedures should include detailed instructions for obtaining information from the accounting system; depreciating and properly identifying capital assets; and obtaining information not readily available from the accounting system, but necessary for financial statement preparation.
- Reconcile current-year capital asset additions to capital outlay expenditures.
- Require an employee not responsible for financial statement preparation to review adjusting entries and the statements and accompanying notes. This reviewer should ensure that the amounts are accurate and properly supported and the financial statements are presented in accordance with GAAP.

This finding is similar to a prior-year finding.

10-02

**The County should strengthen computer access controls**

Criteria: Access to the County's significant information systems should be limited to only those employees authorized to process transactions or maintain a particular system and should be compatible with employees' job responsibilities. Additionally, the County should ensure that no one individual has the ability to modify data without an independent review. Further, password controls should be used to help ensure that only authorized users have access to read, create, or modify data in a system.

Condition and context: The County did not adequately limit logical access to its general ledger and property tax systems during the year. Specifically, the County did not ensure that users of its general ledger systems were granted appropriate access rights for their job responsibilities. In addition, auditors noted that there was no formal process for new employees to gain access to the Treasurer's general ledger and property tax systems. Consequently, all three Treasurer's Office employees having access to the general ledger system had the ability to record the receipt of monies, enter journal entries, and process and approve warrants. Further, user activity within the Treasurer's system was not monitored. Finally, the Treasurer's Office allowed 14 users access to change data in its property tax system, but did not monitor these users' activities and did not maintain documentation to support that users' access had been authorized. Specifically, auditors noted that all four administrative users could process tax payments, run reports, and modify the underlying data tables, such as the tax apportionment percentages, without an independent review. Auditors also noted that users of the Treasurer's general ledger and property tax systems were not required to change their passwords on a regular basis and create passwords of a specified length or type of characters. Also, the systems did not lock out users after multiple failed access attempts.

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Effect: Users may have access to unauthorized information and functions. Excessive access rights may allow users to perpetrate and conceal errors and irregularities, resulting in fraud and the possible misstatement of financial information. Ineffective password controls increase the risk of passwords being discovered and used by unauthorized users. This finding is a material weakness in internal control over financial reporting.

Cause: The County did not establish policies and procedures to ensure security over its computer systems and the data they contain. In addition, the County did not require users to change their passwords regularly and to use passwords having restricted characters, and did not enable the systems to lock out users after a number of failed access attempts.

Recommendation: The County should establish policies and procedures that strengthen system access controls to prevent or detect unauthorized use, damage, loss, or modification of programs, and misuse of information. These procedures should include the following:

- Limit logical access to its systems, especially privileges to modify data, to only those individuals who need such access.
- Use a standardized access request form for approval for access to the systems, and retain all access request forms with the supervisor's approval.
- Establish procedures to log and detect unauthorized access and changes to data.
- Ensure access is compatible with each employee's job responsibilities.
- Require users to change passwords at regular intervals, such as every 3 months, and to set passwords that include special characters and minimum length.
- Implement system controls to lock out users after multiple failed access attempts.

This finding is similar to a prior-year finding.

10-03

**The County should strengthen computer change controls**

Criteria: The County should have effective policies and procedures to ensure that computer systems function properly and that the integrity of the systems' information is protected against unauthorized system and program changes. Additionally, a separation of responsibilities between the programmers who develop and test changes and the individuals who implement the changes should exist.

Condition and context: The County did not ensure that changes to systems, programs, and data were authorized, met user needs, and were subject to independent review and approval prior to being put into use. For example, auditors noted that only one employee was authorized to make changes for the County Treasurer's property tax system and, therefore, could approve, write, and implement changes without an independent review.

Effect: Inadequate change management controls could lead to unauthorized changes to systems and programs and to the manipulation of data they contain. This finding is a material weakness in internal control over financial reporting.

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Cause: The County does not have policies and procedures in place for making changes to its systems and programs and the data they contain.

Recommendation: To help ensure that changes to systems and programs and the data they contain are authorized, the County should establish policies and procedures to:

- Require that requests for changes to systems and programs be documented, authorized, tested, reviewed, and approved prior to being put into use.
- Separate the responsibilities for developing and implementing changes from the responsibilities of authorizing, testing, and approving the changes. Changes initiated by users should also be approved by users.
- Maintain documentation for testing changes and the results.

This finding is similar to a prior-year finding.

10-04

**The County should have a complete and tested disaster recovery plan for its computer systems**

Criteria: To ensure the continuity of operations and that electronic data files are not lost in the event of a system or equipment failure or other interruption, the County should have a complete and tested disaster recovery plan for its significant computer systems.

Condition and context: The County had a disaster recovery plan; however, auditors noted that the plan was not complete because it did not address critical items, such as risks for critical applications and off-site storage locations, or include a current emergency contact listing.

Effect: The County may not be able to process and record transactions in the event of a system or equipment failure or interruption. This finding is a significant deficiency in internal control over financial reporting.

Cause: The County did not have a complete disaster recovery plan because it was missing elements needed to effectively carry out the plan. In April 2008, the County entered into a mutual aid agreement with other counties to assist the County in the event of a disaster; however, the County has not updated the disaster recovery plan to include this information.

Recommendation: The County should ensure that it has an updated and tested disaster recovery plan. In addition, the County should evaluate its disaster recovery plan annually and perform the following:

- Perform a risk analysis identifying and prioritizing critical applications.
- Communicate and distribute copies of the disaster recovery plan to all affected employees, ensuring a copy of the plan is kept off-site.
- Secure off-site storage locations and a designated physical recovery facility, and provide the needed hardware and software.

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- Maintain a current listing of employees assigned to disaster teams, including emergency telephone numbers.
- Establish procedures for processing critical transactions, including forms or other documents to use.
- Annually test the plan and update the plan for any problems noted.

This finding is similar to a prior-year finding.

10-05

**The County should properly value and report its cash and investments**

Criteria: Generally accepted accounting principles (GAAP) require the County, including the County Treasurer, to value investments at fair value and make certain disclosures about deposits and investments in the notes to financial statements.

Condition and context: The County had approximately \$149.5 million in cash and investments at year-end, but did not have adequate procedures to accurately report and classify these balances in its financial statements and disclose all required information in the notes to financial statements. For example, the County did not value the investments at fair value and did not record the change in fair value as investment earnings. In addition, the County did not correctly calculate the concentration of credit risk because some of its repurchase agreements were incorrectly classified, report the correct credit ratings for approximately \$12 million of investments, and properly disclose investments that were highly sensitive to interest rate changes. Further, the County did not properly reconcile all its bank accounts. Finally, 4 bank account balances were omitted from the financial statements and 6 bank accounts were improperly classified as general fund bank accounts when they were in held an agency capacity.

Effect: The County understated its cash and investments at year-end by more than \$765,000 because it did not adjust its investments to fair value and failed to properly reconcile its bank accounts. Further, the County incorrectly reported the amounts for its credit ratings, concentration of credit risk, and interest rate risk disclosures. The County's financial statements and accompanying notes were adjusted for the most significant errors. This finding is a significant deficiency in internal control over financial reporting.

Cause: The County did not value the investments at fair value at year-end because of the lack of resources needed to allocate these amounts to the various county funds and external participants. In addition, the County did not always require an independent review of bank account reconciliations and financial statement note disclosures to ensure that cash and investments were correctly reported.

Recommendation: The County should implement procedures to value investments at fair value at year-end and record the change in fair value as investment earnings. In addition, the County should require a person who is independent of performing bank reconciliations and preparing the financial statements to review this work to ensure that cash and investments are accurately reported in accordance with GAAP.

This finding is similar to a prior-year finding.

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10-06

**The County should establish written policies and procedures over its transaction cycles**

Criteria: The County should have written policies and procedures over its transaction cycles to provide guidance for controlling daily operations and ensuring that the responsibilities for processing financial transactions are properly separated and require the approval of all transactions to be documented. Also, written policies and procedures provide the basic framework needed for establishing employee accountability and serve as a reference tool for employees seeking guidance on how to handle complex or infrequent transactions and situations.

Condition and context: The County lacked up-to-date policies and procedures. Specifically, employees had no current guidance for processing and approving financial transactions for the following areas: payroll, purchasing, receiving, accounts payable, operating transfers, journal entries, cash disbursements, cash receipts, and financial statement preparation. Also, auditors noted that a proper separation of responsibilities did not exist for processing and recording county cash receipts and payroll transactions in the County School Superintendent's Office.

Effect: The lack of current policies and procedures and improper separation of responsibilities increases the risk of errors and irregularities, theft, fraud, and misuse of public monies. This finding is a material weakness in internal control over financial reporting.

Cause: The County had not allocated resources to establish formal policies and procedures. During fiscal year 2010, the County had begun efforts to develop written policies and procedures.

Recommendation: The County should continue to develop written policies and control procedures that include:

- Separating responsibilities to help ensure that no one person controls both record-keeping and transaction processing activities.
- Documenting review and approval of all transactions processed and posted to the system to prevent duplicate or inappropriate transactions from occurring.
- Maintaining accounting records to help ensure that all transactions are valid and recorded accurately and in a timely manner, and to help ensure that no valid transactions have been omitted from the accounting records.
- Maintaining physical control over assets and accounting records to help ensure that access to physical assets and information are controlled and properly restricted to authorized employees.
- Resolving errors to help ensure that errors detected at any stage of processing receive prompt corrective action and are reported to the appropriate level of management.
- Monitoring activities to help ensure that internal control procedures are placed into operation and operate effectively.

This finding is similar to a prior-year finding.

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10-07

**The County should establish procedures for identifying conflicts of interest and disclosing related party transactions**

Criteria: Arizona Revised Statutes (A.R.S.) §38-503 requires that the County's board members, elected officers, and employees make known any substantial interest they have in any county contract, sale, purchase, or service, and refrain from voting upon or participating in any such matter. In addition, GAAP requires the disclosure of material related party transactions in the financial statements.

Condition and context: The County's elected officials and four employees were involved in purchasing decisions for 20 contracts totaling more than \$2.3 million during fiscal year 2010. However, the County did not have procedures to help ensure state conflict-of-interest statutes were followed and related party transactions were disclosed in the financial statements, if material.

Effect: There is the risk for potential noncompliance with A.R.S. §38-503. Also, the County may enter into transactions that may not be the most advantageous to the County. Further, related party transactions may not be disclosed. This finding is a material weakness in internal control over financial reporting.

Cause: The County did not have formal procedures in place to identify, avoid, and manage conflicts of interest and disclose related party transactions.

Recommendation: The County should establish procedures to help ensure compliance with conflict-of-interest statutes and disclose material related party transactions in the notes to financial statements. This may include the following:

- Require its board members, elected officers, and employees who have, or whose relatives have, a direct or indirect substantial interest in any county contract for goods or services to make that interest known in the County's records.
- Maintain a file of the conflict-of-interest statements submitted for public inspection and update the file annually.
- Ensure board members, elected officials, and employees refrain from participating in transactions or decisions, such as contracts for goods or services, when they have a conflict-of-interest.

This finding is similar to a prior-year finding.

10-08

**The County should restrict use of public monies to allowed purposes and establish contracts with senior centers**

Criteria: A.R.S. §35-301 prohibits the unlawful disbursement of public monies. Further, A.R.S. §11-267 allows counties to implement programs to provide services to disabled or elders 60 or older. However, to provide these programs, the County should formally contract with federal, state, local, or other providers and demonstrate the public purpose when spending monies for such programs.

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Condition and context: During the fiscal year, the County distributed \$118,000 of public monies to 25 senior centers with no written contracts to ensure that the monies were spent for a public purpose and for the programs intended under A.R.S. §11-267.

Effect: This finding is an instance of noncompliance with A.R.S. §35-301.

Cause: The County did not have controls in place to help ensure that it complied with state laws governing the use of public monies. In addition, the County did not have procedures in place to ensure that it documented the public purpose, obtained formal board approval, and negotiated written contracts with senior centers prior to spending public monies to provide services under A.R.S. §11-267.

Recommendation: The County should establish policies and procedures requiring that it records and demonstrates the public purpose for all county expenditures. Further, it should obtain formal board approval and enter into written contracts when spending public monies to provide services under A.R.S. §11-267.

This finding is similar to a prior-year finding

10-09

**The County should submit its Annual Expenditure Limitation Report in a timely manner**

Criteria: A.R.S. §41-1279.07(C) requires the County to submit an Annual Expenditure Limitation Report (AELR) to the Auditor General's Office within 4 months after fiscal year-end, or by February 28 if the Auditor General grants a 120-day extension.

Condition and context: The AELR discloses whether the County complied with constitutional spending limits. However, the County failed to submit its AELR for the year ended June 30, 2010, in a timely manner. The AELR was issued more than 7 months past the prescribed statutory October 31, 2010, deadline.

Effect: The County could face sanctions if the County continues to not submit its AELR by the deadline. This finding is an instance of noncompliance with A.R.S. §41-1279.07(C).

Cause: As discussed in finding 10-01, internal control weaknesses in financial reporting contributed to the late AELR submission.

Recommendation: The County should submit the reports required by the *Uniform Expenditure Reporting System* to the Auditor General of the State of Arizona each year by October 31, or by February 28 if a 120-day extension is granted.

This finding is similar to a prior-year finding.

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10-10

**The County Treasurer did not comply with state laws when processing warrants and investing public monies**

Criteria: County treasurers act as the bank for the county, cities and towns, school districts, and other political subdivisions located within the county. A.R.S. §35-323 prescribes the eligible investments in which county treasurers are authorized to invest public monies. According to A.R.S. §35-323(A)(7), eligible investments include evidences of indebtedness, such as warrants that are registered in accordance with A.R.S. §§11-635 and 15-996(3).

Condition and context: During fiscal year 2010, the County Treasurer used \$2.0 million of investment pool participants' monies to redeem warrants issued by school districts with insufficient account balances. According to A.R.S. §§11-635 and 15-996(3), the County Treasurer should have formally registered these warrants as evidences of indebtedness for lack of sufficient funds, for which interest could be legally charged to the warrant issuer and earned by the political subdivisions participating in the investment pool. Instead, the County Treasurer invested in unregistered warrants, which was not authorized by law. Further, the County did not have procedures for reporting these investments in the financial statements.

Effect: The County Treasurer did not comply with state laws for registering warrants and investing public monies. In addition, the County did not report or disclose the County Treasurer's Investment Pool's investments and risks associated with registered warrants in the financial statements. This finding is a significant deficiency in internal control over financial reporting and an instance of noncompliance with state laws.

Cause: During fiscal year 2010, county school districts continued to issue warrants for payroll and other operating costs even though they were not receiving state revenues on time. The County's agreement with its servicing bank did not provide a line of credit for all political subdivisions in the County, such as school districts. This meant that the Treasurer would have had to register warrants if funds or a credit line were not sufficient to cover the entity's warrants. However, the County Treasurer did not have policies and procedures in place to ensure that it met statutory requirements for registering warrants in the event that an entity lacked sufficient funds or exhausted any line of credit.

Recommendation: To help ensure compliance with state laws for processing warrants and investing public monies, the County Treasurer should establish policies and procedures for processing and registering warrants in accordance with A.R.S. §§11-635 and 15-996(3). Since current banking practices involve electronic warrants rather than paper warrants contemplated by these statutes, alternative procedures for formally registering warrants for lack of sufficient funds and charging interest may be necessary. For example, the County Treasurer may need to obtain a list or electronic file of such warrants to formally record the warrants' lack of sufficient funds at the time they are presented to the County Treasurer. This registration process permits the County Treasurer to either invest in these evidences of indebtedness on behalf of the pool participants and charge interest, or return the warrants to the payee for later presentation when there are sufficient funds. However, the County Treasurer should consult with its servicing bank and legal counsel before establishing these procedures to ensure that they are feasible and comply with state laws. In addition, the County Treasurer and Finance Department should establish accounting procedures to ensure these types of investments are properly reported and disclosed in the financial statements.

This finding is similar to a prior-year finding.

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Federal Award Findings and Questioned Costs

10-101

CFDA No.: Not applicable

Questioned Cost: N/A

Criteria: OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320, requires the County to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end.

Condition and context: The County's Single Audit Reporting Package was due on March 31, 2011; however, the County did not issue its Single Audit Reporting Package until May 2011.

Effect: The County did not meet OMB Circular A-133 audit requirements. The late submission of the Single Audit Reporting Package affects all federal programs administered by the County. This finding is a material weakness in internal control over compliance and noncompliance with OMB Circular A-133, §.320. However, this finding does not result in a control deficiency in internal control over compliance or noncompliance for individual federal programs.

Cause: As discussed in finding 10-01, the County had internal control weaknesses over financial reporting that contributed to the late submission of its Single Audit Reporting Package.

Recommendation: The County should improve its financial reporting process so that it can submit its Single Audit Reporting Package by the required deadline.

This finding is similar to a prior-year finding.

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10-102

CFDA No.: 10.665 **Schools and Roads—Grants to States**

**U.S. Department of Agriculture**

Award Period: July 1, 2009 through June 30, 2010

Award Number: None

**CDBG—State-Administered Small Cities Program Cluster:**

CFDA No.: 14.228 **Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

**U.S. Department of Housing and Urban Development**

Passed through the Arizona Department of Housing

Award Period: February 28, 2008 through February 28, 2010

February 28, 2008 through April 30, 2010

February 28, 2008 through June 30, 2010

Award Numbers: 152-08, 153-08, 154-08, 155-08, and 156-08

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

Award Period: July 1, 2009 through June 30, 2011

Award Numbers: DC-10-001 and DC-10-023

**U.S. Department of Justice**

Passed through the Arizona Criminal Justice Commission

Questioned Cost: N/A

Criteria: OMB Circular A-133, §.300 and 2 Code of Federal Regulations (CFR), Appendix B to Part 225, require the County to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received, and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA). The SEFA should report the amount of federal awards expended during the year in accordance with generally accepted accounting principles. In addition, OMB Circular A-133, §.310(b) requires the SEFA to include the Catalog of Federal Domestic Assistance title and number, the name of the federal awarding agency, and, if applicable, the name and identifying number of the pass-through grantor for each of the County's federal awards. Further, in accordance with *OMB Circular A-133 Compliance Supplement, Appendix VII*, the County must separately identify American Reinvestment and Recovery Act (ARRA) awards by federal program.

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 the County incorrectly reported expenditures or other required information for 39 of its federal programs. Further, the County understated its federal award expenditures for both major and nonmajor federal programs by a net amount of \$350,000. The most significant misstatements are summarized below:

- Schools and Roads—Grants to States program expenditures were understated by \$399,000.

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- Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii expenditures were overstated by \$142,000.
- ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories program expenditures were overstated by \$7,000.

Effect: The County adjusted its SEFA for all errors noted. This finding is a material weakness in internal control over compliance and noncompliance with OMB Circular A-133.

Cause: The County did not have policies and procedures in place to ensure that federal monies are identifiable in its accounting system and properly recorded on the SEFA. Federal award expenditures were misstated because county departments did not properly record or identify federal program expenditures, did not reconcile federal expenditures to amounts reimbursed, did not record expenditures in the proper fiscal year, or did not provide sufficient detail to the Finance Department to correctly prepare the SEFA.

Recommendation: To help ensure that the County prepares its SEFA in compliance with OMB Circular A-133, the County should implement the following policies and procedures:

- Record and identify federal program expenditures accurately on the general ledger system.
- Require departments to reconcile federal award expenditures on the general ledger system to accounting records and reimbursements.
- Record federal award expenditures when goods or services are received, as prescribed by generally accepted accounting principles.
- Require departments to provide sufficient detail to the County's Finance Department to accurately report federal award information required by OMB Circular A-133 on the County's SEFA.

This finding is similar to a prior-year finding.

10-103

**CDBG—State-Administered Small Cities Program Cluster:**

CFDA No.: 14.228 **Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

**U.S. Department of Housing and Urban Development**

Passed through the Arizona Department of Housing

Award Period: February 28, 2008 through February 28, 2010

February 28, 2008 through April 30, 2010

February 28, 2008 through June 30, 2010

Award Numbers: 152-08, 153-08, 154-08, 155-08, and 156-08

Reporting

Questioned Cost: N/A

Criteria: The pass-through grantor requires the County to submit a Completion Report within 60 days of the date that the program monies have been expended, the scope of program work has been completed, or the contract period has expired or terminated.

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Condition and context: The County did not have adequate procedures to ensure that its Completion Reports were submitted to the pass-through grantor on time. Specifically, for project 154-08, the County submitted the Completion Report over 7 months late.

Effect: Not submitting Completion Reports on time could potentially delay the County's funding of future projects. This finding is a significant deficiency in internal control over compliance and noncompliance with the Cluster's reporting requirements.

Cause: The County was not aware of the deadlines by which the Completion Reports were required to be submitted to the pass-through grantor.

Recommendation: The County should establish policies and procedures to ensure that all Completion Reports are submitted to the pass-through grantor by the required deadlines.

10-104

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

Award Period: July 1, 2009 through June 30, 2011

Award Numbers: DC-10-001 and DC-10-023

**U.S. Department of Justice**

Passed through the Arizona Criminal Justice Commission

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Procurement and Suspension and Debarment

Questioned Cost: None

Criteria: In accordance with OMB Circular A-133, §.210 and 28 CFR §66.36(b), respectively, the County is responsible for ensuring compliance with program requirements for vendor transactions and should follow its policies and procedures when procuring and contracting for goods and services. Additionally, A.R.S. §11-952 requires that services obtained from another governmental entity be in writing, including the purpose, duration, and financing of services. Further, to comply with 28 CFR §66.35, the County should verify that contracts and subawards over \$25,000 are not granted to an entity that has been suspended or debarred from doing business with the federal government.

Condition and context: The County reimbursed four local governmental entities \$160,552 to provide detective services for the program. However, the County did not have an agreement with each local government that specified the services to be performed, the period of time services are to be provided, amounts to be paid, and costs and guidelines for requesting reimbursement of costs. In addition, the County did not have procedures to ensure that the local governments had not been excluded from receiving federal awards.

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Effect: Without an agreement, the County risks paying for services that may not be in accordance with the program's activities allowed or unallowed and allowable costs compliance requirements and also risks paying federal monies to an entity that has been suspended or debarred from doing business with the federal government. Auditors were able to determine that the amounts paid to the local governments were for allowable activities and costs, and that the local governments were not excluded from receiving federal awards. This finding is a material weakness in internal control over compliance with the program's requirements for activities allowed or unallowed, allowable costs/cost principles, and procurement and suspension and debarment and material noncompliance with the program's requirements for procurement and suspension and debarment.

Cause: As part of the grant application process with the pass-through grantor, the County had been receiving a letter of participation from each local government entity as evidence of their intent to participate in the grant program. However, the letter did not outline the services to be performed or guidelines to follow for receiving payment. Additionally, the County did not have a policy for verifying whether or not an entity had been suspended or debarred.

Recommendation: The County should prepare a written agreement with local governments that is signed by both parties and that describes the services to be performed, the period of time services are to be provided, amounts to be paid, guidelines for requesting reimbursement for costs, and any other information that may affect the County's ability to comply with federal requirements. Further, the County should establish policies and procedures for ensuring that other governments and vendors it pays with federal monies have not been suspended or debarred from doing business with the federal government.

10-105

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

Award Period: July 1, 2009 through June 30, 2011

Award Numbers: DC-10-001 and DC-10-023

**U.S. Department of Justice**

Passed through the Arizona Criminal Justice Commission

Cash Management, Program Income, and Reporting

Questioned Cost: None

Criteria: In accordance with 28 CFR §66.20(b)(3) and the grant agreement with its pass-through entity, the County should maintain an effective internal control system to adequately separate accounting responsibilities in the financial reporting process.

Condition and context: The County did not ensure financial reports used to request reimbursement for expenditures and report program income were independently reviewed or approved for accuracy prior to submitting them to the pass-through grantor. Specifically, for all 3 of the financial reports tested, the reports were prepared, reviewed, and approved by the same employee.

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**Effect:** The County may incorrectly report financial data, such as program income or expenditures to be reimbursed, due to a lack of independent review. Auditors performed additional auditing procedures and determined that no questioned costs resulted from this finding. This finding is a significant deficiency in internal control over compliance with the program's cash management, program income, and reporting requirements.

**Cause:** The County did not assign an employee independent of the report preparation process to review and approve the reports prior to submitting them to the pass-through agency.

**Recommendation:** The County should establish policies and procedures that require an employee independent of the financial reports' preparation to review the reports for accuracy prior to submitting them to the pass-through grantor.

10-106

**WIA Cluster:**

- CFDA No.: 17.258 WIA Adult Program
  - 17.258 ARRA—WIA Adult Program
  - 17.259 WIA Youth Activities
  - 17.259 ARRA—WIA Youth Activities
  - 17.260 WIA Dislocated Workers
  - 17.260 ARRA—WIA Dislocated Workers

**U.S. Department of Labor**

Passed through the Arizona Department of Economic Security

Award Period: April 1, 2008 through June 30, 2011

February 17, 2009 through June 30, 2011

April 1, 2009 through June 30, 2012

Award Numbers: DE081298001, DE091202001, and DE101049001

Cash Management, Earmarking, and Reporting

Questioned Cost: None

**Criteria:** In accordance with the grant agreement, the County must submit financial reports to the pass-through grantor no later than 30 days after each month during the contract term. Further, in accordance with 29 CFR §97.20(b)(3), the County should maintain an effective internal control system to adequately separate accounting responsibilities in the financial reporting process.

**Condition and context:** The County must prepare monthly Contractor Accrued Expenditure Reports for each grant it receives to request reimbursement for expenditures and to demonstrate that earmarking requirements were met. However, the County did not prepare and submit the required reports for 10 of the 12 months during the fiscal year. Rather, the County submitted cumulative reports through March 2010 and June 2010, which covered the entire fiscal year's activity. Further, the County did not have procedures to ensure that the reports were accurate since one employee was responsible for preparing, approving, and submitting the reports without an independent review.

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Effect: Noncompliance with the grant agreement could lead to the withholding of federal program monies by the pass-through grantor. Additionally, without an independent review and approval, the County could request reimbursements for inaccurate or unsupported amounts and receive federal monies that it is not entitled to. Auditors performed additional auditing procedures and determined that cash management and earmarking requirements had been met; therefore, no questioned costs resulted from this finding. This finding is a material weakness in internal control over compliance with the Cluster's cash management, earmarking, and reporting requirements and material noncompliance with Cluster's reporting requirements.

Cause: The County did not have procedures in place for timely preparation, approval, and submission of the applicable reports.

Recommendation: To help ensure that it meets cash management, earmarking, and reporting requirements, the County should establish procedures requiring an employee independent of report preparation responsibilities to review and approve the reports prior to submitting them to the pass-through grantor. Also, the County should prepare a list of report due dates to help ensure that it submits reports by the deadlines.

This finding is similar to a prior-year finding.

10-107

CFDA No.: 81.128 ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)

U.S. Department of Energy

Award Period: September 29, 2009 through September 28, 2012

Award Number: DE-SC0002668

Davis-Bacon Act

Questioned Cost: Unknown

Criteria: To comply with the Davis-Bacon Act, as set forth in 29 CFR §5.5, the County must require all contractors who are awarded more than \$2,000 in federal monies for construction and minor remodeling projects to follow Davis-Bacon Act regulations and pay wages at least equal to rates prevailing for similar projects in the area, as determined by the U.S. Secretary of Labor.

Condition and context: The County paid approximately \$163,816 of program monies to contractors during the year to make one of its new buildings energy efficient; however, the County was not able to demonstrate that it had complied with Davis-Bacon Act requirements.

Effect: Auditors performed additional audit procedures and determined that most of the amount paid to contractors was for equipment, and estimated that approximately \$3,500 was paid for labor and wages and, therefore, subject to Davis-Bacon Act requirements. 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 is a material weakness in internal control over compliance and noncompliance with Davis-Bacon Act requirements.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Cause: The construction of the building began prior to the County's receiving the federal award. The County did not amend the contract to require that prevailing wages be paid and the contractor submit payroll certifications.

Recommendation: To help ensure that the County complies with Davis-Bacon Act requirements, it should require contractors and subcontractors who are awarded more than \$2,000 in federal monies to pay employees the prevailing wage rates established by the U.S. Department of Labor. To accomplish this, the County should include Davis-Bacon Act provisions in its construction contracts and also obtain and review contractors' payroll certification reports to verify that prevailing wages were paid. If the County determines that the contractors or subcontractors did not pay prevailing wages, or if the County does not receive payroll certification reports, it should withhold payment until the requirements are met.

10-108

CFDA No.: 81.128 ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)

U.S. Department of Energy

Award Period: September 29, 2009 through September 28, 2012

Award Number: DE-SC0002668

Reporting

Questioned Cost: N/A

Criteria: To comply with the American Recovery and Reinvestment Act (ARRA) of 2009, P.L. 111-5, Section 1512(C), and 10 CFR §§215.51 and 600.220(b), financial reports should be compiled accurately and in accordance with the specific reporting requirements. In addition, the County should maintain an effective internal control system to adequately separate accounting responsibilities in the financial reporting process. Further, for the ARRA 1512 Report, if incorrect amounts are reported, the amounts should be corrected during the continuous edit period as outlined within the reporting guidance issued by OMB Circular M-10-14, *Updated Guidance on the American Recovery and Reinvestment Act*.

Condition and context: The County did not accurately prepare its financial, performance, and ARRA 1512 Reports submitted during the period July 1, 2009 through June 30, 2010. Specifically, for 6 of 12 reports tested, the County did not report program expenditures for the correct month. In addition, for the ARRA 1512 Report, expenditures were understated by approximately \$98,000 for the first quarter of calendar year 2010 and the County did not correct the expenditures presented on the ARRA 1512 Report during the continuous edit period. Further, the reports were not independently reviewed for accuracy and approved prior to submission to the federal awarding agency.

Effect: The County did not report accurate financial data to the federal awarding agency. This finding did not result in questioned costs since the reports were not used to request reimbursement for federal expenditures. This finding is a material weakness in internal control over compliance and material noncompliance with the program's reporting requirements.

Cause: The County did not implement procedures to ensure that accurate financial data was included on federal reports. Also, an employee independent of the report preparation process was not assigned to review and approve the reports prior to submission to the federal awarding agency.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Recommendation: The County should assign an employee independent of the report preparation process to review the federal reports to help ensure that they are complete and accurate before they are submitted to the federal awarding agency. In addition, if any errors in the ARRA 1512 Report are subsequently noted, the County should correct them during the continuous edit period.

10-109

**State Fiscal Stabilization Fund Cluster**

**CFDA No.: 84.394 ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act  
U.S. Department of Education**

Passed through the Arizona Office of Economic Recovery

Award Period: July 1, 2009 through June 30, 2010

Award Numbers: 10FAAGSG-060925-01A and 10FAAGSG-060925-02A

Allowable Costs/Cost Principles

Questioned Cost: Unknown

Criteria: In accordance with 34 CFR §80.20(b) and 2 CFR, Appendix B to Part 225(8), effective internal controls should be maintained and accounting records must be supported by source documentation, such as payroll records documenting an employee's position and pay rate.

Condition and context: The County Superintendent of Schools Office did not maintain complete personnel files for all of its employees. Specifically, for five of six employees tested, documentation was not maintained to support the employees' positions and pay amount charged to the program. Auditors performed further auditing procedures to ensure that each employee appeared to be a bona fide county employee, the hourly rate paid appeared reasonable, time sheets supported the hours worked, and the educational payroll expenditures were allowable.

Effect: Employees' wages and salaries could be paid at incorrect rates or inappropriately 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 is a material weakness in internal control over compliance and noncompliance with the program's allowable costs/cost principles requirements. This finding could potentially affect other federal programs that the County Superintendent of Schools Office administers.

Cause: Prior to fiscal year 2009, the County Superintendent of Schools Office did not maintain complete employment documentation for its employees. Further, the County Superintendent of Schools Office did not review its existing employees' personnel files for missing documentation.

Recommendation: The County should improve its internal controls over payroll and maintain a complete personnel file for each employee that includes documentation supporting the employee's pay rate and position. In addition, the County Superintendent of Schools Office should request assistance from the County's Personnel Department to ensure that all required employment documentation is maintained for each employee.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

10-110

CFDA No.: 93.069 **Public Health Emergency Preparedness**

**U.S. Department of Health and Human Services**

Passed through the Arizona Department of Health Services

Award Period: April 1, 2007 through August 30, 2011

Award Number: HG754201

Matching

Questioned Cost: None

**Criteria:** In accordance with its grant agreement, the County is required to match 5 percent of the program's expenditures with nonfederal monies or in-kind contributions. The County should monitor the program throughout the grant award to ensure it properly matches the program to comply with 42 U.S.C. §247-d-3a(i)(1)(C).

**Condition and context:** The County did not adequately monitor the program to ensure that federal award expenditures were matched by the County with allowable nonfederal sources or in-kind contributions. In addition, the County did not maintain documentation to support its in-kind contributions consisting of indirect costs to match the program's expenditures, and did not transfer local funds to the federal program.

**Effect:** During the audit, the County was able to demonstrate that it had fulfilled its required matching expenditures for the program. This finding is a material weakness in internal control over compliance with the program's matching requirements.

**Cause:** The County did not realize that the program had a 5 percent matching requirement until information was requested from the pass-through grantor.

**Recommendation:** To help ensure that only allowable funding sources are used to match federal expenditures and that the program's matching requirement is met, the County should establish policies and procedures for monitoring its matching expenditures throughout the grant award. In addition, the County should maintain records to demonstrate that the matching requirements were met and to support that the program is matched with allowable nonfederal sources or in-kind contributions. Also, monies used to match the program's federal award expenditures should be transferred into the designated program fund during the period of time when the expenditures are incurred.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

10-111

CFDA No.: 93.069 **Public Health Emergency Preparedness**

**U.S. Department of Health and Human Services**

Passed through the Arizona Department of Health Services

Award Period: April 1, 2007 through August 30, 2011

Award Number: HG754201

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Cost: \$70

Criteria: In accordance with 45 CFR §92.20(b)(6), federal expenditures must be supported by source documentation, such as detailed receipts, canceled checks, invoices, and other records. In addition, the County should retain original supporting documentation for at least 3 years as specified by 45 CFR §92.42(b).

Condition and context: The County did not ensure that supporting documentation was maintained for all federal expenditures. Specifically, for 2 of 55 transactions tested, the County did not maintain the original documentation supporting program expenditures made with county credit cards totaling \$70.

Effect: The County may have been reimbursed for unallowable charges to the program. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's activities allowed or unallowed and allowable costs/cost principles requirements.

Cause: The county department administering the program did not always follow federal requirements and the County's established policies and procedures for credit card purchases to require additional documentation to be completed when there were missing receipts.

Recommendation: The County should follow its policies and procedures for retaining original supporting documentation for federal expenditures to help ensure compliance with federal requirements and the County's credit card policies.

10-112

CFDA No.: 93.563 **Child Support Enforcement**

**U.S. Department of Health and Human Services**

Passed through the Arizona Department of Economic Security

Award Period: October 1, 2005 through September 30, 2010

Award Number: G 04-04-AZ-4004

Matching

Questioned Cost: Unknown

Criteria: In accordance with its grant agreement, the County is required to match 34 percent of total program expenditures with nonfederal monies. The amount matched by the County should be supported by its records to comply with 45 CFR §92.24.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Condition and context: The County did not adequately monitor the federal program to ensure that federal award expenditures were matched with allowable nonfederal sources. The County relied on its indirect cost recoveries to match program expenditures, but did not maintain adequate records to demonstrate the allowability of the funding sources used to meet the program's matching requirements. Specifically, while the County did not remit monies received for indirect costs to its General Fund, it could reasonably use these nonfederal sources as matching expenditures. However, as described in item 10-113, the County did not have an approved cost allocation plan or other supporting documentation for the indirect cost allocation rates charged to the program. Therefore, auditors concluded that these matching expenditures were allowable only to the extent that the indirect cost allocation rates, on which the recoveries were based, were deemed allowable. Further, the County included salaries and wages for employees who indirectly worked for the program as part of its matching expenditures. Because of the lack of supporting documentation, auditors were unable to verify whether these expenditures were allowable costs that could be considered matching expenditures, or whether they consisted of indirect costs included in the indirect cost allocation rates already charged to the program. As a result, auditors were unable to determine whether \$101,672 of county matching expenditures were properly supported.

Effect: The County was unable to demonstrate that it had fully met its matching requirement for the federal 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 is a material weakness in internal control over compliance and material noncompliance with the program's matching requirements.

Cause: During the year, the County transferred monies into the program's fund in an effort to meet its matching requirement. However, the County relied on its indirect cost recoveries which were not approved by the pass-through grantor and other General Fund expenditures as matching expenditures. Further, the County did not have adequate documentation to support that the General Fund expenditures could be used for matching because they consisted of indirect costs that may have been already included in the County's indirect cost allocation rates and charged to the program.

Recommendation: To help ensure that only allowable funding sources are used to match federal expenditures and that the matching requirement is met, the County should establish policies and procedures for monitoring its matching expenditures. In addition, the County should maintain records to demonstrate that the matching requirements were met and to support that the program is matched with allowable nonfederal sources. Specifically, the County should transfer monies used to match the program's federal award expenditures into the designated program fund when the expenditures are incurred.

This finding is similar to a prior-year finding.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

10-113

CFDA No.: 93.563 **Child Support Enforcement**

**U.S. Department of Health and Human Services**

Passed through the Arizona Department of Economic Security

Award Period: October 1, 2005 through September 30, 2010

Award Number: G 04-04-AZ-4004

Allowable Costs/Cost Principles and Matching

Questioned Cost: Unknown

Criteria: In accordance with 2 CFR, Appendix C to Part 225, indirect costs charged to federal programs should be supported by a formal cost allocation plan or a written agreement with the grantor. In addition, according to the County's grant agreement with the pass-through grantor, the County was required to submit a cost allocation plan for approval to the pass-through grantor prior to requesting reimbursement for indirect costs.

Condition and context: The County did not submit its cost allocation plan to the pass-through grantor for review and approval. In addition, the County did not use the indirect cost allocation rates calculated within the plan to request reimbursement. Instead, the County used the same indirect cost allocation rates that it had used over the past several years which were considerably higher than the rates outlined within the County's cost allocation plan. In addition, the County did not have a written agreement with the pass-through grantor to support the indirect cost allocation rates used to reimburse the program for fiscal year 2010. The County was reimbursed \$147,764 in indirect costs from its pass-through grantor during the year. Although the same indirect cost allocation rates had been used by the County for several years and was informally accepted by the pass-through grantor, auditors were unable to determine whether the indirect costs were allowable and the rates used were reasonable. Further, as described in item 10-112, the County used indirect cost recoveries to match the program's federal award expenditures.

Effect: Indirect costs charged to the federal program were not supported by the County's cost allocation plan or a written agreement with the pass-through grantor. Further, the County did not comply with its grant agreement because it did not submit its cost allocation plan to the pass-through grantor for approval. There is also the potential that the County may not have met the program's matching requirement for any unallowable indirect costs that were used to match the program's federal award expenditures. 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 is a material weakness in internal control over compliance and material noncompliance with the program's allowable costs/cost principles and matching requirements. This finding could also affect other federal programs that the County administered for which indirect costs were reimbursed.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

Cause: The County believed that its formal cost allocation plan did not include all indirect costs for the program and, therefore, chose to request reimbursement for indirect costs based on the same rate it had used for the past several years. The County believed that the pass-through grantor had approved the rates that had been used, but did not retain these records. Further, both the County and its pass-through grantor are aware that the incorrect rates are being applied and the pass-through grantor has paid the indirect cost reimbursements in full.

Recommendation: To comply with the requirements of 2 CFR, Appendix C to Part 225, and its grant agreements, the County should submit its indirect cost allocation plan to each federal grantor or pass-through grantor that requires the plan to be approved prior to requesting reimbursement for indirect costs.

This finding is similar to a prior-year finding.

10-114

CFDA No.: 93.563 **Child Support Enforcement**

**U.S. Department of Health and Human Services**

Passed through the Arizona Department of Economic Security

Award Period: October 1, 2005 through September 30, 2010

Award Number: G 04-04-AZ-4004

Cash Management and Reporting

Questioned Cost: None

Criteria: In accordance with 45 CFR §92.20(b)(3), the County should maintain an effective internal control system to adequately separate accounting responsibilities in the financial reporting process.

Condition and context: The County did not ensure that financial reports used to request federal reimbursement for expenditures and demonstrate program funding levels were independently reviewed for accuracy and approved by another employee prior to submitting them to the pass-through grantor. Auditors noted that for 3 of 4 monthly reports tested, the same employee prepared, reviewed, and approved the reports.

Effect: The County may incorrectly report and request reimbursement from the pass-through grantor because there was a lack of an independent review of the financial reports. Auditors performed additional auditing procedures and determined that no questioned costs resulted from this finding. This finding is a significant deficiency in internal control over compliance with the program's cash management and reporting requirements.

Cause: The County did not have sufficient resources to adequately separate accounting responsibilities over the financial reporting process.

Recommendation: The County should establish procedures requiring a person independent of the financial reports' preparation to review the reports for accuracy prior to submitting them to the pass-through grantor.

This finding is similar to a prior-year finding.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

10-115

**Homeland Security Cluster:**

CFDA No.: 97.067 Homeland Security Grant Program

**U.S. Department of Homeland Security**

Passed through the Arizona Department of Emergency and Military Affairs

Award Period: July 1, 2007 through July 31, 2009

July 1, 2007 through March 31, 2010

October 1, 2008 through September 30, 2009

October 1, 2009 through September 30, 2010

November 20, 2009 through March 31, 2010

November 20, 2009 through April 30, 2010

December 1, 2009 through November 30, 2010

Award Numbers: 07-AZDOHS-HSGP-333100-01, 07-AZDOHS-HSGP-333100-02, 07-AZDOHS-HSGP-333100-03, 07-AZDOHS-HSGP-333100-04, 07-AZDOHS-HSGP-333100-05, 07-AZDOHS-HSGP-333100-06, 07-AZDOHS-HSGP-3331110-01, 07-AZDOHS-LETPP-333100-07, 08-AZDOHS-HSGP-444102-01, 08-AZDOHS-HSGP-444102-02, 08-AZDOHS-HSGP-444109-02, 8-AZDOHS-HSGP-444109-06, 09-AZDOHS-HSGP-555102-01, 09-AZDOHS-HSGP-555102-03, 09-AZDOHS-HSGP-555102-04, 09-AZDOHS-HSGP-555102-05, and 09-AZDOHS-HSGP-555107-01

Procurement and Suspension and Debarment

Questioned Cost: None

Criteria: In accordance with 44 CFR §13.35 and 2 CFR §180.300, the County must not make any award to or contract with any party that has been suspended or debarred or is otherwise excluded from or ineligible for participation in federal assistance programs. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, obtaining vendor certifications, or adding clauses or conditions to the contracts.

Condition and context: For 3 of the 4 vendors tested that were subject to this requirement, the County did not maintain documentation to demonstrate that it had verified that the vendor was not suspended or debarred from doing business with the federal government. Auditors performed additional procedures and determined that no payments were made to suspended or debarred vendors.

Effect: Payments could be made to suspended or debarred vendors. This finding is a material weakness in internal control over compliance and noncompliance with the program's suspension and debarment compliance requirement.

Cause: The County established procedures during fiscal year 2008 to add a clause to all county contracts for departments to certify that vendors were not suspended or debarred. However, there was a lack of communication between county departments to ensure that all contracts contained this clause. As a result, the department that contracted with the vendors did not maintain documentation to demonstrate that it verified that the vendors were not included on the EPLS prior to awarding the contracts.

Recommendation: The County should follow its policies and procedures to verify that vendors have not been suspended or debarred prior to awarding contracts of \$25,000 or more in federal monies and retain documentation of this determination.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010

10-116

**Homeland Security Cluster:**

CFDA No.: 97.067 Homeland Security Grant Program

**U.S. Department of Homeland Security**

Passed through the Arizona Department of Emergency and Military Affairs

Award Period: July 1, 2007 through July 31, 2009

July 1, 2007 through March 31, 2010

October 1, 2008 through September 30, 2009

October 1, 2009 through September 30, 2010

November 20, 2009 through March 31, 2010

November 20, 2009 through April 30, 2010

December 1, 2009 through November 30, 2010

Award Numbers: 07-AZDOHS-HSGP-333100-01, 07-AZDOHS-HSGP-333100-02, 07-AZDOHS-HSGP-333100-03, 07-AZDOHS-HSGP-333100-04, 07-AZDOHS-HSGP-333100-05, 07-AZDOHS-HSGP-333100-06, 07-AZDOHS-HSGP-3331110-01, 07-AZDOHS-LETPP-333100-07, 08-AZDOHS-HSGP-444102-01, 08-AZDOHS-HSGP-444102-02, 08-AZDOHS-HSGP-444109-02, 8-AZDOHS-HSGP-444109-06, 09-AZDOHS-HSGP-555102-01, 09-AZDOHS-HSGP-555102-03, 09-AZDOHS-HSGP-555102-04, 09-AZDOHS-HSGP-555102-05, and 09-AZDOHS-HSGP-555107-01

Cash Management and Reporting

Questioned Cost: None

**Criteria:** To comply with 44 CFR §13.20(b)(3), the County should maintain an effective internal control system to adequately separate accounting responsibilities in the financial reporting process.

**Condition and context:** The County did not ensure that financial reports used to request reimbursement for expenditures and demonstrate program funding levels were independently reviewed for accuracy and approved by another employee prior to submitting them to the pass-through grantor. Specifically, 9 of 11 reimbursement requests tested had no evidence that the reports had been independently reviewed and approved. Auditors performed further auditing procedures and determined the financial reports were prepared correctly and agreed to source documentation.

**Effect:** The County may incorrectly report and request reimbursement from the pass-through grantor because there was no independent review of the financial reports. Auditors determined that no questioned costs resulted from this finding. This finding is a significant deficiency in internal control over compliance with the program's cash management and reporting requirements.

**Cause:** The County did not have adequate procedures to ensure that reimbursement requests were properly reviewed and approved.

**Recommendation:** The County should establish procedures to ensure that each reimbursement request is independently reviewed and approved for accuracy prior to submitting it to the pass-through grantor.

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# NAVAJO COUNTY

## FINANCE DEPARTMENT

James Menlove • Finance Director

Mary Springer • Deputy Finance Director

*"Proudly Serving, Continuously Improving"*

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May 20, 2011

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, 2010

## Financial Statement Findings

10-01

**The County should continue improving its procedures to prepare accurate and timely financial statements**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: December 31, 2011

Corrective Action Plan: Concur. To help ensure that financial statements are prepared accurately and issued in a timely manner, the County will develop detailed policies and procedures and allocate resources to:

- Research all accounting and reporting requirements to ensure the financial statements are properly presented in accordance with generally accepted accounting principles (GAAP).
- Establish and follow detailed written procedures for compiling the information and preparing the financial statements and accompanying notes. These procedures will include detailed instructions for obtaining information from the accounting system; depreciating and properly identifying capital assets; and obtaining information not readily available from the accounting system but necessary for financial statement preparation.
- Establish policies and procedures for reconciling total current-year additions to capital outlay expenditures.
- Require an employee not responsible for financial statement preparation to review adjusting entries and the statements and accompanying notes. The reviewer will ensure that the amounts are accurate and properly supported and the financial statements are presented in accordance with GAAP.

10-02

**The County should strengthen computer access controls**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: December 31, 2011

Corrective Action Plan: Concur. The County will establish policies and procedures that strengthen system access controls to prevent or detect unauthorized use, damage, loss, or modification of programs, and misuse of information. These procedures will:

- Limit logical access to our systems, especially privileges to modify data, to only those individuals who need such access.
- Use a standardized access request form for approval for access to the systems, and retain all access request forms with the supervisor's approval.
- Establish procedures to log and detect unauthorized access and changes to data.
- Ensure access is compatible with each employee's job responsibilities.
- Require users to change passwords at regular intervals, such as every 3 months and to set passwords that include special characters and minimum length.
- Implement system controls to lock out users after multiple failed attempts.

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2010

10-03

**The County should strengthen computer change controls**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: December 31, 2011

Corrective Action Plan: Concur. To help ensure that changes to systems and programs and the data they contain are authorized, the County will establish policies and procedures to:

- Require that requests for changes to systems and programs be documented, authorized, tested, reviewed, and approved prior to being put into use.
- Separate the responsibilities for developing and implementing changes from the responsibilities of authorizing, testing, and approving the changes. Changes initiated by users will also be approved by users.
- Maintain documentation for testing changes and the results.

10-04

**The County should have a complete and tested disaster recovery plan for its computer systems**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: December 31, 2011

Corrective Action Plan: Concur. The County will ensure that it has an updated and tested disaster recovery plan. In addition, the County will evaluate the disaster recovery plan annually to ensure policies and procedures include:

- Performing an analysis to identify and prioritize critical applications and risks for each, including the potential impact to the County.
- Communicating and distributing copies of the disaster recovery plan to all affected employees, ensuring a copy of the plan is kept off-site.
- Securing off-site storage locations and a designated physical recovery facility, and providing the needed hardware and software.
- Maintaining a current listing of employees assigned to disaster teams, including emergency telephone numbers.
- Establishing procedures for processing critical transactions, including forms or other documents used; documentation of testing procedures and results, including resolutions to problems encountered or failed tests; and safeguarding and recovering data stored on backup files.

10-05

**The County should properly value and report its cash and investments**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: December 31, 2010

Corrective Action Plan: Concur. The County will implement procedures to value investments at fair value at year end and record the change in fair value as investment earnings. In addition, the County will develop additional procedures to ensure that the notes to financial statements are compiled accurately and in

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2010

accordance with GAAP. Further, the County will review its year-end bank reconciliation procedures to ensure the proper fiscal year data is included and all bank accounts are recorded in the financial statements.

10-06

**The County should establish written policies and procedures over its transaction cycles**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: December 31, 2011

Corrective Action Plan: Concur. The County will continue to develop written policies and control procedures that include:

- Separating responsibilities to ensure that no one person controls both record-keeping and transaction processing activities.
- Documenting review and approval of all transactions processed and posted to the system to prevent duplicate or inappropriate transactions from occurring.
- Maintaining accounting records to ensure that all transactions are valid and recorded accurately and in a timely manner, and to help ensure that no valid transactions have been omitted from the accounting records.
- Maintaining physical control over assets and accounting records to help ensure that access to physical assets and information are controlled and properly restricted to authorized employees.
- Resolving errors to help ensure that errors detected at any stage of processing receive prompt corrective action and are reported to the appropriate level of management.
- Monitoring activities to help ensure that internal control procedures are placed into operation and continue to operate effectively.

10-07

**The County should establish procedures for identifying conflicts of interest and disclosing related party transactions**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: December 31, 2011

Corrective Action Plan: Concur. The County will establish procedures to identify and disclose material related party transactions in the notes to financial statements by requiring the following:

- Require board members, elected officers, and employees who have, or whose relatives have, a direct or indirect substantial interest in any contract, sale, purchase or services to the County make that interest known in the County's records.
- Maintain a file of the conflict of interest statements submitted and perform an annual update.
- Ensure board members, elected officers, and employees refrain from voting upon or participating in any manner in that decision or contract, sale, purchase, or service to the County.

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2010

10-08

**The County should restrict use of public monies to allowed purposes and establish contracts with senior centers**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: December 31, 2011

Corrective Action Plan: Concur. The County will establish policies and procedures requiring that it records and demonstrates the public purpose for all county expenditures. Further, the County will obtain formal board approval and enter into written contracts when spending public monies to provide services under A.R.S. §11-267.

10-09

**The County should submit its Annual Expenditure Limitation Report in a timely manner**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: February 28, 2012

Corrective Action Plan: Concur. The County will correct internal control weaknesses noted and submit the reports required by the *Uniform Expenditure Reporting System* to the Auditor General of the State of Arizona each year by October 31 or by February 28 if a 120-day extension is granted.

10-10

**The County Treasurer did not comply with state laws when processing warrants and investing public monies**

Contact person: James Menlove, Finance Director, 928-524-4343

Anticipated Completion Date: July 1, 2010

Corrective Action Plan: Concur. However, this condition existed at June 30, 2010, because the State of Arizona withheld payments to schools to help balance the State's FY10 budget. As of July 1, 2010, this situation no longer existed as the County entered into a contract with a new servicing bank that has the capability to register warrants. As a further step the new servicing bank has provided a line of credit for most of the school districts and other public entities in Navajo County to help ensure this situation does not exist in the future.

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2010

Federal Award Findings and Questioned Costs

10-101

CFDA No.: Not applicable

Anticipated completion date: March 31, 2012

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will improve its financial reporting process so that it can submit its Single Audit Reporting Package by the required deadline.

10-102

CFDA No.: 10.665 **Schools and Roads – Grants to States**

CDBG—State Administered Small Cities Program Cluster:

CFDA No.: 14.228 **Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

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

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. To help ensure that the County prepares its schedule of expenditures of federal awards (SEFA) in compliance with OMB Circular A-133, the County will implement the following policies and procedures:

- Properly recording and identifying federal program expenditures on the general ledger system.
- Requiring departments to reconcile federal award expenditures on the general ledger system to accounting records and reimbursements.
- Recording federal award expenditures when goods or services are received, as prescribed by generally accepted accounting principles.
- Requiring departments to provide sufficient detail to the County's Finance Department to accurately report federal award information required by OMB A-133 on the County's SEFA.

10-103

CFDA No.: 14.228 **Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will establish policies and procedures to ensure that all Completion Reports are submitted to the pass-through grantor by the required deadlines.

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2010

10-104

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

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will prepare a written agreement with local governments that is signed by both parties and that describes the services to be performed, the period of time services are to be provided, amounts to be paid, and any other information that may affect the County's ability to comply with federal requirements. Further, the County will establish policies and procedures for ensuring that other governments and vendors it pays with federal monies have not been suspended or debarred from doing business with the federal government.

10-105

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

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will establish policies and procedures that require an employee independent of the financial reports' preparation to review the reports for accuracy prior to submitting them to the pass-through grantor.

10-106

WIA Cluster:

CFDA No.: 17.258 **WIA Adult Program**

17.258 **ARRA—WIA Adult Program**

17.259 **WIA Youth Activities**

17.259 **ARRA—WIA Youth Activities**

17.260 **WIA Dislocated Workers**

17.260 **ARRA—WIA Dislocated Workers**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. To help ensure that it meets cash management, earmarking, and reporting requirements, the County will establish procedures requiring a person independent of financial report preparation to review and approve the reports prior to submitting them to the pass-through grantor by the deadline included in the grant agreement.

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2010

10-107

CFDA No.: 81.128 **ARRA—Energy Efficiency and Conservation Block grant Program (EECBG)**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. To help ensure that the County complies with Davis-Bacon Act requirements, it will require contractors and subcontractors who are awarded more than \$2,000 in federal monies to pay employees the prevailing wage rates established by the U.S. Department of Labor. To accomplish this, the County will include Davis-Bacon act provisions in its construction projects and also obtain and review contractors' payroll certification reports to verify that prevailing wages were paid. If the County determines that the contractors or subcontractors did not pay prevailing wages, or if the County does not receive payroll certification reports, it will withhold payment until the requirements are met.

10-108

CFDA No.: 81.128 **ARRA—Energy Efficiency and Conservation Block grant Program (EECBG)**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will establish a detailed review process by someone independent of the report preparation process to help ensure federal reports are complete, accurate, and reported consistently with other financial reports for the same period of time before they are submitted to the federal awarding agency. In addition, if any errors are subsequently noted within the ARRA 1512 Report, the errors will be corrected through the continuous edit period.

10-109

CFDA No.: 84.394 **ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will improve its internal controls over payroll and maintain a complete personnel file for each employee that includes documentation supporting the employee's pay rate and position. In addition, the Superintendent of Schools Office will request assistance from the County's Human Resources Department to ensure that all required employment documentation is maintained for each employee.

10-110

CFDA No.: 93.069 **Public Health Emergency Preparedness**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. To help ensure that only allowable funding sources are used to match federal expenditures and that the program's matching requirement is met, the County will establish policies and procedures for monitoring its matching expenditures. In addition, the County will maintain records to demonstrate that the matching requirements were met, and to support that the program is matched with allowable nonfederal sources or in-kind contributions. Also, monies used to match the program's federal award expenditures will be transferred into the designated program fund during the period of time when the expenditures are incurred.

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2010

10-111

CFDA No.: 93.069 **Public Health Emergency Preparedness**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will implement policies and procedures for maintaining original documentation to support expenditures to ensure compliance with federal requirements and the County's credit card policy.

10-112

CFDA No.: 93.563 **Child Support Enforcement Program**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. To help ensure that only allowable funding sources are used to match federal expenditures and that the matching requirement is met, the County will establish policies and procedures for monitoring its matching expenditures. In addition, the County will maintain records to demonstrate that the matching requirements were met, and to support that the program is matched with allowable nonfederal sources or in-kind contributions. Specifically, monies used to match the program's federal award expenditures will be transferred into the designated program fund during the period of time when the expenditures are incurred.

10-113

CFDA No.: 93.563 **Child Support Enforcement Program**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. To comply with the requirements of 2 CFR Part 225 and its grant agreements, the County will submit its indirect cost allocation plan to each federal grantor or pass-through grantor that requires the plan to be approved prior to requesting reimbursement for indirect costs.

10-114

CFDA No.: 93.563 **Child Support Enforcement Program**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will establish procedures requiring a person independent of the financial reports' preparation to review the reports for accuracy prior to submitting them to the pass-through grantor.

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2010

10-115

CFDA No.: 97.067 **Homeland Security Grant Program**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will follow its policies and procedures to verify that vendors have not been suspended or debarred prior to awarding contracts of \$25,000 or more in federal monies and retain documentation of this determination.

10-116

CFDA No.: 97.067 **Homeland Security Grant Program**

Anticipated completion date: December 31, 2011

Contact person: James Menlove, Finance Director, 928-524-4343

Corrective Action Plan: Concur. The County will establish procedures over the processing of its reimbursement requests and ensure each request is independently reviewed and approved for accuracy prior to submitting them to the pass-through grantor.



# NAVAJO COUNTY

## FINANCE DEPARTMENT

James Menlove • Finance Director

Mary Springer • Deputy Finance Director

*"Proudly Serving, Continuously Improving"*

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May 20, 2011

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, 2010

Status of Federal Award Findings and Questioned Costs

03-105

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children  
10.904 Watershed Protection and Flood Prevention  
14.228 Community Development Block Grants/State's Program  
14.239 HOME Investments Partnerships Program  
Workforce Investment Act Cluster:  
17.258 WIA Adult Program  
17.259 WIA Youth Activities  
17.260 WIA Dislocated Workers  
83.554 Public Assistance Grant  
83.566 Fire Management Assistance Grant  
93.563 Child Support Enforcement Grant

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

04-101

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children  
15.226 Payments in Lieu of Taxes  
16.579 Byrne Formula Grant Program  
Workforce Investment Act Cluster:  
17.258 WIA Adult Program  
17.259 WIA Youth Activities  
39.011 Election Reform Payments  
93.563 Child Support Enforcement Grant  
97.004 State Domestic Preparedness Equipment Support Program

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

Navajo County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010

05-101

CFDA No.: 15.226 Payments in Lieu of Taxes

16.579 Byrne Formula Grant Program

Workforce Investment Act Cluster:

17.258 WIA Adult Program

17.259 WIA Youth Activities

93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance

93.563 Child Support Enforcement Grant

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

06-101

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

10.923 Emergency Watershed Protection Program

14.228 Community Development Block Grants/State's Program

15.226 Payments in Lieu of Taxes

93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance

93.563 Child Support Enforcement Grant

Homeland Security Grant Program Cluster:

97.004 State Domestic Preparedness Equipment Support Program

97.067 Homeland Security Grant Program

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

06-103

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

10.923 Emergency Watershed Protection Program

14.228 Community Development Block Grants/State's Program

15.226 Payments in Lieu of Taxes

93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance

93.563 Child Support Enforcement Grant

Homeland Security Grant Program Cluster:

97.004 State Domestic Preparedness Equipment Support Program

97.067 Homeland Security Grant Program

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will establish written policies and procedures to ensure the proper recording of federal program expenditures in our accounting system used to prepare the SEFA.

Navajo County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010

06-107

CFDA No.: 10.923 Emergency Watershed Protection Program  
Homeland Security Grant Program Cluster:  
97.004 State Domestic Preparedness Equipment Support Program  
97.067 Homeland Security Grant Program

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will ensure that all departments follow established procedures to verify that vendors have not been suspended or debarred prior to awarding contracts of \$25,000 or more in federal monies. The County will also establish procedures to retain documentation of this determination.

07-101

CFDA No.: Not applicable

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

07-102

CFDA No.: 10.664 Cooperative Forestry Assistance  
93.268 Immunization Grants  
93.283 Centers for Disease Control and Prevention—Investigations & Technical Assistance

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will establish written policies and procedures to ensure the proper recording of federal program expenditures in our accounting system used to prepare the SEFA.

08-101

CFDA No.: Not applicable

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

Navajo County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010

08-102

CFDA No.: 10.665 Schools and Roads – Grants to States

**WIA Cluster:**

CFDA No.: 17.258 WIA Adult Program

17.259 WIA Youth Activities

17.260 WIA Dislocated Workers

CFDA No.: 93.069 Public Health Emergency Preparedness

CFDA No.: 93.563 Child Support Enforcement

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will establish written policies and procedures to ensure the proper recording of federal program expenditures in our accounting system used to prepare the SEFA.

08-104

CFDA No.: 10.664 Cooperative Forestry Assistance

Status: Partially corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will require an independent, supervisory review of program expenditures and reports prior to submission for reimbursement.

08-105

CFDA No.: 93.069 Public Health Emergency Preparedness

Status: Fully corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

08-106

CFDA No.: 93.563 Child Support Enforcement Program

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will establish policies and procedures to monitor the program's matching requirements, and the level of state and local monies spent for the program. All monies used to match the program's federal award expenditures will be transferred into the designated program fund during the period of time when the expenditures are incurred. Further, the County will retain documentation to demonstrate that matching requirements are met.

Navajo County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010

08-107

CFDA No.: 93.563 Child Support Enforcement Program

Status: Not corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will establish policies and procedures to ensure that it has a formal cost allocation plan reviewed and approved by the pass-through grantor or written agreement with its pass-through grantor prior to requesting reimbursement for indirect costs.

08-108

CFDA No.: 93.563 Child Support Enforcement Program

Status: Partially corrected

Contact person: James Menlove, Finance Director, (928) 524-4343

The County will establish procedures requiring a person independent of the financial reports' preparation to review the reports for accuracy prior to submitting them to the pass-through grantor.

09-101

CFDA No.: Not applicable

Status: Not corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

09-102

CFDA No.: 10.664 Cooperative Forestry Assistance

CFDA No.: 10.665 Schools and Roads—Grants to States

Workforce Investment Act (WIA) Cluster:

CFDA No.: 17.258 WIA Adult Program

17.258 ARRA—WIA Adult Program

17.259 WIA Youth Activities

17.259 ARRA—WIA Youth Activities

17.260 WIA Dislocated Workers

17.260 ARRA—WIA Dislocated Workers

CFDA No.: 93.069 Public Health Emergency Preparedness

CFDA No.: 93.563 Child Support Enforcement

Status: Not corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

The County will establish written policies and procedures to ensure the proper recording of federal program expenditures in our accounting system used to prepare the SEFA.

Navajo County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010

09-103

CFDA No.: 10.664 Cooperative Forestry Assistance

Status: Not corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

The County will require an independent, supervisory review of program expenditures and reports prior to submission for reimbursement.

09-104

Workforce Investment Act (WIA) Cluster:

CFDA No.: 17.258 WIA Adult Program

17.258 ARRA—WIA Adult Program

17.259 WIA Youth Activities

17.259 ARRA—WIA Youth Activities

17.260 WIA Dislocated Workers

17.260 ARRA—WIA Dislocated Workers

Status: Not corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

The County will implement procedures to ensure that the Contractor Accrued Expenditure Reports are completed and submitted to its pass-through grantor no later than the 30th day following each month.

09-105

CFDA No.: 93.069 Public Health Emergency Preparedness

Status: Fully corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

09-106

CFDA No.: 93.069 Public Health Emergency Preparedness

Status: Not corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

The County will establish procedures for maintaining original supporting documentation for all federal expenditures to ensure compliance with federal requirements and the County's credit card policies.

Navajo County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2010

09-107

CFDA No.: 93.563 Child Support Enforcement Program

Status: Not corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

The County will establish policies and procedures to monitor the program's matching requirements, and the level of state and local monies spent for the program. All monies used to match the program's federal award expenditures will be transferred into the designated program fund during the period of time when the expenditures are incurred. Further, the County will retain documentation to demonstrate that matching requirements are met.

09-108

CFDA No.: 93.563 Child Support Enforcement Program

Status: Not corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

The County will establish policies and procedures to ensure that it has a formal cost allocation plan reviewed and approved by the pass-through grantor or written agreement with its pass-through grantor prior to requesting reimbursement for indirect costs.

09-109

CFDA No.: 93.563 Child Support Enforcement Program

Status: Not corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

The County will establish procedures requiring a person independent of the financial reports' preparation to review the reports for accuracy prior to submitting them to the pass-through grantor.

09-110

CFDA No.: 97.067 Homeland Security Cluster

Status: Not corrected

Contact Person: James Menlove, Finance Director, (928) 524-4343

The County will follow its policies and procedures to verify that vendors have not been suspended or debarred and retain documentation of that determination.