



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# Mohave County

Year Ended June 30, 2014

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**Debra K. Davenport**  
Auditor General

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

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Report Issued Separately

Annual Financial Report



**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  
Mohave County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Mohave County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 31, 2015. Our report includes a reference to other auditors who audited the financial statements of the Self-Insured Trust Fund and Employee Benefits Trust Fund, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in

internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-01, 2014-02, 2014-04, 2014-05, 2014-06, and 2014-07 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 2014-03, 2014-08, and 2014-09 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 that are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-02 and 2014-03.

### **Mohave County Response to Findings**

Mohave County's responses to the findings identified in our audit are presented on pages 29 through 33. The County's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

### **Purpose of this Report**

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

Jay Zsorey, CPA  
Financial Audit Director

March 31, 2015



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Members of the Arizona State Legislature

The Board of Supervisors of  
Mohave County, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited Mohave County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, based on our audit, Mohave County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-101, 2014-102, 2014-104, and 2014-105. Our opinion on each major federal program is not modified with respect to these matters.

Mohave County's responses to the noncompliance findings identified in our audit are presented on pages 29 through 33. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

## **Report on Internal Control over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-102, 2014-103, and 2014-105 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-101 and 2014-104 to be significant deficiencies.

Mohave County's responses to the internal control over compliance findings identified in our audit are presented on pages 29 through 33. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

### **Purpose of this Report**

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Mohave County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 31, 2015, that contained unmodified opinions on those financial statements. Our report was modified to include a reference to our reliance on other auditors who audited the financial statements of the Self-Insured Trust Fund and Employee Benefits Trust Fund, as described in our report on the County's financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jay Zsorey, CPA  
Financial Audit Director

April 29, 2015

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

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
<b>Department of Agriculture</b>						
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	\$ 4,912	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	7,724	
	<i>Total Child Nutrition Cluster</i>				<u>12,636</u>	
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS12-014282-5, ADHS14-053050	664,186	
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030682-1, ADHS12-030682-2	270,635	
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS12-010888-1, ADHS12-010888-2	6,492	
10 665	Schools and Roads—Grants to States	Forest Service and Roads Cluster			5,889	
	<b>Total Department of Agriculture</b>				<u>959,838</u>	
<b>Department of Housing and Urban Development</b>						
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	CDBG—State-Administered CDBG Cluster			276,567	
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	CDBG—State-Administered CDBG Cluster	Arizona Department of Housing	101-13,104-12,126-13	479,747	
	<i>Total CDBG—State-Administered CDBG Cluster</i>				<u>756,314</u>	
14 235	Supportive Housing Program		Arizona Department of Housing	510-13	23,589	
14 239	HOME Investment Partnerships Program		Arizona Department of Housing	300-13	182,078	
14 241	Housing Opportunities for Persons with AIDS		Arizona Department of Housing	504-13, 525-14	112,412	
14 267	Continuum of Care Program		Arizona Department of Housing	511-14,532-12,538-14,521-13,517-13,527-14,539-14	217,797	
14 871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster			1,617,106	
14 879	Mainstream Vouchers	Housing Voucher Cluster			290,467	
	<i>Total Housing Voucher Cluster</i>				<u>1,907,573</u>	
	<b>Total Department of Housing and Urban Development</b>				<u>3,199,763</u>	
<b>Department of the Interior</b>						
15 226	Payments in Lieu of Taxes				3,572,456	
<b>Department of Justice</b>						
16 unknown	U.S. Marshals Service District Fugitive Apprehension Task Force		Arizona Supreme Court, Arizona Office of the Court	MOU Order #DJMS-10-08-M-0088	10,910	
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth & Families, Division for Children	JB-CSG-13-3365-05, JB-CSG-14-4365-04	7,455	
16 540	Juvenile Justice and Delinquency Prevention—Allocation to States		Arizona Supreme Court	IGA KR13-0137	5,953	
16 543	Missing Children's Assistance		City of Phoenix Police Department	2012-MC-FX-K008	7,500	
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2012-066,2012-292,2012-067,2012-293,2012-065,2012-291	135,359	
16 606	State Criminal Alien Assistance Program				21,303	
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster			13,513	

See accompanying notes to schedule.

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

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster	Arizona Criminal Justice Commission	DC-14-034	74,995	
	<i>Total JAG Program Cluster</i>				<u>88,508</u>	
16 922	Equitable Sharing Program		Arizona Attorney General's Office	COLOCITYMSA	320,949	
	<b>Total Department of Justice</b>				<u>597,937</u>	
<b>Department of Labor</b>						
17 207	Employment Service/Wagner-Peyser Funded Activities	Employment Service Cluster	Arizona Department of Economic Security	IGA - DE081154-001	4,196	
17 235	Senior Community Service Employment Program		Arizona Department of Economic Security	DE111099001	14,516	
17 258	WIA Adult Program	WIA Cluster	Arizona Department of Economic Security	DE111010001, ADES14-052731	384,406	\$ 65,653
17 259	WIA Youth Activities	WIA Cluster	Arizona Department of Economic Security	DE111010001, ADES14-052731	489,537	106,890
17 278	WIA Dislocated Worker Formula Grants	WIA Cluster	Arizona Department of Economic Security	DE111010001, ADES14-052731	388,192	23,448
	<i>Total WIA Cluster</i>				<u>1,262,135</u>	<u>195,991</u>
17 267	Incentive Grants—WIA Section 503		Arizona Department of Economic Security	DE111010-2012, ADES14-052731	14,575	
	<b>Total Department of Labor</b>				<u>1,295,422</u>	
<b>Department of Transportation</b>						
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2013-AL-017, 2014-AL-019, 2013-PT-016, 2014-PT-015	25,608	
20 608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		Arizona Governor's Office of Highway Safety	2013-168-084	3,600	
	<b>Total Department of Transportation</b>				<u>29,208</u>	
<b>Environmental Protection Agency</b>						
66 463	Water Quality Cooperative Agreements		Arizona Department of Environmental Quality	EV 09-0148	3,251	
<b>Department of Education</b>						
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Supreme Court	IGA #KR13-0137	39,423	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Supreme Court	IGA #KR13-0137	34,787	
	<b>Total Department of Education</b>				<u>74,210</u>	
<b>Election Assistance Commission</b>						
90 401	Help America Vote Act Requirements Payments		Arizona Secretary of State	None	18,981	
<b>Department of Health and Human Services</b>						
93 045	Special Programs for the Aging—Title III, Part C—Nutrition Services	Aging Cluster	Western Arizona Council of Governments	E86-6000539-401-01-14	279,190	
93 053	Nutrition Services Incentive Program	Aging Cluster	Western Arizona Council of Governments	E86-6000539-401-01-14	61,791	
	<i>Total Aging Cluster</i>				<u>340,981</u>	

See accompanying notes to schedule.

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

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
93 052	National Family Caregiver Support, Title III, Part E		Western Arizona Council of Governments	E86-6000539-401-01-14	5,911	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007892	275,544	
93 217	Family Planning—Services		Arizona Family Planning Council	76-1107	151,549	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041543	131,769	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	DE111148001	11,405	
93 667	Social Services Block Grant		Western Arizona Council of Governments	E86-6000539-401-01-14	26,300	
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS13-031197	52,435	
93 945	Assistance Programs for Chronic Disease Prevention and Control		Arizona Department of Health Services	ADHS14-065445	6,146	
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS13-036321	2,307	
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	HG854372-2	6,883	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS13-034542, ADHS12-021144, ADHS12-011468-6	129,447	
<b>Total Department of Health and Human Services</b>					<u>1,140,677</u>	
<b>Office of National Drug Control Policy</b>						
95 001	High Intensity Drug Trafficking Areas Program		City of Tucson Police Department	HT22-12-2220, G13SA007A	96,336	
<b>Department of Homeland Security</b>						
97 024	Emergency Food and Shelter National Board Program				1,714	
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2013-EP-000024	143,877	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	130507-01, 130508-01, 130507-03	14,802	
<b>Total Department of Homeland Security</b>					<u>160,393</u>	
<b>State Justice Institute</b>						
99 13-T-203	Technical Assistance Grants		National Center for State Courts	SJI-13-T-203	50,000	
99 13-T-020	Technical Assistance Grants		Arizona Department of Public Safety	SJI-13-T-020	31,435	
<b>Total State Justice Institute</b>					<u>81,435</u>	
<b>Total expenditures of federal awards</b>					<u>\$ 11,229,907</u>	<u>\$ 195,991</u>

See accompanying notes to schedule.

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

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes Mohave County's federal grant activity and is presented on the modified accrual basis of accounting, except for the following programs: Schools and Roads—Grants to States (10.665) and Payments in Lieu of Taxes (15.226). For these programs, revenues received during the fiscal year are considered earned and are reported as expenditures. 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.

The amount reported on the Schedule for the National School Lunch Program (10.555) includes \$7,724 in noncash assistance.

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

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

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

**Summary of Auditors' Results**

***Financial Statements***

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

***Federal Awards***

Internal control over major programs:		
Material weaknesses identified?	<u>X</u>	___
Significant deficiencies identified?	<u>X</u>	___
Type of auditors' report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	CDBG—State-Administered CDBG Cluster
14.267	Continuum of Care Program
15.226	Payments in Lieu of Taxes
17.258/17.259/17.278	Workforce Investment Act (WIA) Cluster
93.045/93.053	Aging Cluster

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$336,897
	<b>Yes    No</b>
Auditee qualified as low-risk auditee?	___ <u>  X  </u>

**Other Matters**

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	___ <u>  X  </u>
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Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2014

Financial Statement Findings

**2014-01**

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**The County should strengthen policies and procedures over its financial statement preparation**

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Criteria: The County should have policies and procedures to help ensure that it prepares accurate and complete financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Condition and context: The County did not have written policies and procedures over its financial statement preparation process, including year-end adjustments, and did not have an adequate process for compiling its financial information to ensure that its financial statements were accurate and complete. Consequently, the County's financial statements and note disclosures contained several misstatements that ranged from clerical and mathematical errors to noncompliance with financial reporting requirements. Specifically, auditors noted:

- Disclosures for deposits and investments were materially misstated. For example, highly sensitive investments reported were overstated by approximately \$100 million, and investments totaling approximately \$18 million were misclassified as deposits.
- Fund balances and net position classifications, and related note disclosures were misclassified by approximately \$3.6 million, \$15 million, and \$16 million, respectively.
- Disclosures for contingent liabilities were omitted.
- Budgetary Comparison Schedules, presented as part of required supplementary information, contained multiple errors as large as \$11.3 million for one fund.

Effect: The County's financial statements and note disclosures were not initially accurate and complete or prepared in accordance with GAAP. The County made the necessary adjustments to correct all significant errors the auditors noted.

Cause: The County did not have comprehensive policies and procedures to help ensure that it prepared financial statements that were accurate, complete, and in accordance with GAAP.

Recommendation: To help ensure that its financial statements are accurate, complete, and follow GAAP, the County should:

- Develop comprehensive written policies and procedures over financial statement preparation, including instructions for closing the general ledger at fiscal year-end; instructions for preparing common year-end financial statement adjustments; and a detailed process for supervisory review of draft financial statements, supporting schedules, and note disclosures. These procedures should also include detailed instructions for obtaining information from the accounting system, preparing supporting schedules, and documenting and reviewing adjustments necessary for preparing its financial statements.

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

- Dedicate appropriate resources, assign employees specific responsibilities, and establish completion dates.
- Establish procedures for receiving and evaluating information from other county departments, such as legal counsel, for possible inclusion in the financial statements as part of the year-end compilation process.

This finding is similar to a prior-year finding.

**2014-02**

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**The County should strengthen policies and procedures over assessing property values for its Flood Control District**

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Criteria: To comply with state laws, the County should have policies and procedures in place to ensure that assessed property valuations are accurately reported to the Board of Supervisors (Board) so that tax rates set for its Flood Control District are accurate. Specifically, Arizona Revised Statutes (A.R.S.) §42-17052 requires the County Assessor to determine the assessed property valuations of county taxing authorities, such as the Flood Control District, and provide them to the Board each year to assist the Board in setting each district's property tax levy. In addition, A.R.S §48-3620 requires that the County's Flood Control District tax rate be calculated on assessed valuations including only real property.

Condition and context: The County did not have adequate internal control policies and procedures over assessing property values used to calculate the County's Flood Control District's property tax rate. Specifically, the assessed property valuations that the County Assessor provided to the Board included personal property when the tax rate should be calculated on assessed valuations of only real property. As a result, the total assessed property valuations used to calculate the Flood Control District's tax rate was overstated by approximately \$250 million. This caused a lower property tax rate to be approved, and potentially \$1 million less in taxes to be levied and budgeted, than may have been intended by the Board to generate revenue for the Flood Control District's operations. The error of including personal property in the Flood Control District's levy occurred over the last 5 years, beginning with the assessed property valuations of February 2009. Auditors were able to perform auditing procedures to determine that the County correctly billed taxpayers and properly recorded property tax revenues for the Flood Control District because the County Treasurer's system was programmed to exclude the centrally assessed personal property when determining taxpayers' bills.

Effect: The County did not tax the appropriate amount to fund the Flood Control District's operations to the extent that the Board intended.

Cause: The assessed property valuations provided to the Board included personal property on which the County may not legally levy taxes. The County did not have adequate policies and procedures in place to ensure that the assessed property valuations used to calculate property tax rates were accurate and complied with state laws.

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

Recommendation: To help ensure that its Board of Supervisors can appropriately set property tax rates for the Flood Control District and other county taxing districts, the County should develop and implement policies and procedures that include:

- Reviewing the assessed property valuations used to calculate district tax rates to help ensure they are accurate and comply with state laws. This review should be performed prior to providing the assessed property valuations to the Board.
- Reconciling assessed property valuations from the County Assessor's system to reports provided to the Board of Supervisors. In addition, comparing taxing districts' property tax levies to amounts billed for each taxing district.

**2014-03**

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**The County should strengthen policies and procedures for changing assessed property valuations for taxing authorities**

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Criteria: To comply with state laws governing changes in assessed property valuations and to help ensure that changes made are accurate, the County should have policies and procedures for documenting and making changes to the assessed property valuations on the tax rolls for all taxing authorities, consisting of those belonging to the County as well as those comprising school districts, special districts, and other governmental entities. A.R.S. §42-16002 provides that the County may update the property taxes rolls to change assessed valuations.

Condition and context: The County did not have adequate policies and procedures for documenting and making changes to the various taxing authorities' assessed property valuations and associated tax rolls and ensuring that changes made are in accordance with state laws. Specifically, the County Assessor's process for making changes did not ensure that all changes were documented, and that the various types of changes were made in the appropriate year as provided by state laws. In addition, the process did not permit the County to reconcile changes made back to records initiating the changes. Although auditors performed limited tests on changes that were documented, many changes were not documented making reconciliation between levies and valuations impracticable.

Effect: The County was unable to ensure the accuracy of changes made to the property tax valuations reported on its tax rolls. It was impracticable to extend auditing procedures sufficiently to reconcile the taxing districts' levies to the assessed property valuations used to bill taxpayers or to verify whether changes made were accurate and permissible by state laws.

Cause: The County did not have written policies and procedures or an adequate process in place for changing taxing authorities' assessed property valuations and the associated tax rolls and ensuring changes made were accurate and in accordance with state laws.

Recommendation: To help ensure that it complies with A.R.S. §42-16002 and that changes made to the property tax rolls are accurate, the County should develop and implement policies and procedures that include:

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- Developing a process for documenting all changes to the assessed property valuations and associated tax rolls that helps ensure that changes can be reconciled back to the records initiating the changes and that changes are made to tax rolls in the time frames provided by state laws. Also, policies and procedures should ensure that the responsibilities for making and approving changes are adequately separated.
- Requiring that the process include an independent review of changes to the assessed property valuations and associated tax rolls on a periodic basis to ensure that changes made are accurate, supported by records, and in compliance with state laws.

**2014-04**

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**The County should strengthen policies and procedures over its property tax billing process**

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Criteria: In accordance with A.R.S. §42-18003, the County Treasurer is responsible for collecting the taxes levied for the County and other taxing authorities once the Board of Supervisors and other taxing authorities' boards approve the assessed property valuations and associated tax rolls. Accordingly, the County Treasurer should have policies and procedures in place for ensuring that the information it uses to determine the amount of property taxes that are to be billed to taxpayers is accurate, complete, and in accordance with state laws.

Condition and context: The County had a process for ensuring that taxpayer bills were spot-checked for accuracy prior to mailing. However, the County did not have policies and procedures in place to ensure the assessed property valuations were complete and properly uploaded into the County Treasurer's system, and that the amounts billed by the County Treasurer reconciled to the approved property tax levies. Auditors were able to perform auditing procedures to determine that the County Treasurer correctly billed taxpayers and that the County had properly recorded property tax revenues.

Effect: There is an increased risk that the County Treasurer could potentially use incomplete or inaccurate information to determine the amount of property taxes to be billed to taxpayers.

Cause: The County Treasurer did not have written policies and procedures in place for verifying that the file of assessed property valuations was complete and accurate to use for preparing taxpayers' property tax bills.

Recommendation: To help ensure compliance with A.R.S. §42-18003 and to help ensure property taxes are properly billed, the County Treasurer should develop and implement policies and procedures for verifying that the file of assessed property valuations used to determine taxpayers' bills are complete and reconciled to underlying data used to compute the property tax levies. For example, this process may consist of using control totals to ensure that the file of assessed property valuations is complete and properly uploaded to the County Treasurer's system.

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**2014-05**

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**The County should improve security over its information technology systems**

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Criteria: To effectively maintain and secure financial and sensitive information on the County's information technology (IT) systems, the County should establish internal control policies and procedures that include a security awareness program and practices to help prevent, detect, and respond to instances of unauthorized access or use, manipulation, damage, or loss to its IT systems, including its network, IT infrastructure, system software, and data.

Condition and context: The County lacked policies and procedures for several areas related to IT security, and did not have a plan for keeping IT personnel up-to-date and trained on IT security risks, controls, and practices. In addition, while the County had a process to look for vulnerabilities in its IT systems on a periodic basis, it did not have documented policies and procedures to establish this as a continual process to look for and remediate vulnerabilities identified. Further, the County needs to develop a security incident response plan as part of its IT security risk management process. Finally, the County did not have a security awareness program for its employees, nor did it have a training program to help ensure they were familiar with the County's IT security policies and procedures.

Effect: There is an increased risk that the County may not prevent or detect unauthorized access or use, manipulation, damage, or loss to its IT systems and data.

Cause: The County is missing documented policies and procedures for several areas related to IT security and management. Further, the County has a small IT department with no one specifically assigned to oversee information security on a county-wide basis.

Recommendation: To help ensure that the County is able to effectively maintain and secure IT systems and data, the County should establish a formal, continual process to look for and remediate vulnerabilities in its IT systems. Further, the County needs a plan to keep its information technology personnel up-to-date and trained on security controls and practices, and also provide training to all employees for the appropriate use of information technology resources and security awareness. In addition, the County's should ensure that its policies and procedures over securing its IT systems are documented in writing, implemented, and include the following:

- Developing policies and a formal process for vulnerability assessments that involves performing IT security vulnerability reviews on a periodic basis, incorporating the results of the reviews into a continual IT security risk management process, and responding to threats identified.
- Developing, updating, and testing an incident response plan on a continual basis. These policies and procedures should include incident response training and making disclosures to affected individuals and following regulatory requirements should an incident occur.
- Identifying, classifying, and inventorying sensitive information and developing security measures to protect it, such as implementing controls to prevent unauthorized access to that information and to detect and prevent information leaving the County's system.

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- Logging and monitoring on a proactive basis key activities for wireless activity, including wireless access points not belonging to the County, remote and unauthorized access, as well as user and system activity on its IT systems. Also, these policies and procedures should include a process for tracking the activities of users with administrative access privileges for all critical IT systems and maintaining activity logs for the network where users with administrative access privileges cannot alter them.
- Managing employee-owned electronic devices connecting to the network. Policies and procedures should address inventorying devices; wiping data; requiring security features, such as passwords, anti-virus controls, and software updates; and restricting the running of unauthorized software applications while on the County's network.
- Managing software installed on employee computer workstations. Policies and procedures should address what software is appropriate and the process for requesting, approving, installing, monitoring, and removing software on employee computer workstations.
- Managing the County's social media accounts.
- Implementing other security controls and practices, such as removing rogue access points on the network.

The County should also continue to enforce existing policies and procedures, such as requiring all employees to sign user agreements acknowledging the appropriate use of IT resources and maintain the agreements on file.

## **2014-06**

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### **The County should improve access controls for its IT systems**

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Criteria: The County should have effective written internal control policies and procedures over access to its IT systems to help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT systems, including its network, IT infrastructure, system software, and data.

Condition and context: The County did not have adequate policies and procedures for granting, monitoring, and removing logical and physical access to its IT systems, and for ensuring that excessive access and incompatible access roles were not assigned. Also, the County lacked written guidance for these areas. Specifically, the County did not periodically monitor and review logical and physical access as well as user activity for its IT systems. Further, the County needs to employ other controls and measures to improve its access policies and procedures, such as implementing stronger login controls and restricting sensitive data. Auditors performed tests of user access to the County's network and certain IT systems and noted several instances of potentially inappropriate or excessive user access that the County should review.

Effect: There is an increased risk that the County may not prevent or detect unauthorized access or use, manipulation, damage, or loss to its IT systems and data.

Cause: The County has a small IT department with no one dedicated to ensuring policies and procedures are written and up-to-date. The County has some processes in place, but needs to develop and implement policies and procedures in several areas to strengthen access controls and oversight over its IT systems on a county-wide basis.

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Recommendation: To help prevent and detect unauthorized access or use, manipulation, damage or loss to its IT systems and data, the County should continue its efforts to establish written policies and procedures for granting, monitoring and removing logical and physical access for its IT systems. The County's policies and procedures should include the following:

- Documenting all requests and approvals of user access granted to its IT systems. Also, defining access roles that are based on the employees' job responsibilities when setting up access helps prevent incompatible user access assignments. Further, using defined user access roles for each IT system so that consistent application and approval of user access roles can be performed.
- Removing users' access to IT systems, including the network, immediately upon termination of employment or when an account is deemed no longer necessary, such as for contractors or employees who transfer to other job responsibilities.
- Performing a periodic, comprehensive review of all existing user accounts to its IT systems and network to help ensure that access granted is appropriate and compatible with job responsibilities. Also, investigating user accounts identified by auditors as potentially having inappropriate or excessive access privileges and removing them as appropriate.
- Reviewing all generic and administrator accounts on its IT systems to eliminate or minimize their use where possible.
- Logging and periodically monitoring users' access and key activities for the IT systems and network on a proactive basis, especially users with administrative-level access and elevated access privileges.
- Strengthening password and log-in controls.
- Restricting physical access to the data center and periodically reviewing access granted to the data center to ensure that it is needed and compatible with employees' job responsibilities.
- Restricting access to sensitive information.

This finding is similar to a prior-year finding.

**2014-07**

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**The County should improve its IT change-management processes**

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Criteria: The County should have adequate change-management internal control policies and procedures to track and document changes made to its IT systems, including its network, IT infrastructure, system software, and databases. Such policies and procedures will help prevent and detect unauthorized, inappropriate, or unintended changes.

Condition and context: The County did not have written policies and procedures for managing changes to its IT systems. While the County had a process for making changes to at least one of its IT systems, there was no standardized process that it followed for its other systems. Specifically, the County had no process of ensuring that all changes to the system were properly documented, authorized, reviewed and tested, and approved prior to implementing them. In addition, the County needs to develop processes to address changes made to its other IT systems, including software patches and infrastructure configuration changes. Finally, the County did not have a method for detecting unauthorized, inappropriate, or unintended changes, and had no post-change process to help ensure that changes were authorized and worked as intended and that no changes circumvented controls.

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Effect: There is an increased risk that changes to the County's IT systems could be unauthorized or inappropriate, or could have unintended results without proper documentation, authorization, review, testing, and approval prior to implementation.

Cause: The County does not have documented policies and procedures to follow for making changes to its IT systems. Further, the County has a small IT department with some processes in place but needs to continue its efforts to strengthen change management policies and procedures on a county-wide basis.

Recommendation: To help prevent and detect unauthorized, inappropriate, and unintended changes to its IT systems, the County should establish written policies and procedures for managing changes, including patch and configuration management, and to improve its change management processes to include the following:

- Tracking all changes to its critical IT systems, including its network, IT infrastructure, system software, and databases.
- Logging and documenting all change details, including test results and approvals.
- Implementing rollback or fallback procedures into the change management process in the event that changes do not work as intended.
- Testing and approving all changes. This process should also include software patches and system and hardware configurations.
- Using dummy data for developing and testing changes.
- Separating the responsibilities for developing and implementing changes from the responsibilities of authorizing, reviewing, testing, and approving changes for implementation.
- Prohibiting users from making changes and bypassing the change management process.
- Developing a process for ensuring that unauthorized, inappropriate, or unintended changes are prevented or detected. This process should include a reconciliation and review of changes after implementation to the change requests to help ensure that changes have the intended impact and to help detect unauthorized or inappropriate changes.

This finding is similar to a prior-year finding.

## **2014-08**

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### **The County needs to improve its disaster recovery plan and data backup processes**

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Criteria: It is critical that the County have a comprehensive up-to-date disaster recovery plan and data backup policies and procedures in place to provide for the continuity of operations and to help ensure that vital IT systems, including its network, IT infrastructure, system software, and data, can be recovered in the event of a disaster, system or equipment failure, or other system interruption.

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Condition and context: The County had some recovery and backup processes in place, but did not have documented policies and procedures for the following areas. Specifically, the County did not have an overall disaster recovery plan that included all of its critical IT systems, including its network, IT infrastructure, system software, and data. In addition, while the County had a disaster recovery plan for one of its IT systems, the plan was not updated and sufficiently detailed to ensure that the system could be restored in the event that the plan was needed. Finally, the County needs to improve its processes for securing and inventorying backup data to help ensure that it is protected with encryption and can be located when needed.

Effect: The County is at risk of not being able to provide for the continuity of operations and recover IT systems and data and conduct daily operations in the event of a system or equipment failure or other interruption, which could cause inaccurate or incomplete system information and data, expensive recovery efforts, and financial losses.

Cause: The County has a small IT department with some processes in place, but lacks documented policies and procedures to follow to help ensure that its disaster recovery plan and backup data can be relied on in the event that they are needed.

Recommendation: To help ensure that it can provide for the continuity of operations and recover its IT systems and data in the event of a disaster, system or equipment failure, or other system interruption, the County should develop and implement written policies and procedures that include:

- Developing an overall disaster recovery plan that includes all critical IT systems. Also, ensuring that the disaster recovery plan contains all critical information, such as a current listing of key personnel assigned to disaster recovery teams and emergency contact information.
- Performing regularly scheduled tests after developing an overall disaster recovery plan and documenting the tests performed and results. Also, updating and testing the disaster recovery plan at least annually or as changes necessitate. Plan testing may include actual tests, simulations, or table top discussions and should be comprehensive enough to evaluate whether the plan can be successfully carried out. Test results should be used to update or change the plan.
- Securing and inventorying backup data on a periodic basis and requiring backups to be protected with encryption methods.

This finding is similar to a prior-year finding.

**2014-09**

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**The County should improve monitoring of outsourced IT services**

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Criteria: The County outsourced certain aspects of its IT functions, such as applying patches and maintenance, and performing data backup, storage, and recovery, for some of its software applications. Accordingly, the County should have a process in place to either monitor internal controls or request and review the service organization's internal control audit reports of significant outsourced service providers when the contractor's internal controls may impact the County's financial reporting. Specifically, a service

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organization's audit report on internal controls should outline both the service organization's and County's responsibilities over internal controls, including any internal control weaknesses of the service organization, that could affect the County's ability to accurately process financial and other vital information.

Condition and context: The County outsourced the patching, maintenance, and data backup, storage, and recovery of some of its software applications. As such, the County relies on the service organization's internal controls for applying patches and maintenance to these systems, and for ensuring that vital information is properly backed up and secured and systems and data can be recovered in the event of a disaster, system or equipment failure, or other system interruption. However, the County neither monitored the service organization's internal controls nor requested and reviewed the service organization's internal control audit reports during the fiscal year. The County subsequently obtained and reviewed one of the service organization's audit reports after the auditors brought it to the County's attention; however, this report only covered the first 3 months of the fiscal year. In addition, the contract with the service organization did not provide the County access to the service organization's records for the County to perform its own monitoring of internal controls, or require that a service organization internal control audit in accordance with *Statement on Standards for Attestation Engagements* (SSAE) No. 16 be performed and submitted to the County.

Effect: There is an increased risk that the County's service organization may not have adequate internal controls in place to prevent or detect unauthorized or inappropriate changes to the County's software applications, or changes that could have unintended results. In addition, there is an increased risk that vital information and data may not be properly backed up and secured, and that systems and data may not be recovered in the event of a disaster, system or equipment failure, or other system interruption if appropriate internal controls are not carried out at the service organization.

Cause: The personnel responsible for procuring and contracting these services were not familiar with the aspects of due diligence on the County's part necessitating either an audit of the service organization's internal controls or the County's monitoring of internal controls over the outsourced functions.

Recommendation: To help ensure that the County has assurances to rely on a service organization's internal controls, the County should require the service organization to have an audit of its internal controls in accordance with SSAE No. 16 to demonstrate whether or not the service organization's internal controls were operating effectively. Such audits should be performed on a periodic basis and should be submitted to and reviewed by the County. Alternatively, the County should perform monitoring of the service organization's internal controls on a periodic basis. The County should document and follow up on such monitoring, including any internal weaknesses identified, as appropriate. In addition, the County should establish policies and procedures for procuring and monitoring service providers when significant functions that may impact the County's financial reporting are outsourced.

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Federal Award Findings and Questioned Costs

**2014-101**

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<b>CFDA No. and Name:</b>	Not Applicable
<b>Questioned Costs:</b>	N/A

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Criteria: In accordance with OMB Circular A-133, §.300, the County is required to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received, and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA). The SEFA should report federal award expenditures in accordance with OMB Circular A-133, §.205.

Condition and context: The County did not identify and record federal award expenditures separately from nonfederal expenditures in its accounting system in accordance with OMB Circular A-133, §.300. The County was able to identify federal awards received in its accounting system and prepared an accurate and complete SEFA. However, auditors were unable to verify major federal programs until the County prepared additional schedules supporting the federal award expenditures reported on the SEFA. Specifically, for several major and nonmajor federal programs, the County commingled federal award expenditures with expenditures from other sources, such as program income and state and local matching contributions.

Effect: The County did not comply with OMB Circular A-133. Auditors were able to perform auditing procedures to determine that the County's SEFA was reasonably accurate and complete for major federal programs reported. This finding could potentially affect the County's internal controls and compliance for federal programs with matching requirements that the County administered.

Cause: The County did not have effective policies and procedures in place to ensure that all federal and nonfederal expenditures were easily identifiable in its accounting system and accurately reported on the SEFA. For several federal programs, federal award expenditures were estimated.

Recommendation: To help ensure that its SEFA is accurate and complete and prepared in compliance with OMB Circular A-133, the County should develop and implement policies and procedures that include a process of identifying federal award expenditures separately from expenditures of nonfederal sources, such as program income and matching contributions. Policies and procedures should address the process for compiling the SEFA and accompanying note disclosures.

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**2014-102**

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<b>Cluster Name:</b>	<b>WIA Cluster</b>
<b>CFDA Nos. and Names:</b>	17.258 <b>WIA Adult Program</b> 17.259 <b>WIA Youth Activities</b> 17.278 <b>WIA Dislocated Worker Formula Grants</b>
<b>Award Numbers and Years:</b>	DE111010001, April 1, 2010 through June 30, 2014; ADES14-052731, April 1, 2013 through June 30, 2018
<b>Federal Agency:</b>	<b>Department of Labor</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Economic Security
<b>Compliance Requirement:</b>	Earmarking
<b>Questioned Costs:</b>	Unknown

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Criteria: In accordance with 20 Code of Federal Regulations (CFR) §664.320(a), the County is required to spend 30 percent of the Youth Activities program monies allocated to the local areas under the Workforce Investment Act on services for out-of-school youth.

Condition and context: The County reported that it had earmarked 32 percent of Youth Activities program monies to provide services for out-of-school youth. However, the County did not have adequate procedures to identify and record expenditures related to out-of-school youth and did not maintain supporting documentation evidencing that the earmarking requirement was met. As a result, auditors were unable to verify that at least 30 percent of Youth Activities program expenditures were for services for out-of-school youth.

Effect: The County may not have met the Youth Activities program's minimum 30 percent earmarking requirement for providing services to out-of-school youth. It was not practical to extend our auditing procedures sufficiently to determine the questioned costs, if any, that may have resulted from this finding.

Cause: The County did not have adequate policies and procedures to identify and record expenditures for providing services to out-of-school youth.

Recommendation: To help ensure it complies with 20 CFR §664.320(a), the County should establish and implement policies and procedures to identify and record Youth Activities program expenditures for providing services to out-of-school youth and maintain documentation supporting that it met the earmarking requirement.

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**2014-103**

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**CFDA No. and Name:** 14.267 **Continuum of Care Program**  
**Award Numbers and Years:** 511-14, September 1, 2013 through August 31, 2014;  
532-12, September 1, 2012 through August 31, 2013;  
538-14, June 1, 2014 through May 31, 2015;  
521-13, June 1, 2013 through May 31, 2014;  
517-13, May 1, 2013 through April 30, 2014;  
539-14, May 1, 2014 through April 30, 2015;  
527-14, February 1, 2014 through March 31, 2015  
**Federal Agency:** **Department of Housing and Urban Development**  
**Pass-Through Grantor:** Arizona Department of Housing  
**Compliance requirement:** Matching  
**Questioned Costs:** None

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Criteria: In accordance with 24 CFR §§578.73 and 578.103(a)(10), the County is required to match certain awards' program expenditures with 25 percent of cash or in-kind contributions. The County should also keep records of the sources and uses of the contributions made to satisfy the matching requirement.

Condition and context: The County was required to provide at least \$44,000 in matching contributions for program awards ending in fiscal year 2014. Although the County budgeted and provided its Housing Authority's administrative costs as in-kind matching contributions, the County did not keep adequate records identifying expenditures of the in-kind matching contributions provided to the program for each program award and award year. Auditors were able to perform additional auditing procedures to determine that the County had reasonably met the matching requirement.

Effect: There is an increased risk that the County may not comply with its matching requirement outlined in 24 CFR §§578.73 and 578.103(a)(10).

Cause: The County contributed its Housing Authority's administrative costs as in-kind matching contributions. However, the County did not have a process in place for identifying matching contribution expenditures for each program award and award year separately from other Housing Authority expenditures because all activity was accounted for in a single fund.

Recommendation: To help ensure that the County can demonstrate that it complies with 24 CFR §§578.73 and 578.103 (a)(10), the County should develop and implement policies and procedures for recording matching contribution expenditures. These policies and procedures should include a process for identifying matching contribution expenditures for each program award and award year separately from other Housing Authority expenditures.

Mohave County  
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**2014-104**

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<b>Cluster Name:</b>	<b>Aging Cluster</b>
<b>CFDA Nos. and Names:</b>	93.045 <b>Special Programs for the Aging—Title III, Part C— Nutrition Services</b> 93.053 <b>Nutrition Services Incentive Program</b>
<b>Award Number and Year:</b>	E86-6000539-401-01-14, 2014
<b>Federal Agency:</b>	<b>Department of Health and Human Services</b>
<b>Pass-Through Grantor:</b>	Western Arizona Council of Governments
<b>Compliance Requirements:</b>	Allowable Costs/Cost Principles and Matching
<b>Questioned Costs:</b>	\$31,386

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Criteria: In accordance with 2 CFR, §225, Appendix B, §15(b)(4), capital expenditures should be charged in the period in which the expenditure was incurred. Additionally, in accordance with 45 CFR §§92.22 and 92.24, matching contribution expenditures should be allowable expenditures under the program's cost principles requirements.

Condition and context: The County did not identify Aging Cluster expenditures separately from program income and state and local matching contribution expenditures. During the year, the County transferred \$31,386 from the fund used to account for the Aging Cluster, including the related program income and matching contributions, to the County's Vehicle Replacement Fund for a vehicle purchase. However, auditors were unable to verify that a vehicle had been purchased for the cluster and considered the amount transferred to be a potential questioned cost. Auditors were able to perform additional auditing procedures to determine that the County met its matching requirement with other allowable expenditures.

Effect: There is an increased risk that the County may not meet its matching requirement or may not comply with the cluster's allowable cost principles requirements. This finding has the potential to affect other federal programs the County administered.

Cause: The County budgeted for and intended to provide a vehicle as a matching contribution. However, it had not yet purchased a vehicle to be used for the cluster.

Recommendation: To help ensure that it complies with the requirements of 2 CFR, §225, Appendix B, §15(b)(4) and 45 CFR §§92.22 and 92.24, the County should establish policies and procedures to ensure that capital expenditures are incurred prior to being charged to the program and expenditures used to meet the program's matching requirements are allowable costs. These policies and procedures should also include developing a process to identify program expenditures separately from expenditures of program income and matching contributions.

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**2014-105**

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<b>Cluster Name:</b>	<b>Aging Cluster</b>
<b>CFDA Nos. and Names:</b>	93.045 <b>Special Programs for the Aging—Title III, Part C— Nutrition Services</b> 93.053 <b>Nutrition Services Incentive Program</b>
<b>Award Number and Year:</b>	E86-6000539-401-01-14, 2014
<b>Federal Agency:</b>	<b>Department of Health and Human Services</b>
<b>Pass-Through Grantor:</b>	Western Arizona Council of Governments
<b>Compliance Requirements:</b>	Procurement and Suspension and Debarment
<b>Questioned Costs:</b>	None

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Criteria: In accordance with 2 CFR §180, the County is prohibited from contracting with or making subawards to any party that is suspended or debarred or is otherwise excluded from participating in federal assistance programs.

Condition and context: During the year, the County awarded approximately 30 percent of the cluster's monies to two contracted vendors. However, the County did not verify that the vendors were not suspended or debarred, or otherwise excluded from participating in the program prior to making the awards. Auditors performed additional procedures and determined no payments were made to suspended or debarred vendors.

Effect: The County could make awards to suspended or debarred vendors. This finding may affect other federal programs that the County administered.

Cause: The County had policies and procedures to verify if vendors were suspended or debarred on the Mohave County listing. However, the County did not have a policy or procedure in place for checking that vendors receiving \$25,000 or more in federal funds were not suspended or debarred on the Excluded Parties List System (EPLS) the General Services Administration (GSA) maintains.

Recommendation: The County should establish policies and procedures to verify that vendors are not suspended or debarred on the federal EPLS prior to making awards. The County should retain this documentation. This may be accomplished by checking the System for Award Management's exclusions Website at SAMS.GOV that the GSA maintains, collecting a certification from the entity, or adding a clause or condition to the contracts regarding suspension and debarment.

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# Mohave County Office of Financial Services

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Coral A. Loyd  
Financial Services Director

700 West Beale Street  
P.O. Box 7000  
Kingman, AZ 86402-7000

Phone: (928) 753-0735  
Fax: (928) 753-0704

April 28, 2015

Ms. Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> Street, Ste. 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by U.S. Office of Management and Budget Circular A-133. Specifically, for each financial reporting finding we are providing you with the corrective action planned and for each federal award finding we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date that is included in the Schedule of Findings and Questioned Costs.

Sincerely,

Coral A. Loyd  
Financial Services Director

## Financial Statement Findings

### **2014-01**

The County should strengthen controls over its financial statement preparation.

Contact Person(s): Diane Melendez and Coral Loyd

Anticipated completion date: June 30, 2016

Concur. The Financial Services Department will develop written policies and procedures over financial statement preparations. These procedures will include detailed instructions for obtaining information from the accounting system and preparing usable supporting schedules and documenting and reviewing post-closing adjustments.

### **2014-02**

The County should strengthen policies and procedures over assessing property values for its Flood Control District.

Contact Person(s): Ken Fielder and Bret McKee

Anticipated completion date: June 30, 2015

Concur. The County Assessor's Office will develop additional written procedures that identify the values that become part of the Flood Control District levy calculation prior to providing property valuations to the Board of Supervisors. The Assessor's Office will also establish a written procedure to reconcile assessed property values from the Assessor's system to reports provided to the Board of Supervisors and the Treasurer for computing the levy.

### **2014-03**

The County should strengthen policies and procedures for changing assessed property values for taxing authorities.

Contact Person(s): Ron Nicholson, Ken Fielder, and Bret McKee

Anticipated completion date: June 30, 2015

Concur. The County Assessor's Office will develop and implement written policies and procedures that summarily reconcile and more fully document changes made in taxing authorities' assessed property valuations and the associated tax rolls between the February 10 levy limit values and the actual October levy.

### **2014-04**

The County should strengthen policies and procedures over its property tax billing process.

Contact Person(s): Cindy Cox and Bill Barker

Anticipated completion date: June 30, 2016

Concur. The process to reconcile the total parcel count, full cash and assessed values between the Assessor's final valuation file and the Treasurer's system used to calculate the property tax statements will be formalized with a written policy. The Treasurer's Office will also coordinate efforts with the offices of the Assessor, Finance and Office of Management and Budget to assure there is a more comprehensive reconciliation of the values, rates and final tax levy for billing purposes.

**2014-05**

The County needs to improve security over its information technology systems.

Contact Person(s): Nathan McDaniel  
Anticipated completion date: June 30, 2016

Concur. The Information Technology Department will formalize their policies and more fully document security controls and practices in place by preparing written policies and procedures that adequately reflect the methods used to secure the county network.

**2014-06**

The County should improve access controls over its information technology systems.

Contact Person(s): Nathan McDaniel  
Anticipated completion date: June 30, 2016

Concur. The Information Technology Department will formalize a countywide policy and procedure to insure proper access controls over the county network. This will include written policies and procedures that detail the approval and removal of user access granted to IT systems, restriction of access to the data center, restriction of access to sensitive information, and other access control procedures.

**2014-07**

The County should improve IT change-management processes.

Contact Person(s): Nathan McDaniel  
Anticipated completion date: December 31, 2016

Concur. The Information Technology department is in the process of developing documentations of its critical systems. This documentation is planned to be the "Essential Records" for the department and the critical systems of the county.

**2014-08**

The County needs to improve its disaster recovery plan and data backup processes.

Contact Person(s): Nathan McDaniel  
Anticipated completion date: December 31, 2015

Concur. The Information Technology Department is currently working with County Administration to develop a county-wide policy and procedure. IT is in the process of procuring required equipment to finalize the network, server, and storage infrastructure required in order to achieve data center level fault tolerance. Once this final equipment is installed, IT will be able to achieve the hardware configuration desired for the basis of our Disaster Recovery Plan.

**2014-09**

The County should improve monitoring of outsourced IT services.

Contact Person(s): Nathan McDaniel  
Anticipated completion date: December 31, 2015

Concur. The Information Technology Department will begin regular review of SSAE-16 reports for those vendors providing technology services to the county that may require a technology review in order to ensure the standards and specifications are being utilized by the vendor(s).

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Federal Award Findings and Questioned Costs

**2014-101**

CFDA No.: Not applicable

The County should develop and implement policies and procedures that include a process of identifying federal award expenditures separately from expenditures of nonfederal sources.

Name(s) of contact person(s): Terri Bryant and Diane Melendez  
Anticipated completion date: June 30, 2016

Concur. The County will develop procedures to identify federal award expenditures separately from expenditures of nonfederal sources, such as program income and matching contributions. Procedures will address the process for compiling the SEFA and accompanying note disclosures.

**2014-102**

CFDA No. 17.259 WIA Youth Activities

The County should have adequate policies and procedures to identify and record expenditures for providing services to out-of-school youth.

Name(s) of contact person(s): Jen Miles and Christina Register  
Anticipated completion date: December 31, 2015

Concur. Mohave County is nearly finished with work to complete a database to track all

expenditures for program participants. This is expected to be fully operational within the next six months. The database has a required client information screen that delineates out-of-school youth and in-school youth amongst many other profile characteristics and will be used to identify and reconcile expenditures for providing services to out-of-school youth as well as for other accounting and reporting purposes.

**2014-103**

CFDA No. 14.267 Continuum of Care Program

The County should have adequate policies and procedures for recording matching contribution expenditures for each program award separately.

Name(s) of contact person(s): Dave Wolf and Christina Register  
Anticipated completion date: June 30, 2015

Concur. The County will implement a procedure for separately recording matching contribution expenditures for each program.

**2014-104**

CFDA No. 93.045 Special Programs for the Aging – Title III. Part C – Nutrition Services  
93.053 Nutrition Services Incentive Program

The County should modify its policies and procedures to ensure capital expenditures are charged in the period in which the expenditure was incurred and ensure program expenditures are identified separately from program income and matching contributions.

Name(s) of contact person(s): Patti Mead, Terri Bryant and Diane Melendez  
Anticipated completion date: June 30, 2015

Concur. The County has modified its procedures to ensure capital expenditures are charged in the period in which the expenditure was incurred and ensure program expenditures are identified separately from program income and matching contributions.

**2014-105**

CFDA No. 93.045 Special Programs for the Aging – Title III. Part C – Nutrition Services  
93.053 Nutrition Services Incentive Program

The County should modify its policies and procedures to expand and retain documentation that vendors do not appear on the debarred or suspended Excluded Parties List System (EPLS) the General Services Administration (GSA) maintains.

Name(s) of contact person(s): Annie Fruhwirth  
Anticipated completion date: June 30, 2015

Concur. The County will modify its policies and procedures to expand and retain documentation that vendors are not on the debarred or suspended EPLS.