

Mohave County

CONCLUSION: Mohave County is responsible for preparing its annual financial report and a federal expenditure schedule, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of the County's financial statements and federal expenditure schedule is presented below.

Based on our audits, we issued opinions on the County's financial statements and federal expenditure schedule and issued reports on internal control and on compliance over financial reporting and major federal programs. The information in the County's fiscal year 2016 financial statements and schedule is reliable. Our Office identified internal control weaknesses over financial reporting and internal control weaknesses and instances of noncompliance over major federal programs. The most significant findings are summarized on the next page.

Condensed financial information

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

- **Net investment in capital assets**—shows the equity in land, buildings, equipment, and infrastructure.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the remaining net position balance after allocating the net investment in capital assets and restricted balances.

Statement of activities—This statement reports all revenues, expenses, and other changes in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes raised for general purposes. It also reports revenues and expenses as either governmental activities—primarily supported by taxes and grant monies—or business-type activities—primarily supported by user fees and charges. Net position decreased by \$3.1 million, or 1 percent, in fiscal year 2016.

Federal expenditure schedule—During fiscal year 2016, the County expended approximately \$12.1 million in federal awards. The County's federal award expenditures increased by \$0.9 million, or 8 percent, compared to fiscal year 2015.

Statement of net position As of June 30, 2016 (In millions)

Assets and deferred outflows	
Current and other assets	\$134.2
Capital assets, net of depreciation	262.0
Deferred outflows of resources	15.1
Total assets and deferred outflows	411.3
Liabilities and deferred inflows	
Current liabilities	7.9
Noncurrent liabilities:	
Net pension liability	103.1
Other	35.0
Deferred inflows of resources	8.5
Total liabilities and deferred inflows	154.5
Net position	
Net investment in capital assets	243.8
Restricted	66.8
Unrestricted	(53.8)
Total net position	\$256.8

Statement of activities Year ended June 30, 2016 (In millions)

Program revenues	
Governmental activities	\$ 47.1
Business-type activities	6.5
General revenues	
Governmental activities	88.9
Business-type activities	0.1
Total revenues	142.6
Expenses	
Governmental activities	139.6
Business-type activities	6.1
Total expenses	145.7
Decrease in net position	(3.1)
Net position—beginning	259.9
Net position—ending	\$256.8

Federal expenditure schedule Year ended June 30, 2016 (In millions)

Federal grantor agency	
Department of Interior	\$3.9
Department of Housing and Urban Development	3.2
Department of Health and Human Services	1.3
Department of Labor	1.3
Other	2.4
Total federal expenditures	\$12.1

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial reporting related to its procedures over its financial statements preparation, cash receipts, and information technology (IT) resources. For the federal compliance audit, we tested five federal programs under the major program guidelines established by the Single Audit Act and found that the County did not always have adequate internal controls and did not always comply with federal program requirements for four of its federal programs. Our single audit report includes a schedule of findings and questioned costs that contains further details to help the County correct the internal control weaknesses and instances of noncompliance. The most significant findings and recommendations are summarized below.

County did not have policies and procedures over the preparation and review of its annual financial report—The County's Board of Supervisors and management depend on accurate financial information prepared in accordance with U.S. generally accepted accounting principles to fulfill their oversight responsibilities and to report accurate and timely information to the public and agencies from which the County receives funding. However, the County lacked adequate internal controls over the preparation of its annual financial report and had to correct several misstatements before it could be issued. In addition, it was not issued in time to meet the federal Single Audit Act's reporting deadline.

Recommendation

The County should develop and implement comprehensive written policies and procedures for preparing its annual financial report. Additionally, the County should dedicate appropriate resources, assign employees specific responsibilities, and establish completion dates.

County had inadequate policies and procedures over its IT resources—The County's IT resources, which include its systems, network, infrastructure, and data, are vital to its daily operations. However, although the County is in the process of correcting IT control weaknesses that we reported in the prior year, its policies and procedures over its IT resources were inadequate. Because of this, the County may not effectively identify, analyze, and respond to risks; sufficiently manage access, including preventing, detecting, and responding to unauthorized access; and to track, document, and test IT resources changes. The County also lacked a comprehensive up-to-date contingency plan to provide for the continuity of operations in the event of a disaster, system or equipment failure, or other interruption.

Recommendation

To help identify, analyze, and respond to risks that may impact its IT resources; prevent, detect, and respond to unauthorized access or use, manipulation, damage, or loss to its IT resources; prevent and detect unauthorized, inappropriate, and unintended changes to its IT resources; and ensure its operations continue in the event of a disaster, system or equipment failure, or other interruption, the County needs to update and implement policies and procedures over its IT resources to ensure they address the following:

- **Risk-assessment process**—The risk-assessment process should include the identification of risk scenarios, including the scenario's likelihood and magnitude.
- **Sensitive information**—Security measures should be developed to identify, classify, and inventory sensitive information and protect it.
- **User access**—A periodic, comprehensive review should be performed of all existing user access accounts to help ensure that access to IT resources is needed and compatible.
- **Logging and monitoring**—Key user activity should be logged and monitored, particularly for users with administrative access privileges and remote access.
- **Configuration management**—A change management process should be established for each type of change, and all changes should be appropriately documented.
- **Contingency planning**—The contingency plan should be updated and tested at least annually for all critical information or when changes are made to IT resources, and updates to the plan should be communicated to key personnel.
- **IT standards and best practices**—IT policies and procedures should be reviewed against current IT standards and best practices, updated where needed, and implemented entity-wide, as appropriate.