

Mohave County

Single Audit Report

Year Ended June 30, 2016



A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





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

The Joint Legislative Audit Committee

Senator **Bob Worsley**, Chair

Senator **Sean Bowie**

Senator **Judy Burges**

Senator **Lupe Contreras**

Senator **John Kavanagh**

Senator **Steve Yarbrough** (ex officio)

Representative **Anthony Kern**, Vice Chair

Representative **John Allen**

Representative **Rusty Bowers**

Representative **Rebecca Rios**

Representative **Athena Salman**

Representative **J.D. Mesnard** (ex officio)

Audit Staff

Jay Zsorey, Director

Kathleen Wood, Manager and Contact Person

Contact Information

Arizona Office of the Auditor General

2910 N. 44th St.

Ste. 410

Phoenix, AZ 85018

(602) 553-0333

www.azauditor.gov



TABLE OF CONTENTS

Auditors Section

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards* 1

Independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance 3

Schedule of Findings and Questioned Costs 7

Summary of auditors' results 7

Financial statement findings 9

Federal award findings and questioned costs 18

County Section

Schedule of expenditures of federal awards 25

Notes to schedule of expenditures of federal awards 28

County Response

Corrective action plan

Summary schedule of prior audit findings

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
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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 31, 2017. Our report includes a reference to other auditors who audited the financial statements of the Mohave County 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 2016-01, 2016-02, 2016-03, 2016-04, and 2016-05 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 2016-06 and 2016-07 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 and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Mohave County's response to findings

Mohave County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. 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

May 31, 2017



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 the Uniform Guidance**

Members of the Arizona State Legislature

The Board of Supervisors
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) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

Other matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2016-101, 2016-104, 2016-105, and 2016-106. Our opinion on each major federal program is not modified with respect to these matters.

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 the Uniform Guidance, 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 2016-102, and 2016-103 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 2016-101, 2016-104, 2016-105, and 2016-106 to be significant deficiencies.

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

Mohave County response to findings

Mohave County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. 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.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated May 31, 2017, that contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jay Zsorey, CPA
Financial Audit Director

June 29, 2017





SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal awards

Internal control over major programs	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major programs

CFDA number	Name of federal program or cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.871/14.879	Housing Voucher Cluster
16.922	Equitable Sharing Program
17.258/17.259/17.278	Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act (WIOA) Cluster
97.045	Cooperating Technical Partners

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

Other matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR 200.511(b)? Yes

Financial statement findings

2016-01

The County should develop detailed financial statement preparation policies and procedures

Criteria—The County should have comprehensive policies and procedures to help ensure that it prepares accurate and complete financial statements in accordance with U.S. generally accepted accounting principles (GAAP). In addition, the County must issue accurate and timely financial statements to satisfy the audit requirements imposed by federal and state laws and regulations, grants, contracts, and long-term debt covenants.

Condition and context—The County did not have written policies and procedures over its financial statement preparation process, 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 were issued late and contained several misstatements that ranged from clerical and mathematical errors to noncompliance with financial reporting requirements. Specifically, the County did not:

- Record or reconcile to its general ledger prior-year adjustments totaling \$5.4 million related to investments, intergovernmental revenues, and net pension liabilities; as a result, beginning net position and fund balances reported in the financial statements did not agree to the County's general ledger records.
- Correctly disclose its portion of the elected officials' retirement plan's net pension liability in its retirement plan note disclosure, resulting in an understatement of approximately \$2.7 million.
- Include in its cash and investments balances a bank account of one of its departments totaling over \$70,000.
- Accurately present its governmental and business-type activities' statement of net position and statement of activities and fund financial statements because of various inaccurate or misclassified amounts.

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 the most significant errors related to this finding. In addition, the County's financial statements were not issued in time to meet the single audit reporting deadline of March 31, 2017. The County did not issue its single audit reporting package until June 2017.

Cause—The County did not have comprehensive written policies and procedures or sufficient resources to help ensure that its financial statements were accurate and complete and followed GAAP.

Recommendations—To help ensure that its financial statements are accurate and complete, follow GAAP, and are issued no later than 9 months after fiscal year-end to meet the single audit requirements, 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 over the preparation 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.

- Prepare detailed supporting documentation for all year-end adjustments and conversion entries used in the financial statement compilation process.
- Dedicate appropriate resources, assign employees specific responsibilities, and establish completion dates.
- Develop written policies and procedures over bank accounts. Policies and procedures should direct county departments on the process to follow for opening, closing, reconciling, and reporting bank accounts to the County's Financial Services Department for inclusion in the County's financial statements.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-01.

2016-02

The County should improve its risk-assessment process to include information technology security

Criteria—The County faces risks of reporting inaccurate financial information and exposing sensitive data. An effective internal control system should include an entity-wide risk-assessment process that involves members of the County's administration and information technology (IT) management to determine the risks the County faces as it seeks to achieve its objectives to report accurate financial information and protect sensitive data. An effective risk-assessment process provides the basis for developing appropriate risk responses and should include defining objectives to better identify risks and define risk tolerances, and identifying, analyzing, and responding to identified risks.

Condition and context—The County's annual risk-assessment process did not include a county-wide IT security risk assessment over the County's IT resources, which include its systems, network, infrastructure, and data. Also, the County did not identify and classify sensitive information. Further, the County did not evaluate the impact disasters or other system interruptions could have on its critical IT resources.

Effect—There is an increased risk that the County's administration and IT management may not effectively identify, analyze, and respond to risks that may impact its IT resources.

Cause—The County has relied on an informal process to perform risk-assessment procedures. Also, the County lacked written policies and procedures for identifying and classifying data by sensitivity and performing a business impact analysis.

Recommendations—To help ensure the County has effective policies and procedures to identify, analyze, and respond to risks that may impact its IT resources, the County needs to implement a county-wide IT risk-assessment process. The information below provides guidance and best practices to help the County achieve this objective:

- **Conduct an IT risk-assessment process at least annually**—A risk-assessment process should include the identification of risk scenarios, including the scenarios' likelihood and magnitude; documentation and dissemination of results; review by appropriate personnel; and prioritization of risks identified for remediation. An IT risk assessment could also incorporate any un-remediated threats identified as part of an entity's security vulnerability scans.
- **Identify, classify, inventory, and protect sensitive information**—Security measures should be developed to identify, classify, and inventory sensitive information and protect it, such as implementing controls to prevent unauthorized access to that information. Policies and procedures should include the security categories into which information should be classified, as well as any state statutes and federal regulations that could apply, and require disclosure to affected parties if sensitive information covered by state statutes or federal regulations is compromised.
- **Evaluate the impact disasters or other system interruptions could have on critical IT resources**—The evaluation should identify key business processes and prioritize the resumption of these functions within time frames acceptable to the entity in the event of contingency plan activation. Further, the results of the evaluation should be considered when developing its contingency plan.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-02.

2016-03

The County should improve security over its information technology resources

Criteria—The selection and implementation of security controls for the County's information technology (IT) resources, which include its systems, network, infrastructure, and data, are important as they reduce the risks that arise from the loss of confidentiality, integrity, or availability of information that could adversely impact the County's operations or assets. Therefore, the County should implement internal control policies and procedures for an effective IT security process that include practices to help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources.

Condition and context—The County did not have written policies and procedures and processes for several areas related to IT security.

Effect—There is an increased risk that the County may not prevent or detect the loss of confidentiality, integrity, or availability of systems and data.

Cause—The County has a small IT department with no one specifically dedicated to oversee information security on a county-wide basis and ensure that policies and procedures are documented and evaluated against IT standards and best practices.

Recommendations—To help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources, the County needs to further develop its policies and procedures over IT security. The information below provides guidance and best practices to help the County achieve these objectives:

- **Perform proactive logging and log monitoring**—Key user and system activity should be logged, particularly for users with administrative access privileges and remote access, along with other activities that could result in potential security incidents such as unauthorized or inappropriate access. An entity should determine what events to log, configure the system to generate the logs, and decide how often to monitor these logs for indicators of potential attacks or misuse of IT resources. Finally, activity logs should be maintained where users with administrative access privileges cannot alter them.
- **Prepare and implement an incident response plan**—An incident response plan should be developed, tested, and implemented for an entity’s IT resources, and staff responsible for the plan should be trained. The plan should coordinate incident-handling activities with contingency-planning activities and incorporate lessons learned from ongoing incident handling in the incident response procedures. The incident response plan should be distributed to incident response personnel and updated as necessary. Security incidents should be reported to incident response personnel so they can be tracked and documented. Policies and procedures should also follow regulatory and statutory requirements, provide a mechanism for assisting users in handling and reporting security incidents, and making disclosures to affected individuals and appropriate authorities if an incident occurs.
- **Provide training on IT security risks**—A plan should be developed to provide continuous training on IT security risks, including a security awareness training program for all employees that provides a basic understanding of information security, user actions to maintain security, and how to recognize and report potential indicators of security threats, including threats employees generate. Security awareness training should be provided to new employees and on an on-going basis.
- **Perform IT vulnerability scans**—A formal process should be developed for vulnerability scans that includes performing vulnerability scans of its IT resources on a periodic basis and utilizing tools and techniques to automate parts of the process by using standards for software flaws and improper configuration, formatting procedures to test for the presence of vulnerabilities, measuring the impact of identified vulnerabilities, and approving privileged access while scanning systems containing highly sensitive data. In addition, vulnerability scan reports and results should be analyzed and legitimate vulnerabilities remediated as appropriate, and information obtained from the vulnerability-scanning process should be shared with other departments of the entity to help eliminate similar vulnerabilities.
- **Protect sensitive or restricted data**—Restrict access to media containing data the entity, federal regulation, or state statute identifies as sensitive or restricted. Such media should be appropriately marked indicating the distribution limitations and handling criteria for data included on the media. In addition, media should be physically controlled and secured until it can be destroyed or sanitized using sanitization mechanisms with the strength and integrity consistent with the data’s security classification.
- **Develop and document a process for awarding IT vendor contracts**—A process should be developed and documented to ensure the consideration of IT risks, costs, benefits, and technical specifications prior to awarding IT vendor contracts. In addition, contracts should include specifications addressing the management, reliability, governance, and security of the entity’s IT resources. Further, for cloud services, ensure service contracts address all necessary security requirements based on best practices, such as physical location of data centers. Finally, IT vendor’s performance should be monitored to ensure conformance with vendor contracts.
- **Implement 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. Further, staff should be trained on IT policies and procedures.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-02.

2016-04

The County should improve access controls over its information technology resources

Criteria—Logical and physical access controls help to protect a County’s information technology (IT) resources, which include its systems, network, infrastructure, and data, from unauthorized or inappropriate access or use, manipulation, damage, or loss. Logical access controls also help to ensure that authenticated users access only what they are authorized to. Therefore, the County should have effective internal control policies and procedures to control access to its IT resources.

Condition and context—The County did not have written policies and procedures to help prevent or detect unauthorized or inappropriate access to its IT resources.

Effect—There is an increased risk that the County may not prevent or detect unauthorized or inappropriate access or use, manipulation, damage, or loss of its IT resources, including sensitive and confidential information.

Cause—Various departments operate the County’s IT systems. Further, the County has a small IT department with no one dedicated to provide oversight of the County’s IT resources and ensure that policies and procedures are documented and evaluated against IT standards and best practices.

Recommendations—To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the County needs to develop and implement effective logical and physical access policies and procedures over its IT resources. The information below provides guidance and best practices to help the County achieve this objective:

- **Review user access**—A periodic, comprehensive review should be performed of all existing employee accounts to help ensure that network and system access granted is needed and compatible with job responsibilities.
- **Remove terminated employees’ access to its IT resources**—Employees’ network and system access should immediately be removed upon their terminations.
- **Review contractor and other nonentity account access**—A periodic review should be performed on contractor and other nonentity accounts with access to an entity’s IT resources to help ensure their access remains necessary and appropriate.
- **Review all shared accounts**—Shared network access accounts should be reviewed and eliminated or minimized when possible.
- **Manage shared accounts**—Shared accounts should be used only when appropriate and in accordance with an established policy authorizing the use of shared accounts. In addition, account credentials should be reissued on shared accounts when a group member leaves.
- **Review and monitor key activity of users**—Key activities of users and those with elevated access should be reviewed for propriety.
- **Improve network and system password policies**—Network and system password policies should be improved and ensure they address all accounts.
- **Manage employee-owned and entity-owned electronic devices connecting to the network**—The use of employee-owned and entity-owned electronic devices connecting to the network should be managed, including specifying configuration requirements and the data appropriate to access; inventorying devices; establishing controls to support wiping data; requiring security features, such as passwords, antivirus controls, file encryption, and software updates; and restricting the running of unauthorized software applications while connected to network.

- **Manage remote access**—Security controls should be utilized for all remote access. These controls should include appropriate configuration of security settings such as configuration/connections requirements and the use of encryption to protect the confidentiality and integrity of remote sessions.
- **Review data center access**—A periodic review of physical access granted to the data center should be performed to ensure that it continues to be needed.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-03.

2016-05

The County should improve its configuration management process over its information technology resources

Criteria—A well-defined configuration management process, including a change management process, is needed to ensure that the County's information technology (IT) resources, which include its systems, network, infrastructure, and data are configured securely and that changes to these IT resources do not adversely affect security or operations. IT resources are typically constantly changing in response to new, enhanced, corrected, or updated hardware and software capabilities and new security threats. The County should have effective written configuration management internal control policies and procedures to track and document changes made to its IT resources.

Condition and context—The County developed policies and procedures for managing changes to its IT resources on March 30, 2016. However, the County did not always follow these policies and procedures for all changes based on a sample of changes tested for the period of April 1, 2016 through June 30, 2016. In addition, the policies and procedures did not include a change management process for each type of change and lacked certain other critical elements.

Effect—There is an increased risk that the County's IT resources may not be configured appropriately and securely and that changes to those resources could be unauthorized or inappropriate or could have unintended results without proper documentation, authorization, review, testing, and approval prior to being applied.

Cause—The County had some policies and procedures in place, but was unaware its policies and procedures lacked critical elements and did not evaluate its policies and procedures against current IT standards and best practices.

Recommendations—To help prevent and detect unauthorized, inappropriate, and unintended changes to its IT resources, the County needs to update and fully implement its policies and procedures over its configuration management processes. The information below provides guidance and best practices to help the County achieve this objective:

- **Establish and follow change management processes**—For changes to IT resources, a change management process should be established for each type of change, including emergency changes and other changes that might not follow the normal change management process. Further, all changes should follow the applicable change management process and should be appropriately documented.

- **Document changes**—Changes made to IT resources should be logged and documented, and a record should be retained of all change details, including a description of the change, the departments and systems impacted, the individuals responsible for making the change, test procedures performed and the test results, security impact analysis results, change approvals at each appropriate phase of the change management process, and a post-change review.
- **Roll back changes**—Rollback procedures should be established and include documentation necessary to back out changes that negatively impact IT resources.
- **Manage software installed on employee computer workstations**—For software installed on employee computer workstations, policies and procedures should be developed to address what software is appropriate and the process for requesting, approving, installing, monitoring, and removing software on employee computer workstations.
- **Implement 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. Further, staff should be trained on IT policies and procedures.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-04.

2016-06

The County should improve its contingency planning procedures for its information technology resources

Criteria—It is critical that the County have contingency planning procedures in place to provide for the continuity of operations and to help ensure that vital information technology (IT) resources, which include its systems, network, infrastructure, and data, can be recovered in the event of a disaster, system or equipment failure, or other interruption. Contingency planning procedures include having a comprehensive, up-to-date contingency plan; taking steps to facilitate activation of the plan; and having system and data backup policies and procedures.

Condition and context—The County did not have a county-wide written contingency plan in effect for the year. Also, although the County was performing system and data backups, it did not have documented policies and procedures for inventorying, securing, and testing them to ensure they were operational and could be used to restore its IT resources.

Effect—The County risks not being able to provide for the continuity of operations, recover vital IT systems and data, and conduct daily operations in the event of a disaster, system or equipment failure, or other interruption, which could cause inaccurate or incomplete system and data recovery.

Cause—The County had some contingency planning processes in place, but had not yet developed county-wide written contingency planning policies and procedures.

Recommendations—To help ensure county operations continue in the event of a disaster, system or equipment failure, or other interruption, the County needs to further develop its contingency planning procedures. The information below provides guidance and best practices to help the County achieve this objective:

- **Develop and implement a contingency plan**—A contingency plan should be developed and implemented and include essential business functions and associated contingency requirements; recovery objectives and restoration priorities and metrics as determined in the entity’s business-impact analysis; contingency roles and responsibilities and assigned individuals with contact information; identification of critical information assets and processes for migrating to the alternative processing site; processes for eventual system recovery and reconstitution to return the IT resources to a fully operational state and ensure all transactions have been recovered; and review and approval by appropriate personnel. The contingency plan should also be coordinated with incident-handling activities and stored in a secure location, accessible to those who need to use it, and protected from unauthorized disclosure or modification.
- **Move critical operations to a separate alternative site**—Policies and procedures should be developed and documented for migrating critical IT operations to a separate alternative site for essential business functions, including putting contracts in place or equipping the alternate site to resume essential business functions, if necessary. The alternative site’s information security safeguards should be equivalent to the primary site.
- **Test the contingency plan**—A process should be developed and documented to perform regularly scheduled tests of the contingency plan and document the tests performed and results. This process should include updating and testing the contingency plan at least annually or as changes necessitate, and coordinating testing with other plans of the entity such as its continuity of operations, cyber incident response, and emergency response plans. 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. The test results should be used to update or change the plan.
- **Train staff responsible for implementing the contingency plan**—An ongoing training schedule should be developed for staff responsible for implementing the plan that is specific to each user’s assigned role and responsibilities.
- **Backup systems and data**—Establish and document policies and procedures for inventorying, securing, and testing IT system software and data backups to help ensure they could be recovered if needed. Policies and procedures should require system software and data backups to be protected and stored in an alternative site with security equivalent to the primary storage site. Backups should include user-level information, system-level information, and system documentation, including security-related documentation. In addition, critical information system software and security-related information should be stored at an alternative site or in a fire-rated container.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-05.

2016-07

The County should improve its controls over cash receipts

Criteria—The County should establish and maintain effective internal control policies and procedures over cash receipts and ensure that employee responsibilities are adequately separated to help prevent cash receipts from theft, misappropriation, or loss.

Condition and context—The County charged fees to the public for various services totaling approximately \$17.6 million for the year but did not always have adequate internal control policies and procedures in place over these cash receipts. Auditors reviewed the cash receipting process of seven county departments and noted the following deficiencies:

- Three departments did not adequately separate the duties of collecting, recording, reconciling, and depositing cash receipts.
- Three departments did not require mailed receipts to be opened and logged by two employees and did not reconcile mailed receipts to ensure they were properly recorded and deposited.
- One department did not adequately safeguard cash receipts prior to deposit.
- One department allowed employees to void transactions without supervisory review and approval.
- One department did not restrictively endorse checks immediately upon receipt.
- One department granted the same employee access to both the blank checks and signature stamp.

Effect—There is an increased risk of theft, misappropriation, or loss of county monies that the County may not prevent or detect.

Cause—The County did not have county-wide written policies and procedures over cash receipts for departments to follow, and only some departments had department-level policies and procedures.

Recommendations—To help ensure that cash receipts are not at risk of being stolen, misappropriated, or lost, the County should develop and implement written policies and procedures over cash receipts. Specifically, the County should:

- Separate the responsibilities for collecting, recording, reconciling, and depositing cash receipts or institute reviews in the process as appropriate. Assign an employee who is independent of this process to review the cash receipts list on a daily basis and prepare the deposit, and require deposits to be reviewed and approved prior to processing, and verified again by a supervisor after deposits are made.
- Require two employees be present when the mail is opened to log all cash receipts received through the mail. This list should be reconciled to ensure that all mailed receipts are recorded and deposited.
- Safeguard cash receipts in a safe or locked drawer prior to deposit.
- Ensure that transactions cannot be voided or deleted without supervisor review and approval.
- Restrictively endorse all checks immediately upon receipt.
- Separate employees' responsibilities so that no one employee has access to both the blank checks and signature stamp.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-07.

Federal award findings and questioned costs

2016-101

CFDA number and name: Not applicable
Questioned costs: N/A

Criteria—In accordance with 2 Code of Federal Regulations (CFR) §200.302(b)(1) of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the County should 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. The schedule should report federal award expenditures in accordance with 2 CFR §200.510(b).

Condition and context—The County did not identify and record federal award expenditures separately from expenditures of nonfederal resources in its accounting system, as required by the Uniform Guidance. Additionally, the schedule of expenditures of federal awards and accompanying note disclosures were not reviewed and approved by someone other than the preparer. The County was able to identify federal awards received in its accounting system and approximate its federal award expenditures reported on the schedule for most federal programs. However, for some federal programs, the amount reported on the schedule as federal award expenditures included expenditures of other federal and nonfederal resources, such as program income and state and local matching contributions. Auditors were able to determine major federal programs based on additional schedules the County prepared supporting the federal award expenditures reported on the schedule.

Effect—The County did not comply with 2 CFR §§200.302(b)(1) and 200.510(b). Auditors were able to perform auditing procedures to determine that the County's schedule was reasonably accurate and complete for major federal programs reported.

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 schedule. As a result, federal award expenditures were estimated based on the federal awards received.

Recommendation—To help ensure that the County's schedule is accurate and complete and prepared in compliance with 2 CFR §200.510(b), the County should develop and implement written policies and procedures that include a process of identifying in its accounting system federal award expenditures separately from expenditures of other federal and nonfederal resources, such as program income and state and local matching contributions. The policies and procedures should also address the process for compiling the schedule and accompanying note disclosures, and that these are reviewed and approved by someone other than the preparer.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-101.

2016-102

CFDA number and name:	16.922 Equitable Sharing Program
Award number and year:	MOU-AG15-0020-MOU, 2016
Federal agency:	Department of Justice
Pass-through grantor:	Arizona Attorney General's Office
Compliance requirements:	Cash management and reporting
Questioned costs:	None

Criteria—In accordance with the Uniform Guidance requirements of 2 CFR §§200.302 and .303, the County should maintain effective internal controls to help ensure that its federal reimbursement requests and financial reports are accurate. As part of an effective system of internal controls, the County should also require someone other than the preparer to review and approve federal reimbursement requests and financial reports before they are submitted to the grantor.

Condition and context—The County did not always ensure that someone other than the preparer reviewed and approved federal reimbursement requests, which also served as the program's reports. Specifically, for three of three reimbursement requests tested, there was no documentation that an independent review and approval had occurred.

Effect—There is an increased risk that federal reimbursement requests and financial reports could contain errors that the County may not detect and correct prior to submitting them to the grantor. Auditors were able to extend auditing procedures to verify that all of the reimbursement requests for the year were accurate.

Cause—The County lacked written policies and procedures over federal reimbursement requests and financial reports. Although the County had a practice of performing an independent review and approval, that practice was not always followed.

Recommendation—To help ensure that it prepares and submits accurate federal reimbursement requests and financial reports, the County should develop and implement written policies and procedures that require someone other than the preparer to review and approve federal reimbursement requests and financial reports prior to their submission to the grantor.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

2016-103

CFDA number and name:	97.045 Cooperating Technical Partners
Award numbers and years:	EMW-2014-CA-00030-S01, 2015, 2016; EMW-2015-CA-00082-S01, 2016, 2017
Federal agency:	Department of Homeland Security
Compliance requirements:	Cash management and reporting
Questioned costs:	None

Criteria—In accordance with the Uniform Guidance requirements 2 CFR §§200.302 and .303, the County should maintain effective internal controls to help ensure that its federal reimbursement requests and financial reports are accurate. As part of an effective system of internal controls, the County should also

require someone other than the preparer to review and approve federal reimbursement requests and financial reports before they are submitted to the grantor.

Condition and context—The County did not always ensure that someone other than the preparer reviewed and approved federal reimbursement requests, which also served as the program’s financial reports. Specifically, all four quarterly reimbursement requests and the final financial report had no documentation that an independent review and approval had occurred.

Effect—There is an increased risk that federal reimbursement requests and financial reports could contain errors that the County may not detect and correct prior to submitting them to the grantor. Auditors were able to extend auditing procedures to verify that the quarterly reimbursement requests and final financial report were accurate.

Cause—The County lacked written policies and procedures over federal reimbursement requests and financial reports. Although the County had a practice of performing an independent review and approval, that practice was not always followed.

Recommendation—To help ensure that it prepares and submits accurate federal reimbursement requests and financial reports, the County should develop and implement written policies and procedures that require someone other than the preparer to review and approve federal reimbursement requests and financial reports prior to their submission to the grantor.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

2016-104

CFDA number and name:	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Award number and years:	ADHS14-053050, 2015, 2016, 2017
Federal agency:	Department of Agriculture
Pass-through grantor:	Arizona Department of Health Services
Compliance requirement:	Eligibility
Questioned costs:	None

Criteria—In accordance with the 7 CFR §246.7(i)(10) and (j), the County must notify participants of their rights and responsibilities during the certification process and should retain evidence that participants acknowledged their rights and responsibilities related to the program.

Condition and context—The County’s policies and procedures required employees to read the rights and responsibilities statement to program applicants during their certification process, and required the participant, parent, or caretaker to sign on a digital signature pad. The digital signature was saved in the State’s Health and Nutrition Delivery System to evidence that the participant received the information. However, for 2 of 40 participants tested, the County did not have documentation to support that the rights and responsibilities statement was provided to and acknowledged by the participant during the certification process because no signature was retained in the system. Auditors were able to extend auditing procedures to verify that the County obtained the participants’ signatures subsequent to their initial certification process when re-certifying them into the program.

Effect—The County did not have evidence that it provided the rights and responsibilities statement to all program participants during the certification process, as 7 CFR §246.7(i)(10) and (j) requires.

Cause—The County was unable to explain why the required signatures evidencing the participants' acknowledgement of their rights and responsibilities were either not obtained or not saved in the system as part of the initial certification process.

Recommendation—To comply with 7 CFR §246.7(i)(10) and (j), the County should ensure the required rights and responsibilities statement is provided to and acknowledged by each program participant during the certification process.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

2016-105

Cluster name:	Workforce Investment Act (WIA)/Workforce Innovation and Opportunity Act (WIOA) Cluster
CFDA numbers and names:	17.258 WIA/WIOA Adult Program 17.259 WIA/WIOA Youth Activities 17.278 WIA/WIOA Dislocated Worker Formula Grants
Award number and years:	DI16-002116, 2013, 2014, 2015, 2016
Federal agency:	Department of Labor
Pass-through grantor:	Arizona Department of Economic Security
Compliance requirement:	Subrecipient monitoring
Questioned costs:	None

Criteria—In accordance with the Uniform Guidance requirements of 2 CFR §200.331, the County should maintain effective internal control policies and procedures to identify to subrecipients all federal award information, including the federal award name and title and any relevant requirements imposed on them; evaluate subrecipients' risk of noncompliance with the subaward's terms and conditions and federal program requirements; monitor subrecipients' fiscal and programmatic activities; verify subrecipients meet the single audit requirements; review audit results, and follow up on reported audit findings; and consider taking action when noncompliance occurs.

Condition and context—The County paid approximately \$163,000 of program monies to subrecipients for the year but did not have written policies and procedures to help ensure that it complied with all 2 CFR §200.331 requirements for subrecipient monitoring. The County performed fiscal and programmatic monitoring of its only subrecipient for this program cluster. However, the County did not update its subaward agreement to identify to the subrecipient all current federal award information, such as the federal cluster name, program numbers and titles, and the Workforce Innovation and Opportunity Act and Uniform Guidance requirements. Additionally, the County did not evaluate the subrecipient's risk of noncompliance with the subaward's terms and conditions and federal program requirements. Finally, the County did not verify whether the subrecipient met the single audit requirements and did not obtain and review the subrecipient's single audit reports.

Effect—There is an increased risk of noncompliance with the subaward's terms and conditions and federal program requirements, as well as an increased risk that performance goals may not be achieved. Auditors were able to extend auditing procedures to verify that the County performed sufficient fiscal and programmatic monitoring of the subrecipient, which identified no questioned costs or noncompliance for the program requirements it monitored.

Cause—The County lacked written policies and procedures for employees to follow for subrecipient monitoring to help ensure that it complied with 2 CFR §200.331.

Recommendation—To help ensure that it complies with all subrecipient monitoring requirements of 2 CFR §200.331, the County should develop and implement written policies and procedures over subrecipient monitoring. Specifically, the County should:

- Ensure that subaward agreements identify federal award information, such as the federal cluster name, program numbers and titles, federal award date, subaward period of performance, and other pertinent information, as well as relevant requirements imposed on subrecipients. Any subsequent changes in the subaward's information should be reflected in an amendment to the subaward.
- Develop a process to evaluate subrecipients' risk of noncompliance with the subaward's terms and conditions and federal program requirements. This process should incorporate the consideration for the need for monitoring tools to be used, depending on the results of the evaluation.
- Establish detailed procedures for performing and evaluating the results of fiscal and programmatic monitoring of subrecipients' activities for compliance with the subaward's terms and conditions, federal program requirements, and achievement of performance goals.
- Develop a process for verifying that subrecipients meet the single audit requirements, reviewing the audit's results, and following up on reported audit findings.
- Develop a process for following up and taking action when noncompliance occurs.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

2016-106

CFDA number and name: Not Applicable

Questioned costs: N/A

Criteria—In accordance with the Uniform Guidance requirements of 2 CFR §200.512(a), the County should submit its single audit reporting package to the federal audit clearinghouse no later than 9 months after fiscal year-end.

Condition and context—The federal reporting deadline for the County's 2016 single audit reporting package was March 31, 2017. However, the County did not issue its single audit reporting package until June 2017.

Effect—The County did not comply with 2 CFR §200.512(a). The late submission resulted in noncompliance for all federal programs the County administered.

Cause—As described in item 2016-01, the County lacked effective internal control policies and procedures needed to prepare accurate financial statements and issue them in a timely manner.

Recommendation—The County should improve its financial reporting process so that it can submit its single audit reporting package to the federal clearinghouse no later than 9 months after fiscal year-end.

This finding is similar to prior-year finding 2015-104.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

COUNTY SECTION

COUNTY SECTION

Mohave County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ADE Contract ED09-0001	\$ 6,832	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ADE Contract ED09-0001		10,710
10 555	National School Lunch Program (Non cash)	Child Nutrition Cluster	Arizona Department of Education	ADE Contract ED09-0001		7,111
	<i>Total 10.555</i>					<u>17,821</u>
	<i>Total Child Nutrition Cluster</i>					<u>24,653</u>
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS14-053050		640,077
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030682, ADHS16-106573		136,942
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS12-010888		5,647
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster				<u>5,672</u>
	Total Department of Agriculture					<u>812,991</u>
Department of Housing and Urban Development						
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii					167,671
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		Arizona Department of Housing	112-15,114-15,123-15		<u>357,233</u>
	<i>Total 14.228</i>					<u>524,904</u>
14 239	Home Investment Partnerships Program		Arizona Department of Housing	308-15		155,737
14 241	Housing Opportunities for Persons with AIDS		Arizona Department of Housing	518-15, 509-16		121,174
14 267	Continuum of Care Program		Arizona Department of Housing	536-15, 520-16, 505-15, 535-15, 500-17		239,725
14 871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster				1,860,256
14 879	Mainstream Vouchers	Housing Voucher Cluster				<u>268,250</u>
	<i>Total Housing Voucher Cluster</i>					<u>2,128,506</u>
	Total Department of Housing and Urban Development					<u>3,170,046</u>
Department of the Interior						
15 226	Payments in Lieu of Taxes					3,862,158
15 228	BLM-Widland Urban Interface Community Fire Assistance		Pine Lake Fire Dept	None		7,481
15 659	National Wildlife Refuge Fund					<u>2,768</u>
	Total Department of the Interior					<u>3,872,407</u>
Department of Justice						
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth & Families, Division for Children	JB-CSG-14-4365-04		3,400
16 540	Juvenile Justice and Delinquency Prevention—Allocation to States		Arizona Supreme Court	IGA KR13-0137		7,000
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2014-271, 2014-269, 2014-268		117,195
16 738	Edward Byrne Memorial Justice Assistance Grant Program					10,787

See accompanying notes to schedule.

Mohave County
Schedule of expenditures of federal awards
Year ended June 30, 2016

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 <i>Total 16.738</i>		Arizona Criminal Justice Commission	DC-16-028	<u>61,668</u> <u>72,455</u>	
16 922	Equitable Sharing Program		Arizona Attorney General's Office	MOU-AG15-0020	<u>343,639</u>	
Total Department of Justice					<u>543,689</u>	
Department of Labor						
17 207	Employment Service/Wagner-Peyser Funded Activities	Employment Service Cluster	Arizona Department of Economic Security	IGA - DE081154-001	4,083	
17 258	WIA/WIOA Adult Program	WIA/WIOA Cluster	Arizona Department of Economic Security	DI16-002116	488,367	\$ 85,362
17 259	WIA/WIOA Youth Activities	WIA/WIOA Cluster	Arizona Department of Economic Security	DI16-002116	460,875	66,385
17 278	WIA/WIOA Dislocated Worker Formula Grants <i>Total WIA/WIOA Cluster</i>	WIA/WIOA Cluster	Arizona Department of Economic Security	DI16-002116	<u>405,058</u> <u>1,354,300</u>	<u>11,527</u> <u>163,274</u>
Total Department of Labor					<u>1,358,383</u>	<u>163,274</u>
Institute of Museum and Library Services						
45 310	Grants to States		Arizona State Library, Archives and Public Records	2015-35026-19	<u>5,960</u>	
Environmental Protection Agency						
66 463	Water Quality Cooperative Agreements		Arizona Department of Environmental Quality	ADEQ GSC 2015 00002	<u>2,127</u>	
Department of Education						
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Supreme Court	IGA #KR13-0137	40,517	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Supreme Court	IGA #KR13-0137	<u>39,514</u>	
Total Department of Education					<u>80,031</u>	
Election Assistance Commission						
90 401	Help America Vote Act Requirements Payments		Arizona Secretary of State	None	<u>101,933</u>	
Department of Health and Human Services						
93 045	Special Programs for the Aging—Title III, Part C—Nutrition Services	Aging Cluster	Western Arizona Council of Governments	#86-6000539-401-01-16	327,529	
93 053	Nutrition Services Incentive Program <i>Total Aging Cluster</i>	Aging Cluster	Western Arizona Council of Governments	#86-6000539-401-01-16	<u>65,557</u> <u>393,086</u>	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007892	207,281	
93 074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		Arizona Department of Health Services	ADHS12-007892	19,170	
93 136	Injury Prevention and Control Research and State and Community Based Programs		Arizona Department of Health Services	ADHS16-110821	21,690	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041543	<u>218,387</u>	

Mohave County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
93 505	Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program		Arizona Department of Health Services	ADHS14-053747	76,053	
93 563	Child Support Enforcement		Arizona Department of Health Services	ADES13-028556	69,685	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	DE111148001	13,498	
93 617	Voting Access For Individuals with Disabilities - Grants to States		Arizona Secretary of State	None	12,249	
93 667	Social Services Block Grant		Western Arizona Council of Governments	E86-6000539-401-01-16	40,501	
93 758	Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		Arizona Department of Health Services	ADHS16-102329	25,073	
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS13-031197	67,471	
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS14-071554	10,927	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS13-034542, ADHS16-102329, ADHS14-074961	117,413	
Total Department of Health and Human Services					<u>1,292,484</u>	
Executive Office of the President						
95 001	High Intensity Drug Trafficking Areas Program		City of Tucson Police Department	HT-15-2514	85,856	
Department of Homeland Security						
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2015-EP-000048	179,976	
97 045	Cooperating Technical Partners				602,405	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	150511-01,140519-01	9,039	
Total Department of Homeland Security					<u>791,420</u>	
Total expenditures of federal awards					<u>\$ 12,117,327</u>	<u>\$ 163,274</u>

Mohave County
Notes to schedule of expenditures of federal awards
Year ended June 30, 2016

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Mohave County's federal grant activity for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of significant accounting policies

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

Note 3 - Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 *Catalog of Federal Domestic Assistance*.

Note 4 - Indirect cost rate

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

COUNTY RESPONSE

COUNTY RESPONSE

MOHAVE COUNTY FINANCIAL SERVICES

Coral A. Loyd
Financial Services Director

700 West Beale Street, 3rd Floor
P.O. Box 7000
Kingman, AZ 86402-7000

Phone: (928) 753-0735
Fax: (928)753-0704
www.mohavecounty.us



June 29, 2017

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

Dear Ms. Davenport:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Specifically, for each finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Coral A. Loyd
Financial Services Director

Financial Statement Findings

2016-01

The County should develop detailed financial statement preparation policies and procedures.

Contact Person(s): Diane Melendez and Brenda deHaan

Anticipated completion date: June 30, 2018

Concur. At the end of the fiscal year 2017, Mohave County purchased software to assist with and improve the compilation of the financial statements. The Financial Services Department will formalize its policies and procedures over financial statement preparations to include instructions for obtaining information from the accounting system, preparing supporting schedules, and documenting and reviewing adjustments necessary for compilation and timely issuance of the financial statements.

2016-02

The County should improve its risk-assessment process to include information technology security.

Contact Person(s): Nathan McDaniel

Anticipated completion date: June 30, 2018

Concur. During fiscal year 2017, the Information Technology Department formalized their policies and procedures to identify, analyze and respond to risks that may impact its IT resources. These procedures include annual risk-assessments, implementation of security measures to protect sensitive information, and evaluation of the impact of disasters and other interruptions on critical IT resources.

2016-03

The County should improve security over its information technology resources.

Contact Person(s): Nathan McDaniel

Anticipated completion date: June 30, 2017

Concur. In fiscal year 2017, the Information Technology Department formalized their policies and more fully documented security controls and practices in place by preparing written policies and procedures that reflect methods used to secure the county's information technology resources.

2016-04

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

Contact Person(s): Nathan McDaniel

Anticipated completion date: June 30, 2017

Concur. During fiscal year 2017, the Information Technology Department more fully documented

the procedures followed to ensure proper access controls over the county's information technology resources. This includes written procedures for 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.

2016-05

The County should improve its configuration management processes over its information technology resources.

Contact Person(s): Nathan McDaniel
Anticipated completion date: June 30, 2017

Concur. In fiscal year 2017, the IT Department formalized policies and procedures to help prevent and detect unauthorized or unintended changes to its IT resources. This documentation is planned to be the "Essential Records" for the department on the critical systems of the county.

2016-06

The County should improve its contingency planning procedures for its information technology resources.

Contact Person(s): Nathan McDaniel
Anticipated completion date: June 30, 2017

Concur. In fiscal year 2017, the Information Technology Department formalized a county-wide policy and procedure and procured required equipment to finalize the network, server, and storage infrastructure required in order to achieve data center level fault tolerance. Upon installation, IT will be able to achieve the hardware configuration desired for the basis of the documented Disaster Recovery Plan.

2016-07

The County should improve its controls over cash receipts.

Contact Person(s): Diane Melendez and Brenda deHaan
Anticipated completion date: June 30, 2017

Concur. The financial policies and procedures will include processes to segregate responsibilities over cash receipts, including the recording and depositing of receipts. It will require a supervisor or other employee who is independent of this process to review and approve the documents for accuracy and completeness. In addition to requiring deposits be reviewed and approved prior to processing, deposits will be verified again by a supervisor after deposits are made.

Federal Award Findings and Questioned Costs

2016-101

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, 2017

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.

2016-102

CFDA No. 16.922 Equitable Sharing Program

The County should maintain effective internal controls to help ensure its federal reimbursement requests and financial reports are accurate and have been reviewed and approved by someone other than the preparer.

Name(s) of contact person(s): Stephanie Lorraine, Mohave County Sheriff's Office

Anticipated completion date: June 30, 2017

Concur. The County will develop and implement written policies and procedures that require federal reimbursement requests and financial reports be reviewed and approved by a person independent of their preparation prior to their submission to the grantor.

2016-103

CFDA No. 97.045 Cooperating Technical Partners

The County should maintain effective internal controls to help ensure its federal reimbursement requests and financial reports are accurate and have been reviewed and approved by someone other than the preparer.

Name(s) of contact person(s): Shannon Summers, Floodplain program manager

Anticipated completion date: June 30, 2017

Concur. The County will develop and implement written policies and procedures that require federal reimbursement requests and financial reports be reviewed and approved by a person independent of their preparation prior to their submission to the grantor.

2016-104

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

The County should notify participants of their rights and responsibilities during the certification process and should retain evidence that participants acknowledge their rights and responsibilities related to the program.

Name(s) of contact person(s): Diane Schreiber, Administrative Supervisor
Anticipated completion date: June 30, 2017

Concur. The County will require a rights and responsibilities statement is provided to, and acknowledged by each program participant during the certification process.

2016-105

CFDA No. 17.258 WIA/WIOA Adult Program
17.259 WIA/WIOA Youth Activities
17.278 WIA/WIOA Dislocated Worker Formula Grants

The County should maintain effective internal control policies and procedures to identify to subrecipients' all federal award information, including the federal award name and title and any relevant requirements imposed on them.

Name(s) of contact person(s): Christina Register, Administrative Supervisor
Anticipated completion date: June 30, 2017

Concur. The County will develop and implement written policies and procedures over subrecipient monitoring. The County will ensure subaward contracts include all pertinent information related to the award and relevant requirements imposed on the subrecipients' of federal awards. The policies and procedures will include monitoring for noncompliance, evaluating fiscal and programmatic activities for compliance and achievement of performance goals. The policy will also address a corrective action plan when noncompliance occurs.

2016-106

CFDA No. Not applicable

The County should submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end.

Name(s) of contact person(s): Diane Melendez
Anticipated completion date: June 30, 2017

Concur. The County will improve upon its comprehensive internal control policies and procedures as well as dedicate necessary resources to ensure financial statements and applicable single audit documents are compiled and issued in a timely manner.

MOHAVE COUNTY FINANCIAL SERVICES

Coral A. Loyd
Financial Services Director

700 West Beale Street, 3rd Floor
P.O. Box 7000
Kingman, AZ 86402-7000

Phone: (928) 753-0735
Fax: (928)753-0704
www.mohavecounty.us



June 29, 2017

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

Dear Ms. Davenport:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned Costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Coral A. Loyd
Financial Services Director

Mohave County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Status of Financial Statement Findings

The County should develop detailed financial statement preparation policies and procedures
Finding No.: 2015-01, 2014-01, 2013-07
Status: Not corrected

During the economic downturn, Financial Services staff and training appropriations were significantly reduced. Consequently, the County did not have the ability to dedicate resources to formalize policies and procedures. To achieve this goal, in fiscal year 2017 one additional accounting position was added and the County recently purchased CAFR reporting software that will aid in the compilation of the financial statements, schedules and accompanying note disclosures. The County will formalize its policies and procedures over financial statement preparation to help ensure that Mohave County prepares and issues accurate, complete, and timely financial statements in accordance with Uniform Guidance Requirements.

The County should improve its risk assessment process to include information technology security
Finding No.: 2015-02, 2014-05, 2013-05
Status: Not corrected

While Mohave County has continued to have operating processes and procedures to monitor information technology risk assessments and security protocols, these processes were not formalized in written policies and procedures. In fiscal years 2015 and 2016, IT staff researched best practices and drafted policies and procedures documents for consideration. In fiscal year 2017, the County formalized its risk assessment process to include written policies and procedures over IT security to identify, classify, inventory and protect sensitive information. These policies and procedures include evaluating the impact of disasters or other system interruptions that could occur and identify prioritization of key business function contingency plans.

The County should improve access controls over its information technology resources
Finding No.: 2015-03, 2014-06, 2013-03
Status: Not corrected

While Mohave County has continued to have operating processes and procedures to manage access controls over its IT resources, these processes were not formalized in a written policies and procedures document. In fiscal years 2015 and 2016, IT staff researched best practices and drafted policies and procedures documents for consideration. In fiscal year 2017, the County formalized policies and procedures to help prevent, detect and respond to unauthorized access or inappropriate use, manipulation, damage, or loss to our IT resources.

Mohave County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

The County should improve its information technology change management processes over its information technology resources

Finding No.: 2015-04, 2014-07

Status: Not corrected

While Mohave County has continued to have change management processes in place, these processes were not formalized in a written policies and procedures document. In fiscal years 2015 and 2016, IT staff researched best practices and drafted policies and procedures documents for consideration. In fiscal year 2017, the County formalized policies and procedures over the configuration management process to help prevent and detect unauthorized, inappropriate, and unintended changes to IT resources.

The County should improve its contingency planning procedures for its information technology resources

Finding No.: 2015-05, 2014-08, 2013-04

Status: Not corrected

While Mohave County has continued to have contingency planning procedures, these processes were not formalized in a written policies and procedures document. In fiscal years 2015 and 2016, IT staff researched best practices and drafted policies and procedures documents for consideration. In fiscal year 2017, the County formalized its contingency planning policies and procedures to help ensure county operations continue in the event of a disaster, system or equipment failure or other interruption.

The County should improve its monthly bank reconciliation process

Finding No.: 2015-06

Status: Fully corrected

The County should improve controls over cash receipts

Finding No.: 2015-07

Status: Not corrected

During the economic downturn, Financial Services staff and training appropriations were significantly reduced. Consequently, the County did not have the ability to dedicate resources to formalize policies and procedures. To achieve this goal, in fiscal year 2017 one additional accounting position was added and the County will provide training and written procedures to departments to help mitigate risk of cash receipts theft, misappropriation, or loss and identify the necessity of segregation of employee responsibilities.

Status of Federal Award Findings and Questioned Costs

CFDA No. and Program Name: Not Applicable

Finding No.: 2015-101, 2014-101

Status: Not corrected

The County successfully separated a majority of federal award expenditures from nonfederal expenditures. However, due to the complexity of some federal awards and limited staff, remediation of this finding took several fiscal years. To help ensure the county's schedule is accurate and complete, the County is identifying and separating federal award expenditures from nonfederal expenditures to be in compliance with *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Cluster Name: WIA Cluster

CFDA Nos. and Program Names:

17.258 WIA Adult Program

17.259 WIA Youth Activities

17.278 WIA Dislocated Worker Formula Grants

Finding No.: 2015-102, 2014-102

Status: Fully corrected

CFDA No. and Program Name: 97.045 Cooperating Technical Partners

Finding No.: 2015-103

Status: Fully corrected

CFDA No. and Program Name: Not Applicable

Finding No.: 2015-104

Status: Not corrected

During the economic downturn, County staff and training appropriations were significantly reduced. Consequently, the County did not have the ability to dedicate resources to formalize policies and procedures. To achieve this goal, in fiscal year 2017 one additional accounting position was added which should assist in ensuring the federal reporting deadline for the County's single audit reporting package is met, and the County will improve upon its comprehensive internal control policies and procedures as well as dedicate necessary resources to ensure financial statements and applicable single audit documents are compiled and issued in a timely manner.

