



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# Mohave County

Year Ended June 30, 2013

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**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 of school districts, state agencies, and the programs they administer.



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Mohave County  
Single Audit Reporting Package  
Year Ended June 30, 2013

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Report Issued Separately

Annual Financial Report



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of  
Mohave County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Mohave County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 28, 2014. Our report includes a reference to other auditors who audited the financial statements of the Self-Insured Trust Fund and Employee Benefits Trust Fund, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we and the other auditors 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 2013-01, 2013-03, and 2013-07 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-02, 2013-04, 2013-08, and 2013-10 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-05, 2013-06, and 2013-09.

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

Mohave County's responses to the findings identified in our audit are presented on pages 23 through 27. 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

February 28, 2014



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of  
Mohave County, Arizona

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

We have audited Mohave County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

In our opinion, 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, 2013.

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

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

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Mohave County as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated February 28, 2014, that contained an unmodified opinion on those financial statements. Our report was modified to include a reference to our reliance on other auditors who audited the financial statements of the Self-Insured Trust Fund and Employee Benefits Trust Fund, as described in our report on the County's financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively

comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jay Zsorey, CPA  
Financial Audit Director

March 28, 2014

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**Mohave County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
<b>Department of Agriculture</b>					
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ED09 0001	\$ 22,107
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09 0001	20,030
	<i>Total Child Nutrition Cluster</i>				<u>42,137</u>
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS11-006668-3, ADHS12-014282-5	674,044
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS 11-000431-5, ADHS 12-030682-1	203,781
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS12-010888, ADHS12-010888-1	6,649
10 665	Schools and Roads - Grants to States	Forest Service and Roads Cluster			6,738
	<b>Total Department of Agriculture</b>				<u>933,349</u>
<b>Department of Commerce</b>					
11 557 ARRA	Broadband Technology Opportunities Program (BTOP)		Arizona State Library, Archives and Public Records	AZJAC-IGA-11-3-07	24,159
<b>Department of Housing and Urban Development</b>					
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	State-Administered CDBG Cluster			387,995
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	State-Administered CDBG Cluster	Arizona Department of Housing	118-11, 119-11, 120-11, 121-11, 104-12, 101-13, 102-13	627,485
	<i>Total 14.228</i>				<u>1,015,480</u>
14 255 ARRA	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	State-Administered CDBG Cluster	Arizona Department of Housing	126-13	45,878
	<i>Total State-Administered CDBG Cluster</i>				<u>1,061,358</u>
14 235	Supportive Housing Program		Arizona Department of Housing	522-11, 530-12, 531-12, 532-12, 510-13	173,564
14 239	HOME Investment Partnerships Program		Arizona Department of Housing	300-13	2,250
14 241	Housing Opportunities for Persons with AIDS		Arizona Department of Housing	504-13, 507-12	126,080
14 257 ARRA	Homelessness Prevention and Rapid Re-housing Program (HPRP)		Arizona Department of Housing	508-10	6,031
14 267	Continuum of Care		Arizona Department of Housing	517-13, 521-13	19,614
14 871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster			1,653,895
14 879	Mainstream Vouchers	Housing Voucher Cluster			290,997
	<i>Total Housing Voucher Cluster</i>				<u>1,944,892</u>
	<b>Total Department of Housing and Urban Development</b>				<u>3,333,789</u>
<b>Department of the Interior</b>					
15 226	Payments in Lieu of Taxes				3,340,983
15 524	Recreation Resources Management				22,494
	<b>Total Department of the Interior</b>				<u>3,363,477</u>

See accompanying notes to schedule.

**Mohave County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
<b>Department of Justice</b>					
16 unknown	U.S. Marshals Service District Fugitive Apprehension Task Force		Arizona Supreme Court, Arizona Office of the Court	MOU Order #DJMS-10-08-M-0088	13,108
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth & Families, Division for Children	JB-CSG-12-2366-04, JB-CSG-13-3365-05	34,805
16 540	Juvenile Justice and Delinquency Prevention - Allocation to States		Arizona Supreme Court-Juvenile Justice Services Division	IGA #29891	6,483
16 543	Missing Children's Assistance		City of Phoenix Police Department	2012-MC-FX-K008	5,686
16 554	National Criminal History Improvement Program		Arizona Criminal Justice Commission	NCP11-12-005	3,340
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2012-066, 2012-067, 2012-065	121,366
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster			14,749
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster	Arizona Criminal Justice Commission	DC-13-047	87,614
	<i>Total JAG Program Cluster</i>				<u>102,363</u>
16 922	Equitable Sharing Program		Arizona Attorney General's Office	COLOCITYMSA	473,873
	<b>Total Department of Justice</b>				<u>761,024</u>
<b>Department of Labor</b>					
17 207	Employment Service/Wagner-Peyser Funded Activities	Employment Service Cluster	Arizona Department of Economic Security	DE081154-001	4,196
17 235	Senior Community Service Employment Program		Arizona Department of Economic Security	DE111099001	79,573
17 258	WIA Adult Program	WIA Cluster	Arizona Department of Economic Security	DE111010-2012, DE111010001	459,434
17 259	WIA Youth Activities	WIA Cluster	Arizona Department of Economic Security	DE111010-2012, DE111010001	515,604
17 278	WIA Dislocated Worker Formula Grants	WIA Cluster	Arizona Department of Economic Security	DE111010-2012	481,009
	<i>Total WIA Cluster</i>				<u>1,456,047</u>
17 275 ARRA	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors		Arizona Department of Economic Security	ADES12-017140	184,341
	<b>Total Department of Labor</b>				<u>1,724,157</u>
<b>Department of Transportation</b>					
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2013-AL-017, 2013-PT-016, 2012-AL-026, 2012-PT-023	26,029

See accompanying notes to schedule.

**Mohave County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
20 703	Interagency Hazardous Materials Public Sector Training and Planning Grants		Arizona Emergency Response Commission	None	3,683
<b>Total Department of Transportation</b>					<u>29,712</u>
<b>Environmental Protection Agency</b>					
66 463	Water Quality Cooperative Agreements		Arizona Department of Environmental Quality	EV 09-0148	736
<b>Department of Energy</b>					
81 128 ARRA	Energy Efficiency and Conservation Block Grant				<u>8,678</u>
<b>Department of Education</b>					
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Supreme Court	IGA #29891	27,431
84 027	Special Education - Grants to States	Special Education Cluster (IDEA)	Arizona Supreme Court	IGA #29891	39,439
<b>Total Department of Education</b>					<u>66,870</u>
<b>Election Assistance Commission</b>					
90 401	Help America Vote Act Requirements Payments		Arizona Secretary of State	None	<u>64,293</u>
<b>Department of Health and Human Services</b>					
93 008	Medical Reserve Corps Small Grant Program		National Association of County and City Health Officials	MRC 13 1145	4,000
93 045	Special Programs for the Aging - Title III, Part C - Nutrition Services	Aging Cluster	Western Arizona Council of Governments	E86-6000539-401-01-12	268,884
93 053	Nutrition Services Incentive Program	Aging Cluster	Western Arizona Council of Governments	E86-6000539-401-01-12	53,330
<i>Total Aging Cluster</i>					<u>322,214</u>
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS 12-007892	294,881
93 103	Food and Drug Administration - Research				5,000
93 217	Family Planning - Services		Arizona Family Planning Council	76-1107	199,498
93 236	Grants to States to Support Oral Health Workforce Activities		Arizona Department of Health Services	ADHS12-010591	9,244
93 268	Immunization Grants	Immunization Cluster	Arizona Department of Health Services	ADHS 12-009014, ADHS 13-041543	152,239
93 712 ARRA	Immunization	Immunization Cluster	Arizona Department of Health Services	ADHS 12-009014	23,022
<i>Total Immunization Cluster</i>					<u>175,261</u>
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	DE111148001	11,720
93 667	Social Services Block Grant		Western Arizona Council of Governments	E86-6000539-401-01-12	24,457

See accompanying notes to schedule.

**Mohave County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
93 914	HIV Emergency Relief Project Grants		Clark County Social Services, Nevada	RFP 601268-08 Amend #1	143,136
93 940	HIV Prevention Activities - Health Department Based		Arizona Department of Health Services	HG852275-4, ADHS13-031197	32,459
93 977	Preventive Health Services - Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	HG854322-5, ADHS13-036321	1,209
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	HG854372-2	63,044
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS13-034542, ADHS12-021144, ADHS12-011468-3	124,201
<b>Total Department of Health and Human Services</b>					<u>1,410,324</u>
<b>Office of National Drug Control Policy</b>					
95 001	High Intensity Drug Trafficking Areas Program		City of Tucson Police Department	HT21-11-1310, HT22-12-2220	94,123
<b>Department of Homeland Security</b>					
97 024	Emergency Food and Shelter National Board Program				1,904
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2012-EP-0003, EMW-2011-EP-APP-00006	134,591
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	777513-01, HSGP-888501-01, HSGP-888501-03	12,371
<b>Total Department of Homeland Security</b>					<u>148,866</u>
<b>State Justice Institute</b>					
99 13-T-020	Technical Assistance Grants		Arizona Department of Public Safety	SJI-13-T-020	18,565
<b>Total expenditures of federal awards</b>					<u>\$ 11,982,122</u>

See accompanying notes to schedule.

Mohave County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Mohave County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The amount reported on the schedule for the National School Lunch Program (10.555) includes \$5,611 in noncash assistance.

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2013 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

Note 3 - Subrecipients

Mohave County did not have any subrecipients for the year ended June 30, 2013.

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Mohave County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2013

**Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified?	___	___	<u>X</u>
Significant deficiencies identified?	___	___	<u>X</u> (None reported)
Type of auditors' report issued on compliance for major programs:			Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	___	___	<u>X</u>

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.871	Housing Voucher Cluster:
14.879	Section 8 Housing Choice Vouchers
16.575	Mainstream Vouchers
16.922	Crime Victim Assistance
17.275	Equitable Sharing Program
	ARRA Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors

Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Dollar threshold used to distinguish between Type A and Type B programs: \$359,464

**Yes    No**

Auditee qualified as low-risk auditee?

  X            

***Other Matters***

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

            X

Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Financial Statement Findings

**2013-01**

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**The County should strengthen controls over infrastructure asset reporting**

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Criteria: The County should have effective policies and procedures to ensure that infrastructure assets are properly capitalized and reported in accordance with generally accepted accounting principles.

Condition and context: The County detected prior-year errors totaling over \$19.1 million, which comprised 16 percent of beginning infrastructure assets. As a result, the County restated its beginning infrastructure asset balances and net position to correct these errors. Specifically, the County omitted donated roads totaling \$24.7 million that it was maintaining and incorrectly capitalized \$5.6 million in unpaved roads that should have been expensed. Also, while testing the capital asset balances and these adjustments, auditors noted errors related to accumulated depreciation totaling \$4.4 million that the County had to correct.

Effect: Total assets and total net position reported for fiscal years 2003 through 2012 were understated by nearly 8 and 6 percent, respectively.

Cause: The County's prior-year internal control procedures were not adequate to capitalize and report donated and unpaved roads.

Recommendation: The County should strengthen its internal control procedures over donated and unpaved roads to help ensure that infrastructure assets are properly capitalized and reported in the financial statements.

**2013-02**

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**The County needs to improve controls at the Treasurer's Office**

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Criteria: The County Treasurer's Office is responsible for receiving, recording, safeguarding, investing, and disbursing monies for the County and other entities, such as school districts and special districts. In addition, the County Treasurer's Office processes approximately 22 percent of the tax payments received by the County. Therefore, it is imperative that the County Treasurer's Office has effective policies and procedures to safeguard these public monies.

Condition and context: The County Treasurer's Office did not reconcile checks received through the mail to detailed accounting records, such as tax payment requests and taxes receivable, to ensure that they were collected and recorded. Further, checks were not restrictively endorsed immediately upon receipt and reconciled to deposits. In addition, tax payment request forms mailed to taxpayers instructed them to make checks payable to the name of the previous County Treasurer, rather than just to the Mohave County Treasurer.

Effect: Public monies held by the County Treasurer's Office have an increased risk of theft and misappropriation.

Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Cause: The County Treasurer's Office lacked written policies and procedures that were updated for current practices. In addition, the County did not know why the tax payment requests instructed tax payments by check to be made payable to a specific person's name.

Recommendation: To help safeguard public monies and to help establish an adequate internal control environment at the County Treasurer's Office, the County should:

- Establish up-to-date policies and procedures for handling public monies and ensure that employees consistently follow them.
- Reconcile checks received through the mail to detailed accounting records, such as tax payment requests and taxes receivable, to help ensure that all tax payments are collected and recorded.
- Restrictively endorse checks immediately upon receipt and ensure that they are reconciled to deposits.

**2013-03**

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**The County needs better access and change controls over its information systems and data**

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Criteria: The County's information systems include its general ledger system, the source of the financial statements, and systems used by the County Treasurer's Office. Therefore, the County should have effective controls to prevent and detect unauthorized use, loss, or modification of systems and data, including confidential or sensitive information.

Condition and context: The County did not adequately control access to its information systems and data. Specifically, the County did not maintain documentation for authorizing and granting user access rights, have adequate procedures for removing user access rights of terminated employees, and sufficiently define user access roles to help ensure that the level of system access granted provided adequate separation of responsibilities among employees. Further, auditors noted that the County did not monitor activities of employees with elevated system access. Also, auditors identified 25 employees who had access to the server room with no apparent work-related need, and 12 generic badges that allowed access to the server room to several employees. Finally, the County did not have adequate procedures for documenting changes to its systems and data and for ensuring that all changes were authorized, reviewed, tested, and approved for implementation by someone who was not responsible for making the changes.

Effect: There is an increased risk of unauthorized access, loss, or modification of systems and data, including confidential and sensitive information. In addition, changes to systems and data could have unintended results without proper authorization, review, and testing prior to implementation.

Cause: The County had outdated policies and procedures that lacked detailed instructions for employees to follow for restricting, granting, and removing user access rights and physical access to the server room; monitoring the activity of employees with elevated system access; and making changes to systems and data. Further, the County has a limited number of information technology employees.

Mohave County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Recommendation: To help prevent and detect unauthorized use, loss, or modification of systems and data, including confidential or sensitive information, the County should:

- Develop and implement policies and procedures for granting user access rights including forms to prepare and retain as supporting documentation.
- Develop and implement policies and procedures for removing or modifying user access rights in a timely manner for employees whose employment terminates or job responsibilities change.
- Define user access roles that correspond with employee job responsibilities to help ensure that employees do not control a complete transaction cycle.
- Restrict elevated system access and physical access to the server room to only those authorized employees who need this type of access to perform their job responsibilities.
- Monitor the activity of employees with elevated system access.
- Strengthen policies for using passwords and generic accounts, and limit the use of generic accounts to only a few employees.
- Require that all changes to systems and data be documented, authorized, reviewed, tested, and approved prior to implementation and evaluated against planned outcomes following implementation.
- Separate the responsibilities for authorizing, reviewing, testing, and approving changes for implementation so that these responsibilities are performed by someone who is independent of making the changes.

**2013-04**

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**The County should test and evaluate its disaster recovery plan annually**

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Criteria: To help ensure that the County can recover systems and data and continue to process its transactions in the event of a system or equipment failure or other interruption, the County should test and evaluate its disaster recovery plan annually.

Condition and context: The County has a disaster recovery plan; however, the County did not test the plan within the past year to assess the plan's feasibility. For example, although the County relied on an outside service provider in case of emergency, the plan provided for only one computer at an alternative site, which did not appear sufficient to accommodate the systems and functions to be recovered in accordance with the County's plan. Further, while the County prepared regular backup files of its systems and data, it did not encrypt or inventory them. Finally, although the backup files were maintained at a secured offsite location, auditors were unable to determine whether the set was complete.

Effect: Failure to sufficiently test and evaluate its disaster recovery plan could limit the County's ability to recover systems and data and process and record transactions in the event of a system or equipment failure or interruption.

Cause: The County has a limited number of employees in its information technology department.

Recommendation: To help ensure that the County can recover systems and data and continue to process transactions in the event of a system or equipment failure or other interruption, the County should:

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- Establish detailed procedures for safeguarding and recovering data stored on backup files. Such procedures should include encrypting and maintaining an inventory list of backup files and their locations.
- Test the plan annually and maintain documentation of testing procedures and results, including resolutions to problems encountered or failed tests. Testing, whether performed in a practical or hypothetical setting, should be comprehensive enough to assess the plan's feasibility.

**2013-05**

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**The County should implement policies and procedures for securing certain information on its systems**

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Criteria: The County should establish policies and procedures for securing certain information on its systems.

Condition and context: While testing controls over the County's information systems, auditors became aware of additional policies and procedures that the County should implement to better secure electronic information. Because this finding is of a sensitive nature, its specific details, including detailed recommendations, were verbally communicated to those officials directly responsible for implementing corrective action.

Effect: Sensitive information may get disclosed.

Cause: The County did not have policies and procedures for securing certain information on its systems.

Recommendation: The County should establish and implement additional policies and procedures necessary to help secure sensitive information on its systems.

**2013-06**

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**The County should make only authorized investments in other political subdivisions**

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Criteria: In accordance with Arizona Revised Statutes (A.R.S.) §11-604.01, the County may obtain a line of credit through a financial institution for other political subdivisions, such as fire districts. In the event that a line of credit for an entity, such as a fire district, is unavailable or exhausted, the County Treasurer should register warrants of the fire district when there are insufficient monies to cover warrants as required by A.R.S. §11-635. At the time of the audit, the County did not have any legal authority to provide lending services to a fire district other than through a line of credit with a financial institution or by registering warrants.

Condition and context: During the year, the County loaned monies totaling \$699,188 to two fire districts within the County when the County did not have the legal authority to do so.

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Effect: The County did not comply with A.R.S. §§11-604.01 and 11-635. At June 30, 2013, loans to fire districts had been repaid except for \$304,052, which was reported as accounts receivable in the General Fund.

Cause: The County believed that it was operating within its legal authority when it loaned monies to fire districts and entered into the agreements.

Recommendation: As of September 2013, the County may invest in the registered warrants of special taxing districts, including fire districts, in accordance with A.R.S. §35-323, as amended Laws 2013, Ch. 188, Section 1. Because registered warrants are evidences of indebtedness, the County's investment in registered warrants has the effect of loaning monies to the entity whose warrants are registered. The County should obtain lines of credit for fire districts or register warrants, in which the County may invest, as required by state laws. In addition, the County should evaluate its existing agreements with fire districts to help ensure that the agreements comply with state laws.

**2013-07**

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

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

Condition and context: The County's financial statements contained several misstatements that ranged from mathematical errors to noncompliance with financial reporting framework requirements. For example, major funds were not accurately determined and reported, long-term liabilities were not always accurately accounted for and reported, note disclosures for contingent liabilities were omitted, and various other balances and notes contained errors that required correction.

Effect: The County's financial statements and note disclosures were not accurate and complete. The County made the necessary adjustments to correct all significant errors.

Cause: The County did not have comprehensive internal control policies and procedures needed to prepare complete and accurate financial statements, and had a limited number of employees available to prepare the financial statements.

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

- Develop and follow comprehensive written policies and procedures for compiling the information and preparing the financial statements and accompanying notes. These procedures should include detailed instructions for obtaining information from the accounting system, as well as obtaining information necessary for financial statement preparation.
- Dedicate appropriate resources, assign employees specific responsibilities, and establish completion dates.

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Year Ended June 30, 2013

- Establish procedures for receiving and evaluating information from other county departments, such as legal counsel, for possible inclusion in the financial statements as part of the year-end compilation process.
- Require an employee not responsible for financial statement preparation to thoroughly review the statements and accompanying notes. This review should ensure that the amounts are accurate and properly supported and the financial statements are presented in accordance with generally accepted accounting principles.

**2013-08**

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**The County needs better controls for administering and reporting the Self-Insured Trust**

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Criteria: The County has self-insurance for risk management that is administered by a third party and reported as the Self-Insured Trust. Accordingly, the County should have adequate internal controls so that the activities of the Trust are properly reported.

Condition and context: Cash balances for the County's self-insurance, which were held by the third-party administrator and can be used to offset future insurance premiums or remitted to the County, were not reported in the financial statements. Specifically, auditors identified two bank accounts held by the third-party administrator totaling approximately \$590,000 that had been omitted from the financial statements. A similar finding was reported by other auditors who audited the Self-Insured Trust's financial statements as described in item 2013-10.

Effect: Assets were understated for omitted bank account balances. The County adjusted the financial statements for the Self-Insured Trust to correct this error.

Cause: The existence of the monies held by third parties for the Self-Insured Trust was not communicated to those responsible for preparing the financial statements.

Recommendation: The County should strengthen its internal control procedures over the Self-Insured Trust to help ensure that the activities of the Trust are properly reported.

**2013-09**

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**The County should ensure that all public monies are spent in accordance with state laws**

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Criteria: The County Recorder's (Recorder) Document Storage and Retrieval Conversion and Maintenance Fund (Fund) was established by A.R.S. §11-475.01 to help defray the costs of converting the Recorder's hardcopy documentation to information that is automated and stored electronically on computer systems. Accordingly, monies in the Fund may be used only for purchasing hardware and software, training employees to operate the system, maintaining the system, purchasing equipment maintenance agreements, and updating the system hardware or software.

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Condition and context: During the year, the County charged costs to the Fund for employee salaries and travel totaling approximately \$146,000 and \$769, respectively, when the activities were not specifically allowed by statute and did not support the Recorder's automation system.

Effect: The County did not comply with A.R.S. §11-475.01.

Cause: The County did not have adequate policies and procedures in place to ensure that it complied with state laws governing the use of public monies that are restricted.

Recommendation: To help ensure that all public monies are spent in accordance with state laws, the County should review and if necessary, modify its policies and procedures for approving expenditures for restricted monies, and have them reviewed by legal counsel to ensure that they are sufficient to comply with statutory requirements. In addition, the County should evaluate expenditures charged to the Fund in the current and prior years to ensure that the costs charged to the Fund comply with A.R.S. §11-475.01, and reimburse the Fund for all unallowable costs.

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Other auditors' findings:

The other auditors who audited the County's Self-Insured Trust reported the following finding.

**2013-10**

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**Cash held by third-party administrator, Self-Insurance Retention Fund**

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Criteria: Internal controls should be designed and implemented to allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Condition and context: The Self-Insurance Retention (SIR) Fund did not have adequate controls over reporting cash balances held by third-party administrators. Cash held on behalf of the SIR Fund by the Arizona Counties Insurance Pool (ACIP) was not reported as an asset on the Fund's prior-year annual financial reports. The error was discovered and corrected prior to our audit.

Effect: Cash held on behalf of the SIR Fund by ACIP was not reported as an asset in prior years. A prior period restatement was required to properly state the beginning balances of the SIR Fund's net position.

Cause: Cash balances held by ACIP were not communicated to those responsible for preparing the County's financial statements in a timely manner.

Recommendation: Management should ensure that all cash balances held by third-party administrators are properly presented in the SIR Fund's annual financial statements.

**Federal Award Findings and Questioned Costs**

None Reported.

# MOHAVE COUNTY FINANCIAL SERVICES

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JOHN TIMKO  
Financial Services Director

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P.O. Box 7000  
Kingman, AZ 86402-7000

Phone: (928) 753-0735  
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*March 14, 2014*

Debbie Davenport  
Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

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

Sincerely,

*John F. Timko*  
*Financial Services Director*

Mohave County  
Corrective Action Plan  
Year Ended June 30, 2013

**2013-01**

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**The County should strengthen controls over infrastructure asset reporting**

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Contact Person: Diane Melendez and Brenda deHaan  
Anticipated completion date: June 30, 2014 or sooner

Concur. The Finance department will contact the Public works department towards the end of each fiscal year and request an updated list of roads and other infrastructure assets. In addition, the minutes of the Board of Supervisors meetings will be reviewed for the period following the final update received from the Public works department, until the end of audit fieldwork. Additional inquiry and review procedures should detect any unrecorded infrastructure assets. Analytical review procedures will be performed to assure that the proper depreciation expense has been recorded in the fixed asset system.

**2013-02**

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**The County needs to improve controls at the Treasurer's Office**

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Contact Person: Cindy Cox and Bill Barker  
Anticipated completion date: May 26, 2014

Concur.

Payment Reconciliation (To be completed 5/26/2014). Reconciling mail payments back to actual deposits is in place for over 60% of our activity which occurs through Lockbox, Mortgage or E-Box payment receipts. Reconciling other mail receipts that come in to the Treasurer's Office has been difficult because of the timing issues. A mail batch may not be processed for several days, depending on the volume and it may be "split" because some of the included items require special handling for delinquent tax, bankruptcy, etc. Beginning 5/26/2014, we are implementing a new Treasurer system (Eagle Tyler) and document handling system (Creditron/OPEX/Cannon) which will immediately create the deposit files as mail is processed and matched against the total batches processed daily.

Restrictive Endorsement (To be completed 5/26/2014). The document handling system mentioned above will automatically endorse all checks as they are scanned and placed in the deposit file (Check 21 process). We will process all checks either through the OPEX or Cannon scanners and both electronically endorse all checks. Any manual checks deposited (including satellite offices) will continue to be manually endorsed on the back of the checks.

Payee (Completed September 2013). Beginning with the annual property tax statements issued in September for 2013, instructions state only to make checks payable to "Mohave County Treasurer".

Mohave County  
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Year Ended June 30, 2013

**2013-03**

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**The County needs better access and change controls over its information systems and data**

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Contact Person: Nathan McDaniel and Lori Kimbrough  
Anticipated completion date: July 31, 2014 or sooner

Concur. Mohave County Information Technology is currently in the process of developing an internal application that will facilitate the workflow of authorization and approval of county employees accessing critical line of business applications. The System Request application will be an electronic method of tracking initial access, change of access, and termination of access.

This item also includes a section relative to controlling physical access to systems and IT infrastructure. The building security system was queried and a report was generated that revealed to the Information Technology Department and the Auditors that there was a significant problem. The problem specifically was that there were people granted access to the Data Center that had no functional need or requirement to have access. The access was immediately modified and restricted to Information Technology and Emergency responder employees that have a specific reason that justifies their access

**2013-04**

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**The County should test and evaluate its disaster recovery plan annually**

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Contact Person: Nathan McDaniel and Lori Kimbrough  
Anticipated completion date: Sept. 30, 2014

Concur. Mohave County Information Technology and Finance departments have scheduled a test of the Disaster Recovery Service, provided by Tyler Technologies, of our Financial application MUNIS.

**2013-05**

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**The County should implement policies and procedures for securing certain information on its systems**

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Contact Person: Nathan McDaniel  
Anticipated completion date: Completed

Concur. This item is primarily specific to various forms of online data that is available via the internet. Information Technology will be working with various departments and vendors to ensure that we minimize the amount of data that is unnecessarily available in order to minimize potential and or associated risks wherever and whenever possible.

Web Interfaces have been corrected and are now functioning as expected and designed.

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**2013-06**

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**The County should make only authorized investments in other political subdivisions**

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Contact Person: Cindy Cox and Bill Barker  
Anticipated completion date: March 31, 2014

Concur. A "warrant registration" process will be adopted and implemented by March 31, 2014 to meet ARS and acceptable to both Mohave County and the Auditor General's Office.

**2013-07**

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

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Contact Person: Diane Melendez, Terri Bryant and Brenda deHaan  
Anticipated completion date: Completed

Concur. The County will develop checklists and timelines for compiling the Financial Statements. Specific tasks will be assigned to personnel, along with expected completion dates. Additional inquiry and review procedures will be added to assure completeness of information and compliance with G.A.A.P. Assistance will be requested from our Office of Management and Budget in accomplishing the additional review procedures.

**2013-08**

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**The County needs better controls for administering and reporting the Self-Insured Trust**

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Contact Person: Diane Melendez  
Anticipated completion date: Completed

Concur. Additional inquiries will be made of the Self-insured trust management, as well as other staff with knowledge of the activities in the trust, throughout the year and at year-end. This will ensure that all pertinent information is acquired and reflected in the financial statements at year-end.

**2013-09**

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**The County should ensure that all public monies are spent in accordance with state laws**

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Contact Person: John Timko and Diane Melendez  
Anticipated completion date: June 30, 2014

Concur. As of June 30, 2013, all except one employee of the Recorder's Surcharge fund (created under A.R.S. 11-475.01) had been moved to the General Fund. The remaining employee will be budgeted in the General fund effective July 1, 2014. The total amount of expenditures identified as being reported

Mohave County  
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incorrectly in the fund (in F/Y 2013) will be reimbursed by the General fund, once approved by the Board of Supervisors, effective no later than June 30, 2014. In the future, all newly created funds, established by an A.R.S., will have a thorough review of the statute to ensure that the fund transactions and reporting are in compliance. Through the budget process, we will continue to limit the allowed expenditures of special revenue funds. As always, we will review the expenditures charged to a particular account to assure they are appropriate charges.

**2013-10**

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**Cash held by third party administrator, Self-Insurance Retention Fund**

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Contact Person: Diane Melendez  
Anticipated completion date: Completed

Concur. As previously stated in the response to 2013-8, the County Financial Services Department will make sufficient inquiries of the management of the Self-Insured Trust Fund to ensure all cash balances and all transactions of the Trust are properly recorded in a timely manner.