



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# Navajo County

Year Ended June 30, 2015

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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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Navajo County  
Single Audit Reporting Package  
Year Ended June 30, 2015

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Reports Issued Separately

Comprehensive Annual Financial Report

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*



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  
Navajo County, Arizona

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

We have audited Navajo 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, 2015. 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.

### ***Basis for Qualified Opinion***

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements that are applicable to the major federal programs listed below. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

<b><u>Program/Cluster (CFDA Number)</u></b>	<b><u>Compliance Requirements</u></b>	<b><u>Finding Numbers</u></b>
SNAP Cluster (10.561)	Allowable Costs/Cost Principles, Period of Availability, Procurement	2015-101, 2015-102, 2015-103
Public Health Emergency Preparedness (93.069)	Allowable Costs/Cost Principles	2015-104

### ***Qualified Opinions***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Navajo County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed above for the year ended June 30, 2015.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, Navajo 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 other major federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed another instance of noncompliance that is required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-106. Our opinion on each major federal program is not modified with respect to these matters.

Navajo County's responses to the noncompliance findings identified in our audit are presented on pages 19 through 21. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

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

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-101, 2015-102, 2015-103, 2015-104, and 2015-105 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-106 to be a significant deficiency.

Navajo County's responses to the internal control over compliance findings identified in our audit are presented on pages 19 through 21. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

### **Purpose of this Report**

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

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Navajo County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 16, 2015, that contained unmodified opinions on those 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 31, 2016

**Navajo County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
<b>Department of Agriculture</b>					
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS14-053056	\$ 308,179
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030681	368,628
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster			<u>1,050,378</u>
	<b>Total Department of Agriculture</b>				<u>1,727,185</u>
<b>Department of Housing and Urban Development</b>					
14 228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		Arizona Department of Housing	155-12	<u>62,077</u>
<b>Department of the Interior</b>					
15 226	Payments in Lieu of Taxes				<u>1,384,066</u>
<b>Department of Justice</b>					
16 523	Juvenile Accountability Block Grant		Governor's Office for Children, Youth, and Families	JB-CSG-14-4365-05	16,903
16 554	National Criminal History Improvement Program		Arizona Criminal Justice Commission	NCP13-14-004	6,221
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2014-121	53,901
16 585	Drug Court Discretionary Grant Program				21,262
16 607	Bulletproof Vest Partnership Program		Office of the Attorney General	OMB# 1121-0235	3,275
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-15-009	141,549
16 922	Equitable Sharing Program				<u>37,534</u>
	<b>Total Department of Justice</b>				<u>280,645</u>
<b>Department of Labor</b>					
17 258	WIA Adult Program	WIA Cluster	Arizona Department of Economic Security	ADES14-051529, ADES14-051529 A1	336,063
17 259	WIA Youth Activities	WIA Cluster	Arizona Department of Economic Security	ADES14-051529, ADES14-051529 A1	271,517
17 278	WIA Dislocated Worker Formula Grants	WIA Cluster	Arizona Department of Economic Security	ADES14-051529, ADES14-051529 A1	<u>240,346</u>
	<i>Total WIA Cluster</i>				<u>847,926</u>
	<b>Total Department of Labor</b>				<u>847,926</u>
<b>Department of Transportation</b>					
20 Unknown	Reservation Roadway Maintenance		Arizona Department of Transportation	KR06-0664TRN, INDRES-PINDR21P, INDRES-PINDR24P	60,660
20 600	State and Community Highway Safety	Highway Safety Cluster	Governor's Office of Highway Safety	2014-AL-022, 2012-PT-018, 2012-PT-01824	16,102

See accompanying notes to schedule.

**Navajo County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
20 616	National Priority Safety Programs	Highway Safety Cluster	Governor's Office of Highway Safety	2015-405D-034	7,725
	<i>Total Highway Safety Cluster</i>				<u>23,827</u>
20 703	Interagency Hazardous Materials Public Sector Training and Planning Grants		Arizona Department of Emergency and Military Affairs	HM-HMP-0454-14-01-00	812
	<b>Total Department of Transportation</b>				<u>85,299</u>
<b>Institute of Museum and Library Services</b>					
45 310	Grants to States		Arizona State Library, Archives and Public Records	2013-33026-17, 2014-34001-26	25,168
<b>Department of Education</b>					
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Supreme Court	KR15-0013	26,210
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Supreme Court, and Arizona Department of Education	KR13-0138, KR15-0013, H027A050007	41,182
84 366	Mathematics and Science Partnerships		Arizona Department of Education	S366B040003	8,066
84 367	Improving Teacher Quality State Grants		Arizona Supreme Court	KR15-0013	8,654
84 413	Race to the Top		Arizona Department of Education	13-04-EDSG	200,026
	<b>Total Department of Education</b>				<u>284,138</u>
<b>Election Assistance Commission</b>					
90 401	Help America Vote Act Requirements Payments		Arizona Secretary of State	None	8,416
<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 15-0945	5,054
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007893	243,810
93 074	Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements		Arizona Department of Health Services	ADHS12-007893	3,779
93 217	Family Planning—Services		Arizona Department of Health Services	ADHS 13-034543	47,890
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS 13-041545	106,780
93 283	Centers for Disease Control and Prevention—Investigations and Technical Assistance		National Association of County and City Health Officials	None	431
93 505	Affordable Care Act (ACA), Maternal, Infant, and Early Childhood Home Visiting Program		Arizona Department of Health Services	ADHS13-028371	104,605
93 563	Child Support Enforcement		Arizona Department of Economic Security	G-04-04-AZ-4004	436,285

See accompanying notes to schedule.

**Navajo County**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures
93 758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		Arizona Department of Health Services	ADHS 14-063032, ADHS 15-079320	39,988
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS 13-036900	33,889
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS 14-071223	11,666
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS12-007633	74,094
	<b>Total Department of Health and Human Services</b>				<u>1,108,271</u>
<b>Executive Office of the President</b>					
95 001	High Intensity Drug Trafficking Areas Program		City of Tucson	HT-13-2321, HT-14-2321, HT-15-2515, HT-14-2347	<u>122,638</u>
<b>Department of Homeland Security</b>					
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2015-EP-000016	132,991
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	13-AZDOHS-HSGP-130101-03, 13-AZDOHS-HSGP-130105-01, 13-AZDOHS-HSGP-130108-01, 14-AZDOHS-HSGP-140104-01, 14-AZDOHS-HSGP-140104-02, 14-AZDOHS-HSGP-140104-03	53,837
	<b>Total Department of Homeland Security</b>				<u>186,828</u>
	<b>Total expenditures of federal awards</b>				<u>\$ 6,122,657</u>

See accompanying notes to schedule.

Navajo County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015

Note 1 - Basis of Accounting

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

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program and when there was no federal contract number, the two-digit federal agency identifier, a period, and the word "Unknown" were used.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients for major programs:

<b>Program or Cluster Title</b>	<b>CFDA Number</b>	<b>Amount</b>
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP) Cluster	10.561	\$31,578

Navajo County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2015

**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>	<u>    </u>	
Significant deficiencies identified?	<u>  X  </u>	<u>    </u>	
Noncompliance material to the financial statements noted?	<u>    </u>	<u>  X  </u>	

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified?	<u>  X  </u>	<u>    </u>	
Significant deficiency identified?	<u>  X  </u>	<u>    </u>	
Type of auditors' report issued on compliance for major programs: Unmodified for all major programs except for the SNAP Cluster (10.561) and Public Health Emergency Preparedness program (93.069), which were qualified.			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>  X  </u>	<u>    </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
10.561	SNAP Cluster
10.665	Forest Service Schools and Roads Cluster
15.226	Payments in Lieu of Taxes
17.258/17.259/17.278	WIA Cluster
93.069	Public Health Emergency Preparedness

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000		
	<b>Yes</b>	<b>No</b>	
Auditee qualified as low-risk auditee?	—	<u>X</u>	
<b>Other Matters</b>			
Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u>	—	

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Financial Statement Findings

Financial statement findings were reported in the separately issued 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*.

Federal Award Findings and Questioned Costs

**2015-101**

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<b>Cluster Name:</b>	<b>SNAP Cluster</b>
<b>CFDA No. and Name:</b>	10.561 <b>State Administrative Matching Grants for Supplemental Nutrition Assistance Program</b>
<b>Award Number and Years:</b>	ADHS12-030681; 2014, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Health Services
<b>Compliance Requirement:</b>	Allowable Costs/Cost Principles
<b>Questioned Costs:</b>	Unknown

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Criteria: In accordance with 2 Code of Federal Regulations (CFR), §225, Appendix B, 8(h)(1-4), the County should maintain records that certify or confirm on an after-the-fact basis that employee compensation charged to federal programs represents a reasonable distribution of employees' actual time and effort worked on federal program activities. If employees work on multiple federal program activities or both federal and nonfederal activities, payroll activity reports, or time sheets should be prepared on at least a monthly basis. These certifications should be signed by the employee and approved by a supervisor with firsthand knowledge of the work the employee performs. Alternatively, if budgeted estimates or predetermined allocation percentages are used to charge employees' compensation to federal programs, the County should perform comparisons to actual employees' time and effort based on at least monthly payroll activity reports or time sheets on a quarterly basis and adjust employee compensation to reflect the actual after-the-fact distribution as appropriate.

Condition and context: The County spent over \$240,300, or 65 percent, of total program expenditures on employees' compensation, but did not have adequate policies and procedures in place for certifying that employee compensation charged to the program represented a reasonable after-the-fact distribution of employees' actual time and effort for all program employees. Auditors tested all seven program employees and determined that six of the employees properly certified that they worked solely on the program on a quarterly basis. In addition, those certifications were reviewed and approved by the employees' supervisor. However, for the one employee whose time and effort was distributed to other federal programs and activities, the employee's time and effort was not appropriately certified for the majority of the year because the employee's actual time records were not sufficiently detailed. This employee's total compensation charged to the program was approximately \$26,754 for the period of July 1, 2014 through April 24, 2015.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

**Effect:** The County did not comply with the program's requirements for allowable costs. Employees' compensation costs charged to the program may not have represented an accurate after-the-fact distribution of time and effort spent on the program's activities, which could result in unallowed costs being charged to the program. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

**Cause:** The County had no documented policies and procedures to help ensure compliance with the program's allowable cost principles. In April 2015, the County began requiring all program employees to prepare detailed time records and certify their time and effort at least quarterly or biweekly, as applicable. At that time, the County completed for all employees working on the program after-the-fact certifications for the months prior to April 2015. However, for those employees who worked on multiple federal programs or federal programs and nonfederal activities, the time records reflecting employees' actual hours worked were not sufficiently detailed to perform a comparison of the actual time and effort to the employees' allocation of compensation charged to federal programs and nonfederal activities.

**Recommendation:** To help ensure that it complies with the program's requirements for allowable costs, the County should develop and implement policies and procedures that ensure that employees' compensation charged to federal programs is allowable and properly allocated and accurately reflects employees' work performed on federal programs.

This finding is similar to prior-year finding 2014-106.

**2015-102**

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<b>Cluster Name:</b>	<b>SNAP Cluster</b>
<b>CFDA No. and Name:</b>	10.561 <b>State Administrative Matching Grants for Supplemental Nutrition Assistance Program</b>
<b>Award Number and Year:</b>	ADHS12-030681; 2014, 2015
<b>Federal Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Health Services
<b>Compliance Requirement:</b>	Period of Availability
<b>Questioned Costs:</b>	\$31,471

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**Criteria:** In accordance with 7 CFR §3016.23, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted by the grantor. According to the County's grant agreement, the County is required to submit all reimbursement requests for program expenditures incurred during the grant award period no later than within 60 days after the grant award period's end date.

**Condition and context:** The County did not have adequate policies and procedures for identifying program expenditures that were incurred during the grant award period and for requesting reimbursement within the program's period of availability, which ends 60 days after the grant award period's end date.

Navajo County  
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Year Ended June 30, 2015

Specifically, the County either charged program expenditures to the program or requested reimbursement for program expenditures outside of the program's period of availability. For example, the County requested reimbursement for \$17,856 of program expenditures that were incurred prior to the grant award period's start date of October 1, 2014. In addition, the County incurred program expenditures of \$13,615 during the grant award period, but requested reimbursement for the expenditures after November 30, 2014, which was more than 60 days after the grant award period's end date and beyond the period of availability. These expenditures totaled approximately \$31,471, or 8 percent, of the program's total expenditures for the year.

Effect: The County did not comply with the program's requirements for period of availability. The County incorrectly charged program expenditures to the wrong grant award period and requested reimbursement for program expenditures that were outside the program's period of availability.

Cause: The County did not have documented policies and procedures for ensuring that program expenditures were charged to the proper grant award period and reimbursed within the program's period of availability.

Recommendation: To help ensure that it complies with 7 CFR §3016.23 and its grant agreement, the County should establish policies and procedures to help ensure that program expenditures are charged to the appropriate grant award period and that reimbursement requests are made within the program's period of availability.

**2015-103**

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<b>Cluster Name:</b>	<b>SNAP Cluster</b>
<b>CFDA No. and Name:</b>	10.561 <b>State Administrative Matching Grants for Supplemental Nutrition Assistance Program</b>
<b>Award Number and Year:</b>	ADHS12-030681; 2015
<b>Federal Agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Health Services
<b>Compliance Requirement:</b>	Procurement
<b>Questioned Costs:</b>	Unknown

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Criteria: In accordance with 7 CFR §3016.36(a), the County should follow its procurement policies and procedures when purchasing goods and services with federal monies and maintain records showing the basis for vendor selection, justification for lack of competition, and the basis for the award cost or price.

Condition and context: The County did not always follow its policies and procedures when making program purchases, including those made with county credit cards, to ensure that they are competitive and advantageous. Specifically, auditors noted that for one vendor, the County made purchases totaling \$29,838 without performing any competitive purchasing procedures. In particular, auditors noted that

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

many of the purchases from this vendor consisted of program supplies that were made using county credit cards on the same day totaling \$15,718, which appeared to circumvent the County's procurement policies and procedures.

Effect: The County did not comply with the program's requirements for procurement. There is an increased risk that the County may not have received the most advantageous price for goods and services purchased with program monies. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

Cause: The program personnel did not follow the County's existing procurement policies and procedures.

Recommendation: To help ensure that the County receives the most advantageous price for goods and services purchased with program monies and to comply with 7 CFR §3016.36(a), it should ensure that program personnel follow its existing procurement policies and procedures and monitor credit card purchases to ensure that purchases are not split to circumvent competitive purchasing procedures. In addition, the County should require its departments to use competitive purchasing procedures when making credit card purchases when appropriate.

This finding is similar to prior-year finding 2014-108.

**2015-104**

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<b>CFDA No. and Name:</b>	93.069 <b>Public Health Emergency Preparedness</b>
<b>Award Number and Years:</b>	ADHS12-007893, 2014 & 2015
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Health Services
<b>Compliance Requirement:</b>	Allowable Costs/Cost Principles
<b>Questioned Costs:</b>	Unknown

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Criteria: In accordance with 2 CFR, §225, Appendix B, 8(h)(1-4), the County should maintain records that certify or confirm on an after-the-fact basis that employee compensation charged to federal programs represents a reasonable distribution of employees' actual time and effort worked on federal program activities. If employees work on multiple federal program activities or both federal and nonfederal activities, payroll activity reports or time sheets should be prepared on at least a monthly basis. These certifications should be signed by the employee and approved by a supervisor with firsthand knowledge of the work the employee performs.

Condition and context: The County spent over \$178,500, or 73 percent, of total program expenditures on employees' compensation but did not have adequate policies and procedures for certifying that employee compensation charged to the program represented a reasonable after-the-fact distribution of employees' actual time and effort for all program employees. Auditors' found that the County properly certified employee compensation totaling approximately \$88,000 for employees who worked solely on the

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

program. However, for the remainder of the employee compensation, which consisted of employees whose time and effort was distributed to other federal programs and nonfederal activities, the County did not have policies and procedures for ensuring that supervisor approved employees' time sheets to certify that employee compensation charged to the program represented a reasonable after-the-fact distribution of the employees' actual time and effort. Specifically, for six of ten time sheets tested, the employees' time sheets did not contain evidence of a supervisory review or approval.

Effect: The County did not comply with the program's requirements for allowable costs. There is an increased risk that employees' compensation charged to the program may not have represented accurate time and effort spent working on the program's activities. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

Cause: The County had no documented policies and procedures to help ensure compliance with the program's allowable cost principles and did not fully implement effective procedures for ensuring that all employees' compensation charged to the program was approved and certified by a supervisor having firsthand knowledge of the work the employee performed.

Recommendation: To help ensure that it complies with the program's requirements for allowable costs, the County should develop and implement policies and procedures that ensure that employees' compensation charged to federal programs is allowable and properly allocated and accurately reflects employees' work performed on federal programs.

This finding is similar to prior-year finding 2014-103.

**2015-105**

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<b>CFDA No. and Name:</b>	93.069 <b>Public Health Emergency Preparedness</b>
<b>Award Number and Year:</b>	ADHS12-007893; 2015
<b>Federal Agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Health Services
<b>Compliance Requirement:</b>	Matching
<b>Questioned Costs:</b>	None

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Criteria: In accordance with 2 CFR §225, Appendix B(37), 45 CFR §92.24, and the grant agreement, the County is required to match 10 percent of total program expenditures with nonfederal monies based on its proposed plan submitted to and approved by the grantor.

Condition and context: The County's approved plan for meeting the program's 10 percent matching requirement included estimated rental costs for warehouse space, equipment, and services. Auditors were able to perform auditing procedures and determined that the County met its matching requirement.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

However, the County's documentation for matching costs charged to the program did not agree to the County's approved plan because the costs for the warehouse space, equipment, and services differed from the plan. In addition, the matching documentation included other building costs that were not specified in the County's plan approved by the grantor. Further, the County did not have documentation to support how the estimated costs in its plan originally submitted to the grantor were calculated.

Effect: The County's matching costs did not agree to its approved matching cost plan that was approved by the grantor.

Cause: The County did not follow its approved cost-matching plan as approved by the grantor. Also, the County did not have documented policies and procedures for valuing and recording its matching costs for the program.

Recommendation: To help ensure that it complies with the program's matching requirement, the County should establish policies and procedures for valuing and recording matching costs for the program. These policies and procedures should include documenting the County's considerations in valuing rental costs for matching, which consisted of warehouse space, equipment, and services, were reasonably based on comparable property, market conditions, alternatives available, and the property's type, life expectancy, condition, and value. The County should also ensure that its matching costs agree to those costs that are included in its plan and approved by the grantor, or the County should submit a revised matching cost plan to the grantor, as appropriate.

This finding is similar to prior-year finding 2014-105.

**2015-106**

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<b>Cluster Name:</b>	<b>WIA Cluster</b>
<b>CFDA Nos. and Names:</b>	17.258 <b>WIA Adult Program</b> 17.259 <b>WIA Youth Activities</b> 17.278 <b>WIA Dislocated Workers Formula Grants</b>
<b>Award Numbers and Years:</b>	DE14-051529; 2013-15 DE14-051529 A1; 2013-15
<b>Federal Agency:</b>	<b>U.S. Department of Labor</b>
<b>Pass-Through Grantor:</b>	Arizona Department of Economic Security
<b>Compliance Requirement:</b>	Suspension and Debarment
<b>Questioned Costs:</b>	None

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Criteria: As required by 2 CFR §180.300, the County should verify that subawards and contracts with vendors for goods and services costing more than \$25,000 are not awarded to parties who have been suspended or debarred from doing business with the federal government.

Navajo County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Condition and context: The County did not always verify that vendors were not suspended or debarred prior to making payments or awarding contracts to vendors. Specifically, auditors noted that the County made payments to a single vendor totaling \$34,704 using program monies without verifying whether or not the vendor had been suspended or debarred.

Effect: The County did not comply with the program's requirements for suspension and debarment. Also, there is an increased risk that the County could make payments or award contracts to suspended or debarred parties. However, auditors were able to perform further auditing procedures to verify that no payments were made to suspended or debarred parties.

Cause: The program personnel did not follow the County's existing policies and procedures to verify that vendors have not been suspended or debarred prior to making payments or awarding contracts to them using program monies.

Recommendation: To help ensure that it complies with the program's requirements for suspension and debarment, the County should ensure that program personnel follow its existing policies and procedures to verify that vendors are not suspended or debarred prior to making payments and awarding contracts to them using program monies. The verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration, by obtaining a certification from the vendor or by adding a clause or condition to vendor contracts to stipulate that vendors have not been suspended or debarred.

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# NAVAJO COUNTY

## FINANCE DEPARTMENT

James Menlove • Finance Director

Paige Peterson • Accounting Manager

*"Proudly Serving, Continuously Improving"*

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March 31, 2016

Debbie Davenport  
Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's Schedule of Findings and Recommendations.

Sincerely,

W. James Menlove, CPA  
Administrative Services Director

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2015

Federal Award Findings and Questioned Costs

2015-101

SNAP Cluster

CFDA No. 10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program

Contact person: Mary Herring, Navajo County Health District Director – 928-524-4750

Anticipated completion date: June 30, 2016

County Response: Concur

County Corrective Action Plan: The County will develop and implement procedures to ensure that employee compensation charged to federal programs is allowable and properly allocated and accurately reflects employees' work performed on federal programs.

2015-102

SNAP Cluster

CFDA No. 10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program

Contact person: Mary Herring, Navajo County Health District Director – 928-524-4750

Anticipated completion date: June 30, 2016

County Response: Concur

County Corrective Action Plan: The County will establish procedures to ensure that program expenditures are charged to the appropriate grant award period and that reimbursement requests are made within the program's period of availability.

2015-103

SNAP Cluster

CFDA No. 10.561 State Administrative Matching Grants for Supplemental Nutrition Assistance Program

Contact person: Mary Herring, Navajo County Health District Director – 928-524-4750

Anticipated completion date: June 30, 2016

County Response: Concur

County Corrective Action Plan: The County Health District, SNAP Program, will follow existing procurement policies and procedures to monitor credit card purchases to ensure that purchases are not split to circumvent competitive purchasing procedures.

Navajo County  
Corrective Action Plan  
Year Ended June 30, 2015

2015-104

CFDA No.: 93.069 Public Health Emergency Preparedness

Contact person: Mary Springer, Navajo County Emergency Management Director – 928-524-4046

Anticipated completion date: June 30, 2016

County Response: Concur

County Corrective Action Plan: The County will develop and implement procedures to ensure that employee compensation charged to federal programs is allowable and properly allocated and accurately reflects employees' work performed on federal programs.

2015-105

CFDA No.: 93.069 Public Health Emergency Preparedness

Contact person: Mary Springer, Navajo County Emergency Management Director – 928-524-4046

Anticipated completion date: June 30, 2016

County Response: Concur

County Corrective Action Plan: The County will establish procedures for valuing and recording matching costs for the program.

2015-106

WIA Cluster

CFDA No.: 17.258 WIA Adult Program; 17.259 WIA Youth Activities; 17.278 WIA Dislocated Workers Formula Grants

Contact person: Susan Tegmeyer, Navajo County WIOA Executive Director – 928-524-4167

Anticipated completion date: June 30, 2016

County Response: Concur

County Corrective Action Plan: The County will ensure that program personnel follow its existing policies and procedures to verify that vendors are not suspended or debarred prior to making payments and awarding contracts.

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# NAVAJO COUNTY

## FINANCE DEPARTMENT

James Menlove • Finance Director

Paige Peterson • Accounting Manager

*"Proudly Serving, Continuously Improving"*

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March 31, 2016

Debbie Davenport  
Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Question Costs related to federal awards. This schedule also includes audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Sincerely,

W. James Menlove, CPA  
Finance Director

## Status of prior year Federal Award Findings and Questioned Costs

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CFDA No.: N/A – Schedule of Expenditure of Federal Awards

Finding No.: 2014-101

Status: Fully corrected

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CFDA No.: 10.665 – Forest Service Schools and Roads

Finding No.: 2014-102

Status: Fully corrected

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CFDA No.: 93.069 – Public Health Emergency Preparedness

Finding No.: 2014-103

Status: Partially corrected

The County will develop and implement procedures to ensure that employee compensation charged to federal programs reflect an after-the-fact distribution verification of employees' actual time and effort spent working on federal programs.

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CFDA No.: 93.069 – Public Health Emergency Preparedness

Finding No.: 2014-104

Status: Fully corrected

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CFDA No.: 93.069 – Public Health Emergency Preparedness

Finding No.: 2014-105

Status: Not corrected

The County will establish procedures for recording and valuing matching expenditures for federal programs.

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CFDA No.: 10.561 – SNAP Program Cluster

Finding No.: 2014-106

Status: Partially corrected

The County will develop and implement procedures to ensure that employee compensation charged to federal programs reflect an after-the-fact distribution verification of employees' actual time and effort spent working on federal programs.

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CFDA No.: 10.561 – SNAP Program Cluster

Finding No.: 2014-107

Status: Fully corrected

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CFDA No.: 10.561 – SNAP Program Cluster

Finding No.: 2014-108

Status: Not corrected

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The County Health District, SNAP Program, will follow existing procurement policies and procedures to ensure it receives the most advantageous price for goods and services purchased with program monies.

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CFDA No.: 10.561 – SNAP Program Cluster

Finding No.: 2014-109

Status: Fully corrected

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

Finding No.: 2014-110

Status: Fully corrected

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