

## Navajo County

### Annual financial statement and compliance audits

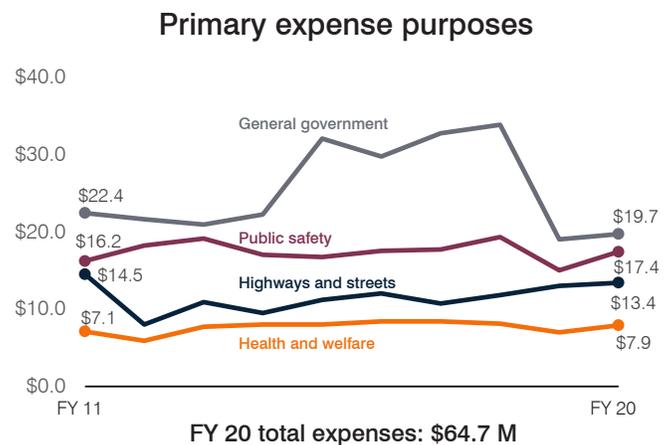
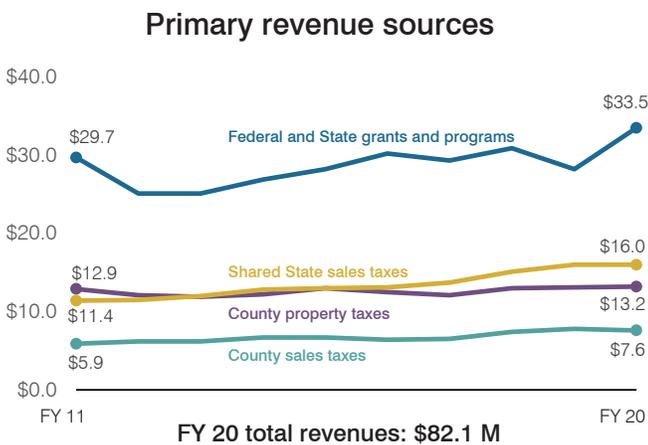
The County's fiscal year 2020 reported financial information is reliable. However, we reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.

#### Audits' purpose

To express our opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

#### Primary revenue sources and how they were spent

Fiscal years (FY) 2011 through 2020  
(In millions)



Source: Auditor General staff summary of information obtained from the County's financial statements.

#### Largest primary revenue sources

- **Federal and State grants and programs—40.8% FY 20:** Includes federal and State government grants and programs awarded as assistance to the County and its citizens, including highway user tax revenues for authorized transportation purposes.
- **Shared State sales taxes—19.5% FY 20:** Comes from State sales taxes the State of Arizona collects and the Arizona State Treasurer distributes to the County based on the State's statutory distribution formulas.

#### Largest primary expense purposes

- **General government—30.4% FY 20:** Costs for general operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections. The drop in these expenses in FY 19 from FY 18 was primarily because its pension benefit expense decreased.
- **Public safety—26.9% FY 20:** Costs for protecting the County's persons and property with the largest portion for County jail operations, County Sheriff's office services, probation services, and Flood Control District operations.

#### County's net position increased in FY 20

County revenues were \$17.4 million greater than its expenses, increasing total net position to \$53.9 million at June 30, 2020. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

## Auditor findings and recommendations

Summarized below are our findings and recommendations included in the County's [Report on Internal Control and on Compliance](#) and [Single Audit Report](#) where there is further information and the County's responses. The County needs to:

- Improve its purchasing card policies and procedures to provide annual training to employees who review and approve purchasing card transactions to identify and address unallowable purchases. Additionally, the County needs to require all its employees to follow its purchasing card policies and procedures to ensure that these purchases are supported and are for authorized County purposes. We found that during the fiscal year, a County director may have misused \$5,579 of public monies that should have instead been used for public purposes like health services and education programs. We reported a similar finding in the prior year and also issued a [Financial Investigation Report](#) in December 2020 that is related to the potential misuse of public monies reported in this finding for which the County has taken some corrective action as explained in the County's response in the Report on Internal Control and on Compliance.
- Ensure employees' purchasing card fuel purchases were for fuel used in a County vehicle for official County purposes and conduct an in-depth review of all employees' purchasing card fuel costs that were made during the year to determine whether they complied with County policies and were for authorized County purposes. We found that during the fiscal year, the County spent \$41,000 of public monies for fuel that may have been for County employees' personal use, elevating the County's risk of misusing public monies. We reported a similar finding in the prior year.
- Identify, classify, and inventory the sensitive information that the County holds and assess where stronger access and security controls may be needed to protect it. Also, the County needs to prioritize developing, documenting, and implementing policies and procedures to effectively prevent, detect, and respond to unauthorized or inappropriate access or use, damage, or loss to its information technology systems and data, including financial and sensitive data. We reported similar findings in prior years.
- Improve the County's policies and procedures over its workforce innovation programs' administration to comply with earmarking spending levels and accurately report financial information to the grantor. We reported similar findings in the prior year.
- Require employees who administer the County's nutrition assistance programs to follow its policies and procedures to retain documentation to support federal award costs and train employees who are responsible for reviewing and approving the programs' costs to ensure costs are allowable.

## Auditor General website report links

- The June 30, 2020, Navajo County Comprehensive Annual Financial Report and Single Audit Report that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the County's overall financial picture and our reporting responsibilities.
- The County's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
  - [Financial Report User Guide for State and Local Governments](#).
  - [Internal Control and Compliance Reports User Guide](#).