

Navajo County

Annual financial statement and compliance audits

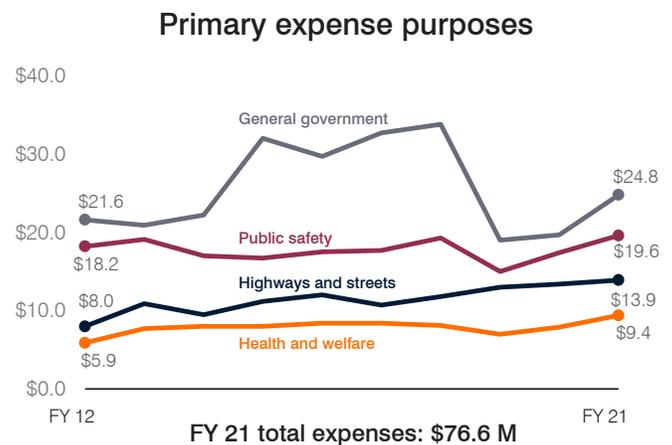
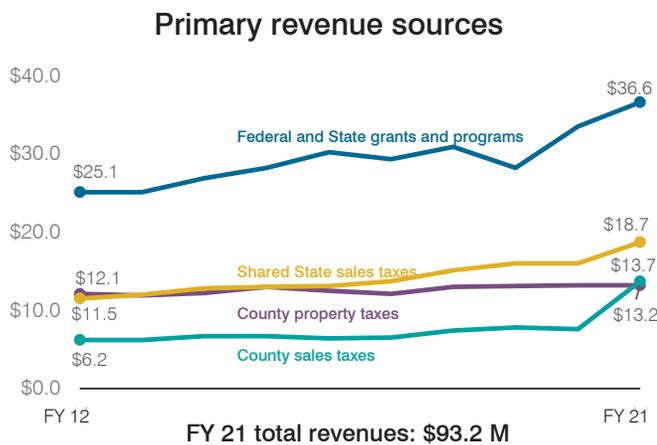
The County's fiscal year 2021 reported financial information is reliable. However, we reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.

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) 2012 through 2021
(In millions)



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

Largest primary revenue sources FY 2021

- **Federal and State grants and programs 39.3%**—Includes federal and State government grants and programs awarded as assistance to the County and its residents, including highway user tax revenues for authorized transportation purposes.
- **Shared State sales taxes 20.1%**—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 FY 2021

- **General government 32.4%**—Costs for general operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.
- **Public safety 25.6%**—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 2021

County revenues were \$16.6 million greater than its expenses, increasing total net position to \$70.5 million at June 30, 2021. 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:

- Develop and implement written procedures for preparing the financial statements and supporting schedules to ensure they are accurate and prepared in accordance with generally accepted accounting principles (GAAP). Additionally, the County's management should perform detailed supervisory reviews to ensure that the financial statements are accurate, properly supported, and presented in accordance with GAAP and to detect and correct errors in the financial statements before providing them for audit. We found that the County's initial financial statements contained misstatements and misclassifications, which delayed their issuance and increased the risk that those relying on the reported financial information could be misinformed.
- 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 nearly \$20,000 of public monies for approximately 655 purchasing card fuel purchases made by over 100 employees for fuel that may not have been for County purposes, 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 IT access and security controls may be needed to protect it. Also, the County needs to allocate resources for implementing its policies and procedures to effectively prevent, detect, and respond to unauthorized or inappropriate access or use. We found that processes for managing and documenting risks and control procedures over IT systems and data were not sufficient, which may put County operations and IT systems and data at unintended and unnecessary risk of potential harm. 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. We found that the County's Workforce Innovation and Opportunity Act Department failed to ensure that it spent the required 20 percent, or \$73,524, of WIOA Youth Activities monies earmarked to provide in school and out-of-school youth with paid and unpaid work experiences from April 2019 through June 2021. We reported a similar finding in the prior year.
- Require employees who administer the County's COVID-19 public health emergency response program to follow existing policies and procedures to perform a detailed, independent review of all reports before submitting them to the pass-through grantor. We found that the County's Public Health Services Department did not review for accuracy 11 of the 12 required monthly Contractor Expenditure Reports before submitting them to the pass-through grantor to ensure that they were correct, agreed to County records, and contained only allowable expenditures.

Auditor General website report links

- The June 30, 2021, Navajo County Annual Comprehensive Financial Report, Report on Internal Control and on Compliance, 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](#).