



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Navajo County

Year Ended June 30, 2007



Debra K. Davenport
Auditor General

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Navajo County
Single Audit Reporting Package
Year Ended June 30, 2007

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Report Issued Separately

Financial Statements



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
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
Navajo County, Arizona

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, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 23, 2009. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's basic financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 07-01 through 07-13 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-01 through 07-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of 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 which are described in the accompanying Schedule of Findings and Questioned Costs as items 07-09, 07-14, and 07-15.

Navajo County's responses to the findings identified in our audit are presented on pages 29 through 34. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
Financial Audit Director

September 23, 2009



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Board of Supervisors of
Navajo County, Arizona

Compliance

We have audited the compliance of Navajo County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in the following table, the County did not comply with certain compliance requirements that are applicable to its major federal programs. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Program Title (CFDA Number)	Compliance Requirement	Finding Number
Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)	Eligibility, Reporting	07-103, 07-104
Centers for Disease Control and Prevention— Investigations and Technical Assistance (93.283)	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Procurement and Suspension and Debarment; Reporting; Other	07-102, 07-105, 07-106, 07-107

In our opinion, except for the noncompliance described in the preceding paragraph, Navajo County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 07-101 and 07-102.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 07-101 through 07-107 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 07-101 through 07-107 to be material weaknesses.

Schedule of Expenditures of Federal Awards

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, 2007, and have issued our report thereon dated September 23, 2009. Our audit was performed 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 has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navajo County's responses to the findings identified in our audit are presented on pages 29 through 34. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
Financial Audit Director

November 10, 2009, except for the
Schedule of Expenditures of Federal
Awards, for which the date is September 23, 2009

Navajo County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Passed through the Arizona Department of Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG361082	\$ 334,161
State Administrative Matching Grants for Food Stamp Program	10.561	HG661039	88,435
Passed through the Arizona State Land Department Cooperative Forestry Assistance	10.664	SFA 5-5, SFA 5009	47,775
Passed through the Arizona State Treasurer Schools and Roads—Grants to States	10.665		25,000
Emergency Watershed Protection Program	10.923		48,710
Total U.S. Department of Agriculture			<u>544,081</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		<u>749,814</u>
U.S. Department of Justice			
Federal Equitable Sharing Agreement	16.unknown		95,556
Domestic Cannabis Eradication/Suppression Program	16.unknown		5,541
Passed through the Arizona Department of Public Safety Crime Victim Assistance	16.575	2006-143	20,410
Passed through the Arizona Criminal Justice Commission Crime Victim Compensation	16.576	VC-07-058	8,374
Passed through the Office of the Attorney General Bulletproof Vest Partnership Program	16.607	OMB#1121-0235	12,972
Public Safety Partnership and Community Policing Grants	16.710		63,755
Passed through the Arizona Criminal Justice Commission Edward Byrne Memorial Justice Assistance Grant Program	16.738	AC-07-180, PC-07-140	108,734
Total U.S. Department of Justice			<u>315,342</u>
U.S. Department of Labor			
Passed through the Arizona Department of Economic Security Workforce Investment Act (WIA) Cluster:			
WIA Adult Program	17.258	E5706009	149,620
WIA Youth Activities	17.259	E5706009	114,725
Total WIA Cluster and U.S. Department of Labor			<u>264,345</u>
U.S. Department of Transportation			
Passed through the Arizona Department of Transportation Reservation Roadway Maintenance	20.unknown	KR06-0664TRN, JPA-06-017T	110,486
Highway Planning and Construction	20.205	KR06-0086TRN, JPA 05-130	310,970
Passed through the Arizona Emergency Response Commission Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	211832896	509
Total U.S. Department of Transportation			<u>421,965</u>
Institute of Museum and Library Services			
Passed through the Arizona State Library, Archives, and Public Records Grants to States	45.310	251-7-1-11, 251-3-1-03, 251-7-1-04	24,949
U.S. Department of Education			
Passed through the Arizona State Supreme Court Title I Program for Neglected and Delinquent Children	84.013	28077	28,685

(Continued)

See accompanying notes to schedule.

Navajo County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
Passed through the Arizona State Department of Education			
Special Education Cluster:			
Special Education—Grants to States	84.027	H027A0060007, H027A060007	\$ 32,224
Total Special Education Cluster			<u>32,224</u>
Passed through the Arizona State Supreme Court			
Safe and Drug-Free Schools and Communities—State Grants	84.186	28077	103
State Grants for Innovative Programs	84.298	28077	266
Passed through the Arizona Department of Education			
State Grants for Innovative Programs	84.298	S298A060003	20
Total State Grants for Innovative Programs			<u>286</u>
Passed through the Arizona State Supreme Court			
Fund for the Improvement of Education	84.215	U215K050465	102,577
Passed through Cochise County			
Education Technology State Grants	84.318	S318X060003	74,095
Passed through the Arizona State Department of Education			
Rural Education	84.358	S358A066370	12,099
Passed through the Arizona State Supreme Court			
Improving Teacher Quality State Grants	84.367	28077	10,264
Passed through the Arizona State Department of Education			
Improving Teacher Quality State Grants	84.367	S367A060049	40,049
Total Improving Teacher Quality State Grants			<u>50,313</u>
Total U.S. Department of Education			<u>300,382</u>
U.S. Election Assistance Commission			
Passed through the Arizona Secretary of State			
Help America Vote Act Requirements Payments	90.401	None	<u>68,666</u>
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Health Services			
Family Planning—Services	93.217	HG361315	48,314
Immunization Grants	93.268	HG352200	270,251
Centers for Disease Control and Prevention—Investigations and			
Technical Assistance	93.283	252039	385,431
HIV Prevention Activities—Health Department Based	93.940	HG352259	7,965
Preventive Health Services—Sexually Transmitted Diseases			
Control Grants	93.977	HG354250	4,387
Preventive Health and Health Services Block Grant	93.991	HG354183	22,466
Maternal and Child Health Services Block Grant to the States	93.994	HG754060	2,882
Passed through the Arizona Department of Economic Security			
Child Support Enforcement	93.563	G-04-04-AZ-4004	565,166
Total U.S. Department of Health and Human Services			<u>1,306,862</u>
U.S. Department of Homeland Security			
Passed through the Arizona Department of Emergency and Military Affairs			
Homeland Security Grant Program Cluster:			
Homeland Security Grant Program	97.067	2005-GE-T5-0051	29,402
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2006-GE-T6-0007	99,876
Total Homeland Security Grant Program Cluster and U.S. Department of Homeland Security			<u>129,278</u>
Total Expenditures of Federal Awards			<u>\$ 4,125,684</u>

See accompanying notes to schedule.

Navajo County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

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.

Of the amount reported for the Immunization Grants program (Catalog of Federal Domestic Assistance [CFDA] number 93.268), \$208,254 represents the value of noncash assistance expended.

Note 2 - Catalog of Federal Domestic Assistance Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2007 *Catalog of Federal Domestic Assistance*. When no CFDA number has 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

Navajo County did not have any subrecipients for the year ended June 30, 2007.

Navajo County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2007

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

	Yes	No
Material weaknesses identified in internal control over financial reporting?	<u>X</u>	___
Significant deficiencies identified not considered to be material weaknesses?	<u>X</u>	___
Noncompliance material to the financial statements noted?	<u>X</u>	___

Federal Awards

Material weaknesses identified in internal control over major programs?	<u>X</u>	___
Significant deficiencies identified not considered to be material weaknesses?	___	<u>X</u>

Type of auditors' report issued on compliance for major programs:
 Unqualified for all major programs except for the Special Supplemental Nutrition Program for Women, Infants, and Children and the Centers for Disease Control and Prevention—Investigations and Technical Assistance programs, which were qualified.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])? X ___

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
15.226	Payments in Lieu of Taxes
20.205	Highway Planning and Construction
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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 ___

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Financial Statement Findings

07-01

The County should establish procedures to accurately record and report financial information

Criteria: The County must issue accurate and timely financial statements to satisfy the audit requirements imposed by federal and state laws and regulations, grant contracts, and long-term debt covenants.

Condition and context: The County took 27 months after year-end to issue its financial statements. In addition, the County's financial statements were not accurate and were not prepared in accordance with generally accepted accounting principles. However, the County corrected its financial statements for all material errors. See findings 07-02 through 07-07 for more details concerning these errors. A similar finding was noted in the previous year.

Effect: The federal reporting deadline for the County's Single Audit Reporting Package was March 31, 2008; however, the County did not issue its Single Audit Reporting Package until November 2009. This deficiency is considered a material weakness over financial reporting.

Cause: The County, in an effort to have auditable financial statements, took additional time and hired outside assistance to correct deficiencies noted in prior years.

Recommendation: To help ensure that financial statements are prepared accurately and issued in a timely manner, the County should allocate resources to:

- Research all accounting and reporting requirements to ensure the financial statements are properly presented in accordance with authoritative pronouncements.
- Establish and follow written 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 not readily available from the accounting system but necessary for financial statement preparation.
- Assign employees specific responsibilities, and establish completion dates.
- Require an employee not responsible for financial statement preparation to review the statements and accompanying notes. This reviewer should ensure that the amounts are accurate and properly supported and the financial statements are presented in accordance with generally accepted accounting principles.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

07-02

The County should improve procedures for capital assets reporting

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* requires that capital assets be recorded at historical costs or estimated historical costs if historical records are not available. The historical cost may be estimated by calculating the current replacement cost and deflating this amount using price-level indexes to the acquisition year. In addition, GASB Statement No. 34 requires that capital assets be depreciated over their useful lives.

Condition and context: Over 56 percent of the County's total assets consist of capital assets. Therefore, it is essential that the County accurately report these assets to its lenders, the public, and other interested parties. However, the County did not accurately report its capital assets on its financial statements. Auditors noted the following deficiencies.

Land, buildings, and infrastructure—The County hired a specialist to estimate historical costs for land, buildings, and infrastructure and correct prior-year errors. However, the County did not adequately review the specialist's schedules to ensure that they were accurate or that the estimates were consistent. Specifically, auditors noted that the County inappropriately changed the specialist's estimates for roads, did not ensure that improvements were included in the value of buildings, reported replacement values instead of historical values, and capitalized assets that did not meet the County's capitalization thresholds or vice versa. Auditors examined all land, buildings, and infrastructure valuations and determined that the beginning balances were understated by over \$30 million and depreciation expense was understated by over \$1.8 million.

Machinery and equipment—The County had valuation errors for machinery and equipment, such as improperly deducting the trade-in value from the costs of new assets, and using inaccurate or inconsistent useful lives to calculate depreciation. In addition, the County overpaid for an asset and was unable to provide supporting documentation for several assets tested. As a result of these errors, machinery and equipment and accumulated depreciation were understated by more than \$125,000 and depreciation expense was understated by approximately \$74,000.

Effect: The County adjusted its financial statements for all significant errors and restated the July 1, 2006, balances for errors affecting prior years. This deficiency is considered a material weakness over financial reporting.

Cause: The County did not have internal control procedures in place to ensure that capital assets were properly reported.

Recommendation: The County should implement the following procedures to accurately report its capital assets.

- Review the schedules prepared by outside specialists to ensure the integrity of the schedules and that historical values are reported.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

- Compare invoices to the assets listing to ensure that new assets are accurately valued at historical cost.
- Review the assets listing periodically to ensure that useful lives are consistent with county guidelines.
- Retain documentation for all capital assets.

07-03

The County should reconcile its cash and investments records to the Treasurer's records

Criteria: The County should reconcile its cash and investments records of each fund's cash balances to the Treasurer's Office records at least monthly.

Condition and context: The County has approximately \$39 million invested with the County Treasurer who is responsible for safeguarding and investing county monies and acts as a bank for the County. However, the County did not prepare monthly reconciliations of its cash and investment balances to the County Treasurer's records. The County did reconcile its balances at June 30, 2007, and made adjustments for financial statement presentation. However, auditors noted that adjustments were inaccurate, resulting in an uncorrected overstatement of over \$25,000 for cash on deposit with the County Treasurer.

Effect: There were misstatements in balances reported for cash and investments in the County's general ledger system and financial statements. This deficiency is considered a material weakness over financial reporting.

Cause: The County has not been able to prepare monthly reconciliations since implementing its new general ledger system since transactions recorded on the Treasurer's accounting system did not have unique identifying numbers to match with those transactions recorded in the County's system. In addition, the County used inaccurate amounts to prepare the year-end reconciliation.

Recommendation: The County should reconcile its balances to the County Treasurer's balances at least monthly. All differences noted should be investigated and appropriate adjustments made to either the County's accounting system or the County Treasurer's system.

07-04

The County should properly value and report its investments

Criteria: GASB Statement No. 31 requires governmental entities, including governmental external investment pools, to report investments at fair value, and requires all investment income, including changes in the fair value of investments, to be recognized as revenue. In addition, for GASB Statement Nos. 3 and 40 disclosures, nonnegotiable certificates of deposit should be classified as deposits and the County's U.S. Treasury money market fund should be classified as an investment.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Condition and context: The County has approximately \$108 million in investments; however, the County did not accurately report its deposits and investments on its financial statements. For example, the County failed to value all agency securities with a maturity in excess of 90 days at fair value, and therefore, did not report a change in fair value as revenue. One investment totaling \$5,000 was omitted from the financial statements, and another investment was overstated by more than \$29,000. In addition, the County did not properly classify its \$50 million nonnegotiable certificates of deposits as deposits and its \$1.5 million U.S. Treasury money market fund as an investment in its financial statements and the accompanying notes. Further, the County did not properly calculate concentration of credit risk since certificates of deposit were erroneously included in its calculation.

Effect: The County overstated its cash and investments at year-end by more than \$775,000 for the fair value error. However, the County adjusted its deposits and investments and the related note disclosures for all other errors. This deficiency is considered a material weakness over financial reporting.

Cause: The County did not properly apply U.S. generally accepted accounting principles.

Recommendation: The County should adjust all its investments for changes in fair value. In addition, the County should properly classify its deposits and investments for proper presentation in its financial statement notes.

07-05

The County should accurately record revenues and amounts due from other governments

Criteria: County revenues should be recorded in the correct accounts. The primary objectives of an accounting information system are to provide reliable financial information to management in a timely manner, safeguard assets, record liabilities, help ensure proper revenue recognition, and control expenditures.

Condition and context: Due from other governments comprise approximately nine percent of the County's governmental funds assets. However, the County did not ensure the accuracy of the financial information reported on its governmental fund financial statements. Specifically, the County recorded due from other government transactions and the corresponding revenues in the incorrect fund or revenue line item.

Effect: The errors resulted in overstatements of due from other governments of approximately \$77,000 and charges for services of approximately \$283,000 in the General Fund, an understatement of intergovernmental revenues of approximately \$206,000 in the General Fund, and understatements of approximately \$192,000 of due from other governments and \$331,000 of intergovernmental revenues in the Public Works Fund. The County adjusted its financial statements for these errors. This deficiency is considered a material weakness over financial reporting.

Cause: The County did not have procedures in place to monitor, detect, and correct any errors that occurred during the transaction processing stage.

Recommendation: The County should establish detailed policies and procedures to review and monitor financial reports so that errors can be identified and corrected in a timely manner.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

07-06

The County should properly report its long-term liabilities amounts

Criteria: Notes to financial statements should communicate information that is essential for the fair presentation of financial statements that is not displayed on the face of the financial statements. GASB Statement No. 16 requires that the compensated absences liability be calculated based on the pay or salary rates in effect at the financial statement date.

Condition and context: Compensated absences account for 22 percent of the County's long-term liabilities. However, the County did not ensure the accuracy of the financial information reported on its government-wide statement of net assets. Specifically, the County did not properly calculate its compensated absences liability. Specifically, the County used various pay rates throughout the year to determine the year-end compensated absences liability instead of the pay rates in effect at year-end. In addition, the County did not ensure that accurate information was reported on its government-wide financial statements or notes to the financial statements.

Effect: The errors resulted in compensated absences understatements of approximately \$265,000 for the amount due in more than 1 year, and more than \$1.3 million for the amount due within 1 year. The County adjusted its financial statements for these errors. This deficiency is considered a material weakness over financial reporting.

Cause: The County has not established policies and procedures for financial statement preparation to ensure that the financial statements and note disclosures are accurately prepared and reviewed prior to completion.

Recommendation: The County should establish procedures for a supervisor to review schedules used to prepare the financial statements and accompanying notes so that errors can be identified and corrected in a timely manner.

07-07

The County needs to establish controls over its operating transfers

Criteria: GASB Statement No. 34 defines interfund services provided and used as sales and purchases of goods and services between funds and requires these to be reported as revenues in seller funds and expenditures or expenses in purchaser funds. In addition, the County should retain source documents to support all amounts recorded in the accounting records.

Condition and context: Transfers totaled approximately \$3.9 million in the County's governmental funds and \$250,000 in its proprietary fund financial statements. However, the County did not accurately record and report operating transfers. The County improperly reported a sale and purchase between funds as an operating transfer, and improperly reported an intrafund transfer as an operating transfer. Further, of the 12 transfers tested, the County did not retain supporting documentation for two transfers.

Effect: The errors resulted in overstatements of transfers in of approximately \$115,000 and transfers out of \$50,000, and an understatement of charges for services revenues of approximately \$115,000 in the Public Works Fund and an overstatement of transfers out of approximately \$165,000 and an understatement of

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

highways and streets expenditures of approximately \$115,000 in the aggregated remaining funds. The County adjusted its financial statements for these errors. This deficiency is considered a material weakness over financial reporting.

Cause: The County did not have policies and procedures in place to ensure operating transfers were actually operating transfers instead of corrections, reimbursements, or charges for services. The County did not follow its policies to retain supporting documents.

Recommendation: The County should establish policies and procedures to ensure transactions meet the definition of operating transfers and retain documents supporting the description and amount of operating transfers.

07-08

The County should establish formal written policies and procedures over its transaction cycles

Criteria: Written policies and procedures provide the basic framework needed for establishing employee accountability. They serve as a reference tool for employees seeking guidance on how to handle complex or infrequent transactions and situations. Additionally, they offer guidance for controlling daily operations.

Condition and context: The County lacked up-to-date policies and procedures. Specifically, employees have no current guidance for the following: payroll, purchasing, receiving, accounts payable, operating transfers, cash disbursements, cash receipts, financial statement preparation, and conflict-of-interest disclosure statements.

Effect: The lack of current policies and procedures increases the risk of errors and irregularities, theft, fraud, and misuse of public monies. This deficiency is considered a material weakness over financial reporting.

Cause: The County has not made establishing policies and procedures a priority.

Recommendation: The County should develop written policies and control procedures that address the following:

- Separating responsibilities—To ensure that no one person controls both recordkeeping and transaction processing activities
- Authorizing transactions—To ensure that responsible employees approve all transactions
- Maintaining accounting records—To ensure that all transactions are valid and recorded accurately and in a timely manner, and to ensure that no valid transactions have been omitted from the accounting records
- Maintaining physical control over assets and accounting records—To ensure that access to physical assets and information are controlled and properly restricted to authorized employees
- Resolving errors—To ensure that errors detected at any stage of processing receive prompt corrective action and are reported to the appropriate level of management
- Monitoring—To ensure that internal control procedures are placed into operation and continue to operate effectively.

Navajo County
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07-09

The County should establish conflict-of-interest policies and procedures

Criteria: A.R.S. §38-503 requires that board members, officers, and employees make known any substantial interest they have in any contract, sale, purchase, or service and refrain from voting or participating in such contract, sale, or purchase.

Condition and context: The County's elected officials and four employees were involved in purchasing decisions for 54 contracts totaling more than \$7.7 million during fiscal year 2007. However, the County did not require these individuals to complete conflict-of-interest statements.

Effect: No material related party transactions requiring note disclosure were identified. This deficiency is considered a material weakness over financial reporting and material noncompliance with A.R.S. §38-503.

Cause: The County did not have formal policies and procedures in place to identify, disclose, avoid, and manage conflicts of interest and disclose related party transactions.

Recommendation: The County should establish written policies and procedures requiring elected officials and employees involved in purchasing decisions to disclose conflicts of interest. In addition, the County should maintain a file of those disclosure forms, make sure that those board members and employees refrain from participating in contracts with those vendors, and disclose all transactions with such vendors in the notes to financial statements.

07-10

The County should strengthen computer access controls

Criteria: Access to the County's computer systems should be limited to those employees authorized to process transactions or maintain a particular system and the County should ensure that no one individual has the ability to modify data without an independent review.

Condition and context: System access controls help ensure that only authorized users have access to the County's computer systems and sensitive data. These controls are critical in preventing or detecting unauthorized use, damage, loss, or modification of programs, and misuse of sensitive information. System access controls restrict not only physical access to the County's systems, but also logical access to those systems. However, the County did not adequately limit logical access to its property tax system and its two general ledger systems during fiscal year 2007. Auditors reviewed access controls and noted the following deficiencies:

The Treasurer's Office's property tax management system processes \$66 million in tax dollars annually with 21 users having access to the system; however, the Office did not have adequate procedures in place to monitor users' access. Auditors noted the Office did not maintain a user list and documentation to support that users' access was approved. In addition, all six administrative users may process payments, run reports, and modify the underlying data tables, such as the tax apportionment percents, without an independent review.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

The Treasurer's Office's general ledger system accounts for all deposits, withdrawals, transfers, investment purchases, reinvestments, and investment sales for all participants in the Treasurer's investment pool and accounts. However, the Office did not have control procedures in place to limit system access rights to only those functions necessary to fulfill employees' job responsibilities. Auditors noted there was no formal process for new employees to gain access to the system. As a result, all six office employees having access to it had the ability to record the receipt of monies, enter journal entries, and perform warrant activities. In addition, user activity within the system was not recorded in the database, and therefore, unauthorized use may not be detected.

The County's general ledger system is the primary source for the County's financial statements; however, the County did not have control procedures in place to ensure users were granted appropriate access rights. Of the 20 users tested, the County did not deactivate access for 1 user who was terminated and did not modify access rights for 1 user when job responsibilities changed. In addition, 1 user had the ability to add, change, and delete data on the system, although these functions were unnecessary to fulfill his job responsibilities. In addition, approval e-mails for new users were brief and did not always provide the specific security roles assigned.

Further, users of the systems were not required to change their passwords on a regular basis, and requirements for length or type of password characters were not specified.

Effect: Users may have access to unauthorized information and the ability to perform unauthorized functions. Excessive access rights may allow users to perpetrate and conceal errors and irregularities, resulting in fraud and the possible misstatement of financial information. Ineffective password controls increase the risk of passwords being discovered and used by unauthorized users. This deficiency is considered a material weakness over financial reporting.

Cause: The County did not establish policies and procedures to ensure security over its computer systems to prevent or detect unauthorized use, damage, loss, or modification of programs, and misuse of sensitive information. In addition, the County did not configure its systems to require users to change their passwords regularly and to use passwords having restricted characteristics, and did not enable the systems to lock out users after a number of failed access attempts.

Recommendation: The County should establish policies and procedures that strengthen system access controls to prevent or detect unauthorized use, damage, loss, or modification of programs, and misuse of sensitive information. These procedures should:

- Limit logical access to authorized users of the County's and the County Treasurer's general ledger and property tax systems.
- Use a standardized access request form for approval for access to the systems, and retain all access request forms with the supervisor's approval.
- Eliminate access to all computer systems promptly when an employee leaves the County.
- Ensure access is compatible with each employee's job responsibilities.
- Require users to change passwords at regular intervals, such as every 3 months.
- Enforce a policy of locking out users after multiple failed attempts.
- Require users to set passwords that include special characters and minimum length.

Navajo County
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07-11

The County should strengthen computer change controls

Criteria: System changes, including those to procedures, processes, systems, and service parameters, should be logged, assessed, tested, and authorized prior to implementation and reviewed against planned outcomes following implementation. Additionally, a separation of responsibilities between the individual programmers who develop and test the program changes and the individuals who implement the changes in the production environment should exist.

Condition and context: The County did not ensure that program changes and changes to financial data were valid, met user needs, and were subject to review and independent approval. Auditors noted that only one employee was authorized to make program changes for the property tax system. Therefore, the same individual could approve, write, and implement the change without an independent review.

Effect: Inadequate program change management could lead to unauthorized changes, incorrect changes, and gaps between user expectations and the changes made. This deficiency is considered a material weakness over financial reporting.

Cause: The County does not have adequate procedures in place to ensure that program changes and changes to financial data are valid, meet user needs, and are subject to review and independent approval.

Recommendation: The County should establish standardized change management and production migration procedures that ensure controlled changes to its property tax system. These change management policies and procedures should include best practices such as:

- Request program changes in writing.
- Document testing procedures and results.
- Implement program changes only upon documented approval from users.
- Maintain separation of responsibilities between the design and development of changes and implementation of changes.

07-12

The County should complete a disaster recovery plan for its computer systems

Criteria: A complete disaster recovery plan should include formal equipment backup agreements covering machine time availability, application processing priorities, information exchanges regarding equipment configuration and system software changes, testing procedures, and cost.

Condition and context: The County's computer systems are vital to the County's daily operations since those systems process, record, and store critical financial information and other important data. However, auditors noted the County's Continuity of Operations Plan did not address the following items:

- A risk analysis identifying critical applications, exposures, and an assessment of the impact to the County.
- Details of off-site storage locations.

Navajo County
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- Arrangements for a designated physical facility.
- Arrangements with vendors to support needed hardware and software requirements.
- Emergency telephone numbers to reach employees assigned to disaster recovery teams.
- A list of procedures for processing critical transactions, including forms or other documents to use.

A similar finding was provided to the County in the prior year.

Effect: The County's ability to process transactions is not adequately protected in the event of a disaster.

Cause: The County has not completed its disaster recovery plan to address the prior-year recommendation.

Recommendation: The County should update and test its disaster recovery plan annually. In addition, the County should ensure the plan includes:

- A risk analysis identifying critical applications, exposures, and an assessment of the impact to the County.
- Details of off-site storage locations.
- Arrangements for a designated physical facility.
- Arrangements with vendors to support needed hardware and software requirements.
- A current listing of employees assigned to disaster teams, including emergency telephone numbers.
- A list of procedures for processing critical transactions, including forms or other documents to use.
- Overall testing strategies, testing frequencies, and documentation of test results.

07-13

The County should retain source documents to support expenditures

Criteria: Source documents should be retained to support all amounts recorded in the accounting records.

Condition and context: The County processed more than 40,000 expenditure transactions during fiscal year 2007. However, the County did not always retain supporting documentation. For example, for 4 of 82 expenditures tested, the County was unable to provide the packet of supporting documents and only provided a photocopy of the invoice. Therefore, auditors were unable to verify if the expenditures were properly approved and reported in the appropriate accounts, and whether the invoices were cancelled to prevent duplicate payments.

Effect: The amounts recorded in the accounting records were not properly supported and possible errors or fraud may be undetected.

Cause: The County Finance Department misplaced the applicable supporting documents.

Recommendation: The County should ensure all supporting documents are retained according to its retention policies.

Navajo County
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07-14

The County should submit its Annual Expenditure Limitation Report in a timely manner

Criteria: A.R.S. §41-1279.07(C) requires the County to submit an Annual Expenditure Limitation Report (AELR) to the Auditor General's Office within 4 months after fiscal year-end, or by February 28 if the Auditor General grants a 120-day extension.

Condition and context: The AELR discloses whether the County complied with constitutional spending limits established by the Economic Estimates Commission. However, the County has failed to submit its AELR for the year ended June 30, 2007, in a timely manner. The AELR is more than 24 months past the prescribed statutory October 31, 2007, deadline. As discussed in findings 07-01 through 07-07, several material weaknesses in financial reporting have contributed to the late report submissions. A similar finding was provided to the County in the prior year.

Effect: The County could face sanctions if the County continues to not submit its AELR by the deadline. This deficiency is considered material noncompliance with A.R.S. §41-1279.07(C).

Cause: The County's delays in issuing its financial statements have also caused the late AELR submission.

Recommendation: The County should submit the reports required by the *Uniform Expenditure Reporting System* to the Auditor General of the State of Arizona by October 31, or by February 28 if a 120-day extension is granted.

07-15

The County should restrict use of public monies to allowed purposes

Criteria: Arizona Constitution, Article IX, §7, prohibits a county from giving or loaning its credit. In addition, A.R.S. §35-301 prohibits the unlawful disbursement of public monies.

Condition and context: The County maintained a revolving fund account for the sole purpose of travel advances. However, the County inappropriately loaned public monies to the Sun Valley Fire District from this account. Specifically, the County inappropriately issued checks totaling approximately \$68,000 from its revolving fund account to pay vendors on behalf of the Fire District for which the County was temporarily responsible. The County's revolving fund account was reimbursed by the Fire District for all checks issued.

Effect: The County was not in compliance with the Arizona Constitution, Article IX, Section 7, and A.R.S. §35-301, and there is the possibility of errors and fraud when making such payments.

Cause: The County did not have controls in place to ensure that it made the fire district payments directly from the District's account with the County Treasurer.

Recommendation: The County should ensure that future payments made on behalf of the District are made directly from the District's account with the County Treasurer.

Navajo County
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Federal Award Findings and Questioned Costs

07-101

CFDA No.: Not applicable

Questioned Cost: N/A

Criteria: OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320, requires the County to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end, unless the County's federal oversight agency approves an extension of this deadline.

Condition and context: The federal reporting deadline for the County's Single Audit Reporting Package was March 31, 2008; however, the County did not issue its Single Audit Reporting Package until November 2009. In addition, the County's federal oversight agency, U.S. Department of the Interior, did not approve an extension for late submission of the 2007 single audit reporting package. This finding is similar to a prior-year finding.

Effect: The late submission affects all federal programs administered by the County. This finding is considered a material weakness in internal control over compliance and material noncompliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, §.320. However, this finding does not result in a control deficiency in internal control over compliance or noncompliance for the individual federal programs.

Cause: As discussed in findings 07-01 through 07-07, the County had several material weaknesses over financial reporting that contributed to the late submission of its Single Audit Reporting Package.

Recommendation: The County should improve its financial reporting process so that it can submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end, unless the County's federal oversight agency approves an extension of this deadline.

Navajo County
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07-102

CFDA No.: 10.664 **Cooperative Forestry Assistance**

U.S. Department of Agriculture

Passed through the Arizona State Land Department

Award Year: August 1, 2005 through September 30, 2007

Award Numbers: SFA 5-5 and SFA 5009

CFDA No.: 93.268 **Immunization Grants**

U.S. Department of Health and Human Services

Passed through the Arizona Department of Health Services

Award Year: January 1, 2003 through December 31, 2007

Award Number: H6352200

CFDA No.: 93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**

U.S. Department of Health and Human Services

Passed through the Arizona Department of Health Services

Award Year: August 31, 2006 through August 30, 2007

Award Number: 252039

Questioned Cost: N/A

Criteria: OMB Circular A-133, §.300, requires the County to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received, and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA). OMB Circular A-133, §.310(b), requires the SEFA to include the Catalog of Federal Domestic Assistance (CFDA) title and number, amount expended, name of the federal awarding agency, and if applicable, name and identifying number of the pass-through grantor, for each of the County's federal awards.

Condition and context: The County did not properly identify federal awards in its records and accounting system so that it could prepare an accurate and complete SEFA. Specifically, auditors noted that 22 programs had inaccurate expenditures reported; 4 programs had incorrect program titles; 3 programs had incorrect CFDA numbers; and 12 programs had incorrect pass-through or federal grantors. In addition, 3 program clusters were not properly identified as such. This finding is similar to a prior-year finding.

Effect: The County adjusted its SEFA for all significant errors. This finding is considered a material weakness in internal control over compliance and material noncompliance with OMB Circular A-133, §§.300 and .310(b), for the County Finance Department, and for the departments administering the Cooperative Forestry Assistance, Immunization Grants, and Centers for Disease Control and Prevention—Investigations and Technical Assistance programs.

Cause: The County did not have procedures in place to identify federal award expenditures in its records and accounting system or ensure that all federal programs and expenditures were properly recorded on the SEFA, and the SEFA was prepared by County Finance Department employees having no prior accounting or federal program experience. In addition, the Cooperative Forestry Assistance supporting documentation did not identify the amount of federal expenditures and program administrators were

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

unable to identify the federal expenditures for that program; therefore, auditors contacted the pass-through grantor to obtain the amount of federal expenditures reimbursed to the County. The Centers for Disease Control and Prevention—Investigations and Technical Assistance program administrators were unable to properly identify the federal expenditures for the program since they were not clear about the program names and corresponding county fund numbers for that program. Further, the Immunization Grants program administrators did not know the amount of noncash assistance expended; therefore, auditors contacted the pass-through grantor and obtained the noncash amount expended during the fiscal year.

Recommendation: The County should ensure that the SEFA is accurate and complete and contains all required information. The County should establish the following policies and procedures for recording federal program expenditures in its accounting system and for preparing the SEFA.

- Assign an identifying number in the accounting system for grant programs to enable grant administrators to record expenditures by award period.
- Monitor departments administering federal programs to ensure that program expenditures are properly recorded.
- Develop instructions on how to properly report federal expenditures on the SEFA when a program is less than 100 percent federally-funded.
- Confirm federal program information reported on the SEFA with the departments responsible for administering the federal programs or by contacting the grantor agency, if necessary.
- Review the SEFA for accuracy and completeness.

07-103

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

U.S. Department of Agriculture

Passed through the Arizona Department of Health Services

Award Year: October 1, 2004 through September 30, 2007

Award Numbers: HG361082

Reporting

Questioned Cost: None

Criteria: Title 7 of the Code of Federal Regulations (CFR) §246.25(d) states that all financial and program performance reports should be supported by source documentation.

Condition and context: For three of four monthly Contractor's Expenditure Reports (CERs) tested, expenditures did not agree to the accounting records and the Office was not able to provide documentation explaining the discrepancy of \$38,023. This finding is similar to a prior-year finding.

Effect: The County may not have been reimbursed for program expenditures in the amount of \$38,023, which were not reported on the CERs. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the Special Supplemental Nutrition Program for Women, Infants, and Children program's reporting requirements.

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Year Ended June 30, 2007

Cause: The Office did not have adequate policies and procedures for ensuring that program expenditures reported on the monthly CERs were properly supported. The Office generated reports from the County's general ledger system prior to month-end close-out procedures; therefore, accurate information was not always obtained.

Recommendation: The Office should establish the following policies and procedures for preparing and reviewing the monthly CERs.

- Generate the general ledger reports after month-end close-out procedures.
- Retain supporting documentation used for compiling the monthly CERs.
- Review the monthly CERs for accuracy.

07-104

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

U.S. Department of Agriculture

Passed through the Arizona Department of Health Services

Award Year: October 1, 2004 through September 30, 2007

Award Numbers: HG361082

Eligibility

Questioned Cost: Unknown

Criteria: 7 CFR §246.7(i)(9) requires the signature of a competent professional authority on the rights and responsibilities form. The *Arizona WIC Policies and Procedures Manual* requires all records pertaining to a specific fiscal year to be retained for 5 years and 5 months after the federal fiscal year ends, September 30, unless otherwise specified. The County's intergovernmental agreement states that all Women, Infants and Children (WIC) facilities must maintain an accurate signed rights and responsibilities form for enrolled participants both active and inactive.

Condition and context: Although auditors were able to verify eligibility information on the Arizona Department of Health Services Arizona in Motion (AIM) system for the 61 participant case files tested, auditors noted the following instances of noncompliance. For two participants tested, the community nutrition worker did not approve the rights and responsibilities form; for five participants tested, the certification date was missing or was incorrect on the rights and responsibilities form; and for seven participants tested, the rights and responsibilities forms could not be located for the applicable certification period. In addition, the WIC Office did not separate responsibilities effectively since the same employee could prepare the application and determine eligibility. Further, a supervisory review and approval of information entered on the AIM system was not required. This finding is similar to a prior-year finding.

Effect: It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the Special Supplemental Nutrition Program for Women, Infants, and Children program's eligibility requirements.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Cause: The Office did not follow its procedures to ensure that all necessary eligibility information and documentation was maintained and that program benefits were not provided to those who were not eligible to receive them. In addition, the Office did not design its procedures to separate incompatible responsibilities among employees.

Recommendation: The Office should follow its policies and procedures for eligibility determination and separate application preparation and eligibility determination responsibilities, or, at a minimum, require increased supervisory review. Further, a supervisor should ensure that all rights and responsibilities forms are complete, approved, and maintained in the participants' files.

07-105

CFDA No.: 93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**
U.S. Department of Health and Human Services

Passed through the Arizona Department of Health Services

Award Year: August 31, 2006 through August 30, 2007

Award Number: 252039

Activities allowed or unallowed, allowable costs/cost principles, and reporting

Questioned Cost: \$6,895

Criteria: 45 CFR §92.20(b)(1), (2), (4), and (6) require that financial reporting be complete and accurate, information related to the grant be maintained in the accounting records, actual expenditures be compared with budgeted amounts, and accounting records be supported by source documentation.

Condition and context: The County Health Department did not ensure that expenditures for monthly CERs were accurate. Specifically, for four of five monthly CERs tested, expenditures did not agree to the accounting records, and the Department was not able to provide support for the differences totaling \$6,895. Auditors also noted an incorrect budget amount on one report. This finding is similar to a prior-year finding.

Effect: The Department may have been reimbursed for unallowable program expenditures of \$6,895. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the Centers for Disease Control and Prevention—Investigations and Technical Assistance program's activities allowed or unallowed, allowable costs/cost principles, and reporting requirements.

Cause: The Department did not have policies and procedures to ensure that it maintained appropriate accounting records and supporting documentation. In addition, the Department did not adequately reconcile the amounts from the accounting records to reported amounts and the employee responsible for approving the CERs did not review the reports thoroughly.

Recommendation: The Department should establish the following policies and procedures that help ensure that expenditures on the CERs are accurate.

Navajo County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

- Reconcile the accounting records to the prepared reports.
- Review reports to ensure that the information reported is accurate and complete.

07-106

CFDA No.: 93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**
U.S. Department of Health and Human Services

Passed through the Arizona Department of Health Services

Award Year: August 31, 2006 through August 30, 2007

Award Number: 252039

Activities allowed or unallowed and allowable costs/cost principles

Questioned Cost: \$1,386

Criteria: 45 CFR §92.20(b)(6) requires that accounting records be supported by source documentation. 45 CFR §92.42(b)(1) and (c)(1) require that records be retained 3 years from the date of the final report. 2 CFR 225, Appendix A, section C.1.h.1, requires that costs be net of applicable credits.

Condition and context: The County Health Department did not ensure that amounts charged to the program or corrections made to the amounts were properly supported, approved, or net of applicable credits. Specifically, for the 47 transactions tested, auditors noted that supporting documentation was not retained for 5 transactions; credits were not deducted from the payments for 2 transactions; and approvals were not documented for 3 transactions, resulting in errors totaling \$1,386. This finding is similar to a prior-year finding.

Effect: The Department may have been reimbursed for unallowable program expenditures of \$1,386. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the Centers for Disease Control and Prevention—Investigations and Technical Assistance program’s activities allowed or unallowed and allowable costs/cost principles requirements.

Cause: The Department does not have adequate policies and procedures, and does not appear to be diligent in maintaining documentation or obtaining approvals. There also appears to be a lack of supervisory review in the Finance Department to ensure that credits are properly deducted from payments.

Recommendation: The Department should implement policies and procedures for maintaining documentation to support that expenditures are approved before payment. In addition, a department supervisor or other designated employee should review all expenditures and related supporting documentation for accuracy and to ensure that the charges are allowed by the federal program and all applicable credits are deducted.

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Year Ended June 30, 2007

07-107

CFDA No.: 93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**
U.S. Department of Health and Human Services

Passed through the Arizona Department of Health Services

Award Year: August 31, 2006 through August 30, 2007

Award Number: 252039

Procurement and suspension and debarment

Questioned Cost: None

Criteria: 45 CFR §92.36 requires that grantees use their own procurement procedures that reflect applicable state and local laws and regulations and that the procurements conform to applicable federal laws. A.R.S. §11-254.01 requires that counties use sealed, competitive bidding procedures for purchases of supplies, materials, equipment, and contractual services, except professional services, with estimated costs exceeding \$10,000, unless the board of supervisors elects to adopt the State's procurement threshold which is currently \$50,000. 45 CFR §92.35 requires that grantees not make any award to any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs.

Condition and context: The County Health Department did not follow appropriate procurement and suspension and debarment procedures. Specifically, for the one transaction costing over \$54,000, the Department did not use sealed, competitive bidding procedures and, since the item was purchased through the Internet, no contract or other documentation was available indicating that the vendor was not suspended or debarred. Further, the Department did not perform procedures to determine if the vendor was suspended or debarred; however, the auditors determined that the vendor was not suspended or debarred.

Effect: This finding is a material weakness in internal control over compliance and material noncompliance with the Centers for Disease Control and Prevention—Investigations and Technical Assistance program's procurement and suspension and debarment requirements.

Cause: The Department does not have formal written policies and procedures for procurement and suspension and debarment.

Recommendation: The Department should establish and enforce written policies and procedures for procurement that reflect applicable state and local laws and regulations and ensure procurements conform to applicable federal laws. In addition, the department should establish and enforce written policies and procedures for suspension and debarment that determine if a vendor was suspended and debarred or is otherwise excluded from or ineligible for participation in federal assistance programs, and prohibit the contracting with suspended and debarred vendors.



NAVAJO COUNTY

Finance Department

James Menlove • Finance Director

Mary Springer • Deputy Finance Director

"Proudly Serving, Continuously Improving"

November 5, 2009

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 names of the contact persons 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 Questioned Costs.

Sincerely,

James Menlove
Finance Director

Navajo County
Corrective Action Plan
Year Ended June 30, 2007

Financial Statement Findings

07-01

The County should establish procedures to accurately record and report financial information

Corrective Action Plan: Concur. The Navajo County Board of Supervisors and management are committed to allocating the necessary resources to ensure that all financial reports and statements are prepared accurately and timely. The County Manager and Finance Director have met on several occasions with the Arizona Auditor General and her senior management team. The purpose of these meetings with the Arizona Office of the Auditor General (OAG) are to (1) ensure that there is ongoing communication between the County and the OAG, (2) determine that adequate progress is being made by the County toward ensuring that our financial reports are prepared accurately and timely, and (3) to review steps the County has taken to correct various reporting deficiencies that have existed. The County is in the process of compiling the fiscal years 2007-08 and 2008-09 financial statements including notes and the Schedule of Expenditures of Federal Awards (SEFA). To issue our financial statements and SEFA timelier we will provide these statements, schedules and notes to the OAG by December 31, 2009 so that the OAG can audit both years simultaneously to the extent possible. We expect that the County will issue its fiscal year 2007-08 and 2008-09 audited financial statements and Single Audit reports by October 31, 2010.

07-02

The County should improve procedures for capital assets reporting

Corrective Action Plan: Concur. The County has performed several key steps to correct this deficiency as noted below.

- We contracted with an independent consultant to perform an analysis and valuation of the County's land, buildings and infrastructure. To help ensure the accuracy of reporting for the County's infrastructure an inventory was taken by the Public Works Department during the summer of 2008. Additionally, the County's Finance Department has subsequently verified the accuracy of the reporting of our land and buildings.
- A physical inventory of machinery and equipment with a unit cost of \$1,000 or more and useful lives longer than 1 year has been completed by Finance Department staff. Our physical inventory also included stewardship items such as information systems equipment with a unit cost less than \$1,000. We have also implemented procedures to perform a physical inventory of all capital assets biennially.
- The reconciliation of our physical capital asset inventory to the County's financial records was completed by June 30, 2009. The Capital Asset Manager (a new County position as of September 2007) has the responsibility to ensure that the County's capital assets are properly recorded, accounted for, and reported accurately and timely.

07-03

The County should reconcile its cash and investments records to the Treasurer's records

Corrective Action Plan: Concur. The County has invested considerable resources to ensure that each fund's cash and investment balances are reconciled to the County Treasurer. All funds will be reconciled by December 31, 2009. Additionally, we are in the process of implementing procedures to ensure that each fund is reconciled daily.

Navajo County
Corrective Action Plan
Year Ended June 30, 2007

07-04

The County should properly value and report its investments

Corrective Action Plan: Concur. The County has implemented procedures to ensure that the required valuation method is used for investments financial statement disclosures. Additionally we will ensure that all investments are properly classified for financial statement note disclosure.

07-05

The County should accurately record revenues and amounts due from other governments

Corrective Action Plan: Concur. The County has implemented internal controls and operating procedures to ensure that transactions are recorded properly and monitored continuously. Beginning July 1, 2009 the Finance Department meets monthly with elected officials and department directors to review in detail our financial records. This will help ensure that transactions are properly recorded and that in the event of an error the appropriate levels of management are notified and issues are resolved properly and timely.

07-06

The County should properly report its long term-liabilities amounts

Corrective Action Plan: Concur. The County has implemented procedures to ensure that schedules used to prepare the financial statements and note disclosures are properly presented.

07-07

The County needs to establish controls over its operating transfers

Corrective Action Plan: Concur. The County has implemented procedures to ensure that operating transfers are properly recorded and supporting documentation is retained.

07-08

The County should establish formal written policies and procedures over its transaction cycles

Corrective Action Plan: Concur. The County's formal written policies and procedures are not current and do not accurately reflect internal controls that are currently used. The County Board of Supervisors formally adopted certain budgetary and financial policies in August 2009. Additionally, the Finance Department is working to ensure that all fiscal policies are formally adopted and that a detailed description of current control procedures has been written.

07-09

The County should establish conflict-of-interest policies and procedures

Corrective Action Plan: Concur. The County will establish written policies and procedures requiring elected officials and employees involved in purchasing decisions to disclose a conflict of interest. A file of the disclosure forms will be maintained.

Navajo County
Corrective Action Plan
Year Ended June 30, 2007

07-10

The County should strengthen computer access controls

Corrective Action Plan: Concur. The County will establish written policies and procedures that will help to strengthen system access controls to prevent or detect unauthorized use, damage, loss, or modification of programs, and misuse of sensitive information.

07-11

The County should strengthen computer change controls

Corrective Action Plan: Concur. The County will establish written policies and procedures that will establish standardized change management and production migration procedures that ensure controlled changes to its property tax system.

07-12

The County should complete a disaster recovery plan for its computer systems

Corrective Action Plan: Concur. The Board of Supervisors formally adopted a Continuity of Operations Plan (COOP) on September 18, 2006. The County will ensure that the COOP disaster recovery includes the following additional components and procedures.

- A risk analysis identifying critical applications, exposures, and the impact to the County.
- Details of off-site storage locations.
- Arrangements for a designated physical facility.
- Arrangements with vendors to support needed hardware and software requirements.
- A current listing of employees assigned to disaster teams, including emergency telephone numbers.
- A list of procedures for processing critical transactions, including forms or other documents to use.
- Overall testing strategies, testing frequencies, and documentation of test results.

07-13

The County should retain source documents to support expenditures

Corrective Action Plan: Concur. The County will establish written policies and procedures that will help ensure all supporting documents are retained according to its retention policies.

07-14

The County should submit its Annual Expenditure Limitation Report in a timely manner

Corrective Action Plan: Concur. The County will implement procedures to ensure the AELR is submitted to the OAG as required by Arizona Revised Statutes. The County has committed to completing the delinquent AELR reports for submission to the OAG within 30 days after the applicable financial statements are issued.

Navajo County
Corrective Action Plan
Year Ended June 30, 2007

07-15

The County should restrict use of public monies to allowed purposes

Corrective Action Plan: Concur. The County will establish written policies and procedures that will help ensure payments made on behalf of other political entities are made directly from their accounts with the County Treasurer.

Federal Award Findings and Questioned Costs

07-101

CFDA No.: Not applicable

Contact person: James Menlove, Finance Director, (928) 524-4061

Anticipated completion date: October 31, 2010

Response: Concur

Corrective Action Plan: The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

07-102

CFDA No.: 10.664 Cooperative Forestry Assistance

CFDA No.: 93.268 Immunization Grants

CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations & Technical Assistance

Contact person: James Menlove, Finance Director, (928) 524-4061

Anticipated completion date: June 30, 2010

Response: Concur

Corrective Action Plan: The County will establish written policies and procedures to help ensure the proper recording of federal program expenditures in our accounting system and for preparing the SEFA. On July 1, 2008, the County implemented a new chart of accounts to help ensure our account code structure can accommodate the proper recording and reporting of all County transactions. Additionally, in August 2009 the County hired a grant administrator to help ensure the County's SEFA is prepared accurately and submitted timely and that other federal reporting requirements are met.

07-103

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

Contact person: James Menlove, Finance Director, (928) 524-4061

Anticipated completion date: December 31, 2009

Response: Concur

Corrective Action Plan: The County will implement procedures for preparing and reviewing the monthly CERs.

Navajo County
Corrective Action Plan
Year Ended June 30, 2007

07-104

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
Contact person: James Menlove, Finance Director, (928) 524-4061
Anticipated completion date: December 31, 2009

Response: Concur

Corrective Action Plan: The County will work to ensure that established policies and procedures for eligibility determination are followed and that the intake and eligibility determination functions are properly segregated including increased supervisory reviews as necessary. Additionally, a supervisor will ensure that all rights and responsibilities forms are complete, approved, and maintained in the participants' file.

07-105

CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations & Technical Assistance
Contact person: James Menlove, Finance Director, (928) 524-4061
Anticipated completion date: December 31, 2009

Response: Concur

Corrective Action Plan: The County will implement procedures to ensure that expenditures for CERs are accurate.

07-106

CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations & Technical Assistance
Contact person: James Menlove, Finance Director, (928) 524-4061
Anticipated completion date: December 31, 2009

Response: Concur

Corrective Action Plan: The County will establish policies and procedures to ensure that documentation to support the authorization of charges is properly maintained. Additionally, a department supervisor or other designated employee will review all expenditures and related supporting documentation for accuracy and to ensure that the charges are allowed by the federal program's requirements and that all applicable credits are deducted.

07-107

CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations & Technical Assistance
Contact person: James Menlove, Finance Director, (928) 524-4061
Anticipated completion date: December 31, 2009

Response: Concur

Corrective Action Plan: The County will establish and enforce written policies and procedures for procurement and suspension and debarment and ensure that all applicable personnel are aware of these requirements.



NAVAJO COUNTY

Finance Department

James Menlove • Finance Director

Mary Springer • Deputy Finance Director

"Proudly Serving, Continuously Improving"

November 5, 2009

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 Questioned 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,

James Menlove
Finance Director

Navajo County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Status of Federal Award Findings and Questioned Costs

03-103

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
10.904 Watershed Protection and Flood Prevention
14.228 Community Development Block Grants/State's Program
14.239 HOME Investments Partnerships Program
Workforce Investment Act Cluster:
17.258 WIA Adult Program
17.259 WIA Youth Activities
17.260 WIA Dislocated Workers
83.554 Public Assistance Grant
83.566 Fire Management Assistance Grant
93.563 Child Support Enforcement Grant

Status: Fully corrected

03-104

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
10.904 Watershed Protection and Flood Prevention
14.228 Community Development Block Grants/State's Program
14.239 HOME Investments Partnerships Program
Workforce Investment Act Cluster:
17.258 WIA Adult Program
17.259 WIA Youth Activities
17.260 WIA Dislocated Workers
83.554 Public Assistance Grant
83.566 Fire Management Assistance Grant
93.563 Child Support Enforcement Grant

Status: Fully corrected

03-105

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
10.904 Watershed Protection and Flood Prevention
14.228 Community Development Block Grants/State's Program
14.239 HOME Investments Partnerships Program
Workforce Investment Act Cluster:
17.258 WIA Adult Program
17.259 WIA Youth Activities
17.260 WIA Dislocated Workers
83.554 Public Assistance Grant
83.566 Fire Management Assistance Grant
93.563 Child Support Enforcement Grant

Status: Not corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

Navajo County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

04-101

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
15.226 Payments in Lieu of Taxes
16.579 Byrne Formula Grant Program
Workforce Investment Act Cluster:
17.258 WIA Adult Program
17.259 WIA Youth Activities
39.011 Election Reform Payments
93.563 Child Support Enforcement Grant
97.004 State Domestic Preparedness Equipment Support Program

Status: Not corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

04-102

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

Status: Not Corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will work to ensure that established policies and procedures for eligibility determination are followed. We will also retain all certification forms and supporting documentation.

04-103

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

Workforce Investment Act Cluster:

17.258 WIA Adult Program

17.259 WIA Youth Activities

39.011 Election Reform Payments

93.563 Child Support Enforcement Grant

97.004 State Domestic Preparedness Equipment Support Program

Status: Fully corrected

04-104

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

15.226 Payments in Lieu of Taxes

16.579 Byrne Formula Grant Program

Workforce Investment Act Cluster:

17.258 WIA Adult Program

17.259 WIA Youth Activities

39.011 Election Reform Payments

93.563 Child Support Enforcement Grant

97.004 State Domestic Preparedness Equipment Support Program

Status: Fully corrected

Navajo County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

05-101

CFDA No.: 15.226 Payments in Lieu of Taxes

16.579 Byrne Formula Grant Program

Workforce Investment Act Cluster:

17.258 WIA Adult Program

17.259 WIA Youth Activities

93.283 Centers for Disease Control and Prevention — Investigations and Technical Assistance

93.563 Child Support Enforcement Grant

Status: Not corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

05-102

CFDA No.: Workforce Investment Act Cluster:

17.258 WIA Adult Program

17.259 WIA Youth Activities

93.283 Centers for Disease Control and Prevention — Investigations and Technical Assistance

93.563 Child Support Enforcement Grant

Status: Fully corrected

05-103

CFDA No.: 15.226 Payments in Lieu of Taxes

16.579 Byrne Formula Grant Program

Workforce Investment Act Cluster:

17.258 WIA Adult Program

17.259 WIA Youth Activities

93.283 Centers for Disease Control and Prevention — Investigations and Technical Assistance

93.563 Child Support Enforcement Grant

Status: Fully corrected

05-104

CFDA No.: 93.283 Centers for Disease Control and Prevention — Investigations and Technical Assistance

Status: Not corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will work to ensure that all expenditures are pre-approved, properly reported to the grantor agencies in a timely manner, and are properly supported.

05-105

CFDA No.: 93.563 Child Support Enforcement Grant

Status: Fully corrected

Navajo County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

06-101

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
10.923 Emergency Watershed Protection Program
14.228 Community Development Block Grants/State's Program
15.226 Payments in Lieu of Taxes
93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance
93.563 Child Support Enforcement Grant
Homeland Security Grant Program Cluster:
97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant Program

Status: Not corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will implement procedures to ensure the Single Audit Reporting Package is submitted to the federal clearinghouse within nine months of the County's fiscal year end.

06-102

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
10.923 Emergency Watershed Protection Program
14.228 Community Development Block Grants/State's Program
15.226 Payments in Lieu of Taxes
93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance
93.563 Child Support Enforcement Grant
Homeland Security Grant Program Cluster:
97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant Program

Status: Fully corrected

06-103

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
10.923 Emergency Watershed Protection Program
14.228 Community Development Block Grants/State's Program
15.226 Payments in Lieu of Taxes
93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance
93.563 Child Support Enforcement Grant
Homeland Security Grant Program Cluster:
97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant Program

Status: Not corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will establish written policies and procedures to help ensure the proper recording of federal program expenditures in our accounting system and for preparing the SEFA. On July 1, 2008, the County implemented a new chart of accounts to help ensure our account code structure can accommodate the proper recording and reporting of all County transactions. Additionally, in August 2009 the County hired a grant administrator to help ensure the County's SEFA is prepared accurately and submitted timely and that other federal reporting requirements are met.

Navajo County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

06-104

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children
14.228 Community Development Block Grants/State's Program
15.226 Payments in Lieu of Taxes
93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance
93.563 Child Support Enforcement Grant
Homeland Security Grant Program Cluster:
97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant Program

Status: Fully corrected

06-105

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

Status: Not Corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will work to ensure that established policies and procedures for eligibility determination are followed and that the intake and eligibility determination functions are properly segregated including increased supervisory reviews as necessary. Additionally, a supervisor will ensure that all rights and responsibilities forms are complete, approved, and maintained in the participants' file.

06-106

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

Status: Not Corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will implement procedures to ensure that expenditures for CERs are accurate.

06-107

CFDA No.: 10.923 Emergency Watershed Protection Program

Homeland Security Grant Program Cluster:

97.004 State Domestic Preparedness Equipment Support Program

97.067 Homeland Security Grant Program

Status: Not Corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will establish and enforce written policies and procedures for procurement, suspension and debarment and to ensure that all applicable personnel are aware of these requirements.

06-108

CFDA No.: 14.228 Community Development Block Grants/State's Program

Status: Not Corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will implement procedures to ensure an environmental review is performed on all contractors and that documentation is retained.

Navajo County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

06-109

CFDA No.: 14.228 Community Development Block Grants/State's Program
Homeland Security Grant Program Cluster:
97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant Program

Status: Not Corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will develop and implement written policies and procedures to ensure that goods and services are purchased through a competitive process and that applicable supporting documentation is maintained.

06-110

CFDA No.: 93.283 Centers for Disease Control and Prevention—Investigations and Technical Assistance

Status: Not corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will implement procedures to ensure that all expenditures are adequately supported and are allowed by the federal program's requirements. We will also ensure that employee duties and responsibilities are properly separated or that supervisory reviews are performed for the purchasing function.

06-111

CFDA No.: 93.563 Child Support Enforcement Grant

Status: Fully corrected

06-112

CFDA No.: 93.563 Child Support Enforcement Grant

Status: Not corrected

Contact person(s): James Menlove, Finance Director, (928) 524-4061

The County will implement procedures to ensure that that monthly financial reports are prepared accurately and submitted to the pass-through grantor agency timely.