

Navajo County, Arizona
SINGLE AUDIT REPORTING PACKAGE
Year Ended June 30, 2024

Navajo County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2024
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**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***

The Arizona Auditor General

The Board of Supervisors of
Navajo County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Navajo County, Arizona (the County), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 28, 2025.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fester & Chapman, PLLC

February 28, 2025



Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Arizona Auditor General

The Board of Supervisors of
Navajo County, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Navajo County's compliance with the types of compliance requirements identified as subject to audit in the *U.S Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2024. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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 U.S. Comptroller General, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Management's Responsibilities for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as items 2024-101, 2024-102, 2024-103, and 2024-105. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable

possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-102 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2024-101, 2024-103, 2024-104 and 2024-105 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

County Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the noncompliance and internal control over compliance findings that are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated February 28, 2025, that contained unmodified opinions on those financial statements. 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fester & Chapman, PLLC

March 26, 2025

Navajo County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Agency/Assistance Listings	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	CTR067944	\$ 463,322	-
10.664	Cooperative Forestry Assistance			HFI 23-201; HFI 22-323; HFI21-306	73,075	-
10.665	Schools and Roads - Grants to States	Forest Service Schools and Roads Cluster			758,061	-
	Total Department of Agriculture				<u>1,294,458</u>	<u>-</u>
Department of Housing and Urban Development						
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		Assistant Secretary for Community Planning and Development		19,000	-
	Total Department of Housing and Urban Development				<u>19,000</u>	<u>-</u>
Department of Justice						
16.043	Veterans Treatment Court Discretionary Grant Program				13,414	-
16.575	Crime Victim Assistance		Arizona Department of Public Safety	2018-V2-GX-0012	162,077	-
16.576	Crime Victim Compensation		Arizona Criminal Justice Commission	VC-23-010	12,100	-
16.588	Violence Against Women Formula			ST-WSG-20-010121-13Y3	65,847	-
16.738	Edward Byrne Memorial Justice Assistance Grant Program			DC-24-008	101,160	-
16.838	Comprehensive Opioid, Stimulant, and Other Substance Abuse Site-based Program		Office of Justice Programs	15PBJA-22-GG-04456-COAP; CJTIP-24-003	318,984	-
16.922	Equitable Sharing Program		Offices, Boards and Divisions	AZ0090000	1,680	-
	Total Department of Justice				<u>675,262</u>	<u>-</u>
Department of Labor						
17.258	WIOA Adult Program	WIOA Cluster	Arizona Department of Economic Security	DI23-002388	572,583	\$ 432,239
17.259	WIOA Youth Activities	WIOA Cluster	Arizona Department of Economic Security	DI23-002388	500,483	259,479
17.278	WIOA Dislocated Worker Formula Grants	WIOA Cluster	Arizona Department of Economic Security	DI23-002388	591,933	144,460
	<i>Total WIOA Cluster</i>				<u>1,664,999</u>	<u>836,178</u>
	Total Department of Labor				<u>1,664,999</u>	<u>836,178</u>
Department of Transportation						
20.600	State and Community Highway Safety	Highway Safety Cluster	Governor's Office of Highway Safety	2023-405D-027; 2024-405d-025; 2024-PTS-037; 2023-PTS-038	21,846	-
20.616	National Priority Safety Programs	Highway Safety Cluster	Arizona Department of Health Services		3,007	-
	<i>Total Highway Safety Cluster</i>				<u>24,853</u>	<u>-</u>
	Total Department of Transportation				<u>24,853</u>	<u>-</u>
Department of Treasury						
21.016	Equitable Sharing Program		Offices, Boards and Divisions	AZ0090000	33,604	-
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds				2,843,304	-
21.032	COVID-19 Local Assistance and Tribal Consistency Fund				2,393,658	-
	Total Department of Treasury				<u>5,270,566</u>	<u>-</u>
Federal Communications Commission						
32.011	Affordable Connectivity Outreach Grant Program				68,712	-
	Total Federal Communications Commission				<u>68,712</u>	<u>-</u>
Institute of Museum and Library Services or National Endowment for the Humanities						
45.164	Promotion of the Humanities Public Programs/Navajo Weaving Traditions Workshop		Association of Tribal Libraries, Archives, and Museums	2133	11,820	-
45.310	Grants to States				10,957	-
	Total Institute of Museum and Library Services or National Endowment for the Humanities				<u>22,777</u>	<u>-</u>
Department of Education						
84.013A	Title I State Agency Program for Neglected and Delinquent Children and Youth		Office of Special Education and Rehabilitative Services	24FCLCCCL-4111411-02A	1,917	-
84.027A	Special Education-Grants to States (IDEA, Part B)	Special Education Cluster (IDEA)	Office of Special Education and Rehabilitative Services	24ICSGBA-411413-01A; 24ICSGBA-411411-01A	6,205	-

See accompanying notes to schedule.

Navajo County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

Federal Agency/Assistance Listings	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
84.371C	Comprehensive Literacy Development Total Department of Education		Office of Elementary and Secondary Education	24FCLSDS-413277-01A	\$ 135,862 <u>143,984</u>	- <u>-</u>
Election Assistance Commission						
90.404	HAVA Election Security Grants Total Election Assistance Commission			AZ20101001	<u>16,974</u> <u>16,974</u>	- <u>-</u>
Department of Health and Human Services						
93.069	Public Health Emergency Preparedness		Arizona Department of Health Services	CTR055216	310,209	-
93.103	Food and Drug Administration Research		Retail Flexible Funding Model Grant Program		611	-
93.136	Injury Prevention and Control Research and State and Community Based Programs		Arizona Department of Health Services	CTR070152	70,526	-
93.268	COVID-19 Immunization Cooperative Agreements		Arizona Department of Health Services	CTR060273; CTR059500	326,363	-
93.323	COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		Arizona Department of Health Services	CTR061423; CTR057424	304,903	-
93.354	COVID-19 Public Health Emergency Preparedness: Cooperative Agreement for Emergency Response: Public Health Crisis Response		Arizona Department of Health Services	CTR055216	279,860	-
93.354	COVID-19 Public Health Emergency Preparedness: Cooperative Agreement for Emergency Response: Public Health Crisis Response <i>Total FAL 93.354</i>		Arizona Department of Health Services		<u>1,618</u> <u>281,478</u>	- <u>-</u>
93.391	COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises		Arizona Department of Health Services	CTR055993-3	419,961	-
93.563	Child Support Services		Administration for Children and Families	D1 18-002166	98,765	-
93.788	Opioid STR		Arizona Department of Health Services	ADHS16-110830; CTR043091	24,295	-
93.940	HIV Prevention Activities Health Department Based		Arizona Department of Health Services	CTR065530	42,884	-
93.967	Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health		Arizona Department of Health Services	CTR064801	60,554	-
93.977	Sexually Transmitted Diseases (STD) Prevention and Control		Arizona Department of Health Services	CTR043084-4	13,368	-
93.991	Grants Preventive Health and Health Services Block Grant		Arizona Department of Health Services	CTR055268-6	49,903	-
93.994	Maternal and Child Health Services Block Grant to the States Total Department of Health and Human Services		Arizona Department of Health Services	CTR055268-6	<u>109,623</u> <u>2,113,443</u>	- <u>-</u>
Executive Office of the President						
95.001	High Intensity Drug Trafficking Areas Program Total Executive Office of the President		City of Tucson	HT-23-2993a; HT-22-2993a	<u>160,439</u> <u>160,439</u>	- <u>-</u>
Department of Homeland Security						
97.042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMF-2023-APP-00008-S01	131,206	-
97.067	Homeland Security Grant Program Total Department of Homeland Security		Arizona Department of Homeland Security	23-AZDOHS-HSGP-230105-01	<u>67,613</u> <u>198,819</u>	- <u>-</u>
Total Expenditures of Federal Awards					<u>\$ 11,674,286</u>	<u>\$ 836,178</u>

See accompanying notes to schedule.

Navajo County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2024

NOTE 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (schedule) includes Navajo County's federal grant activity for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOTE 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 - Federal Assistance Listings Number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2024 *Federal Assistance Listings*.

NOTE 4 - Indirect Cost Rate

The County did not elect to use the 10 percent de minimus indirect cost rate as covered in 2 CFR §200.414.

Navajo County, Arizona
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2024

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. generally accepted accounting principles

Unmodified

Yes No

Is a going concern emphasis-of-matter paragraph included in the auditors' report?

X

Internal control over financial reporting:

Material weakness(es) identified?

X

Significant deficiency(ies) identified?

X

Noncompliance material to the financial statements noted?

X

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?

X

Significant deficiency(ies) identified?

X

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516 (a)?

X

Identification of major programs:

<u>Federal Assistance Listings Number</u>	<u>Name of Federal Program or Cluster</u>
17.258, 17.259, 17.278	WIOA Cluster
21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds
93.391	COVID-19: Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Financial Statement Findings

2024-001 Internal Controls over Information Technology - Managing and Documenting Risk
(Significant Deficiency in Internal Control)

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm.

Condition: The County's process for managing and documenting its risks did not include an overall risk assessment process that included identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT systems and data. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

Effect: The County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk of potential harm.

Cause: The County's administration and IT management have developed IT risk assessment and data classification policies and procedures. However, they have not fully implemented these due to the time-intensive nature of the process.

Criteria: Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the County to effectively manage risk related to IT systems and data. Effectively managing risk includes an entity-wide risk assessment process that involves members of the County's administration and IT management. An effective risk assessment process helps the County determine the risks it faces as the County seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and service objectives. Additionally, an effective risk management process provides the County the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which it might be subjected. To help ensure the County's objectives can be met, an effective annual risk assessment considers and identifies IT risk in the County's operating environment, analyzes and prioritizes each identified risk, and develops a plan to respond to each risk within the context of the County's defined objectives and risk tolerances. Finally, effectively managing risk includes the County's process for identifying, classifying, and inventorying sensitive information that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Financial Statement Findings (continued)

- Recommendation: The County's administration and IT management should:
1. Analyze and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.
 2. Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.
 3. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.
 4. Regularly review and obtain approvals for the corresponding policies and procedures to ensure they are updated in a timely and contemporaneous manner.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2023-02.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Financial Statement Findings (continued)

2024-002 Internal Controls over Information Technology - Protecting Systems and Data (Significant Deficiency in Internal Control)

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data.

Condition: The County's control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its IT systems and data. The County lacked sufficient procedures over the following:

- **Restricting access**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
- **Managing system configurations and changes**—Procedures did not ensure configuration settings were securely maintained, and timely updated.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.
- **Ensuring operations continue** - Contingency plan lacked key elements related to restoring operations in the event of a disaster or other system interruption.

Effect: There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data. It also increases the County's risk of not being able to effectively continue daily operations and completely and accurately recover vital IT systems and data in the event of a disaster or system interruption.

Cause: The County's administration and IT management reported prioritizing authentication enforcements for County-wide purposes.

Criteria: Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the County to protect its IT systems and ensure the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives. Effective internal controls include the following:

- **Restrict access through logical and physical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, key systems and data access is monitored and reviewed.
- **Manage system configurations and changes through well-defined, documented configuration management process**—Ensures the County's IT systems are updated and contemporary to ensure optimal performance and security. This helps limit the possibility of an adverse impact on the system's security or operation.
- **Secure systems and data through IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

- **Ensure operations continue through a comprehensive, documented, and tested contingency plan**—Provides the preparation necessary to place the plan in operation and helps to ensure business operations continue and systems and data can be recovered in the event of a disaster, system or equipment failure, or other interruption.

Recommendation: The County should:

1. Continue to implement comprehensive IT policies and procedures and develop a process to ensure the procedures are consistently followed.

Restrict access—To restrict access to its IT systems and data, develop, document, and implement processes to:

2. Monitor user account activities to ensure adherence to established policies and procedures, particularly when significant events occur.
3. Enhance authentication requirements for IT systems.

Manage system configurations and changes—To configure IT systems securely to:

4. Assess and upgrade outdated systems requiring immediate updates or replacements to ensure they meet current operational and security requirements.

Secure systems and data—To secure IT systems and data, develop, document and implement processes to:

5. Enhance oversight and accountability for employees' ongoing training on IT security risks and their responsibilities to ensure the protection of systems and data.
6. Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to verify vendor qualifications and adherence to the vendor contract.

Ensure operations continue—To ensure operations continue, implement processes to:

7. Evaluate and fully implement the Continuity of Operations Plan (COOP) to enhance overall resilience. Additionally, establish a structured process for testing the plan, analyzing test results, identifying gaps, and updating procedures to ensure its effectiveness and confirm the plan functionality.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2023-03.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Federal Award Findings and Questioned Costs

2024-101 Allowable Costs/Cost Principles (Significant Deficiency in Internal Control and Noncompliance)

Cluster Name: WIOA Cluster

Assistance Listings number and program name: 17.258 WIOA Adult Program
17.259 WIOA Youth Activities
17.278 WIOA Dislocated Worker Formula Grants

Award numbers and years: DI23-002388 from July 1, 2023 through June 30, 2028

Federal Agency: U.S. Department of Labor

Pass-through grantor: Arizona Department of Economic Security

Questioned costs: Unknown

Condition: During our audit, we noted that the County charged payroll costs to federal grants based on budgeted time allocations rather than actual time spent on grant activities. The County lacked sufficient documentation to support the actual time worked on the grant program and did not perform a true-up or reconciliation process to adjust these charges to reflect the actual effort expended on the grant projects.

Effect: The absence of a reconciliation process between budgeted and actual time spent on grant activities may have resulted in inaccurate charges to federal awards. This could potentially lead to questioned costs and impact the allowability of payroll expenses charged to the grants.

Cause: The County's policies and procedures did not include a process for reconciling budgeted payroll allocations to actual time spent on grant activities. Additionally, there was a lack of understanding among some department personnel regarding the requirement to base final charges on actual effort rather than budget estimates.

Criteria: As provided in 2 CFR §200.430(i) of the Uniform Guidance, charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Payroll distribution records must reasonably reflect an employee's total activity and support the allocation of salary or wages across specific activities.

Recommendation: The County should strengthen its comprehensive internal control policies and procedures to ensure that payroll costs charged to federal awards are accurate, allowable, and properly supported. Additionally, the County should implement a process to reconcile the budgeted payroll allocations with actual time spent on grant activities.

The County's corrective action plan at the end of this report includes the views and planned actions of its responsible officials. We are not required to audit and have not audited these responses or corrective actions and therefore we provide no assurances as to their accuracy.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Federal Award Findings and Questioned Costs (continued)

2024-102 Earmarking (Material Weakness in Internal Control and Noncompliance)

Cluster name: WIOA Cluster

Assistance Listings number and program name: 17.258 WIOA Adult Program
17.259 WIOA Youth Activities
17.278 WIOA Dislocated Worker Formula Grants

Award numbers and years: DI23-002388 from July 1, 2023 through June 30, 2028

Federal Agency: U.S. Department of Labor

Pass-through grantor: Arizona Department of Economic Security

Questioned costs: \$ 26,584

Condition: The County failed to allocate 20 percent, \$83,949, of the Workforce Innovation and Opportunity Act (WIOA) Youth Activities spending to provide in-school and out-of-school youth with paid and unpaid work experiences. Instead, the County spent only 13 percent, or \$57,365, of the required 20 percent and spent the remaining 7 percent, or \$26,584, for other youth activities.

Effect: The minimum appropriation of funding was not received by County youth through paid and unpaid work experiences.

Cause: The County did not properly monitor the WIOA Youth Activities monies to ensure the 20 percent earmarking requirement was met.

Criteria: As provided in 20 CFR §681.590 of the Uniform Guidance, grantees must not expend less than 20 percent of the WIOA Youth Activities program funding to provide eligible in-school and out-of-school youth with paid and unpaid work experiences.

Recommendation: The County should strengthen WIOA Youth Activities program policies and procedures to ensure no less than the required 20 percent of its monies is spent to provide in-school and out-of-school youth with paid and unpaid work experience, retain qualified in-school and out-of-school youth, and consistently monitor the County's and subrecipients spending throughout the award period.

The County's corrective action plan at the end of this report includes the views and planned actions of its responsible officials. We are not required to audit and have not audited these responses or corrective actions and therefore we provide no assurances as to their accuracy.

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Federal Award Findings and Questioned Costs (continued)

2024-103 Subrecipient Monitoring (Significant Deficiency in Internal Control and Noncompliance)

Cluster Name:	WIOA Cluster
Assistance Listings number and program name:	17.258 WIOA Adult Program 17.259 WIOA Youth Activities 17.278 WIOA Dislocated Worker Formula Grants
Award numbers and years:	DI23-002388 from July 1, 2023 through June 30, 2028
Federal Agency:	U.S. Department of Labor
Pass-through grantor:	Arizona Department of Economic Security
Questioned costs:	Not Applicable
Condition:	The County failed to comply with subrecipient monitoring requirements as mandated by federal regulations and the grant terms. The County did not conduct regular oversight and monitoring of its subrecipients' programmatic and financial activities.
Effect:	The non-compliance with 2 CFR §200.330-332 (Subrecipient Monitoring) increases the likelihood of unallowable costs, misallocated resources, and non-compliance with program objectives.
Cause:	There was a change in key personnel responsible for the County's compliance with guidelines related to the federal program.
Criteria:	Per 2 CFR §200.330-200.332, pass-through entities must monitor subrecipients to ensure compliance with federal statutes, award terms, and program objectives
Recommendation:	<p>The County should strengthen its internal control procedures to ensure that the subaward agreement includes a clause for subrecipient monitoring activities and conduct monitoring reviews on a regular basis.</p> <p>The County's corrective action plan at the end of this report includes the views and planned actions of its responsible officials. We are not required to audit and have not audited these responses or corrective actions and therefore we provide no assurances as to their accuracy.</p>

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Federal Award Findings and Questioned Costs (continued)

2024-104 Reporting (Significant Deficiency in Internal Control)

Cluster Name:	WIOA Cluster
Assistance Listings number and program name:	17.258 WIOA Adult Program 17.259 WIOA Youth Activities 17.278 WIOA Dislocated Worker Formula Grants
Award numbers and years:	DI23-002388 from July 1, 2023 through June 30, 2028
Federal Agency:	U.S. Department of Labor
Pass-through grantor:	Arizona Department of Economic Security
Questioned costs:	Not Applicable
Condition:	The County did not comply with the grantor's requirements for the timely submission of deliverables. Specifically, required monthly reimbursement reports and quarterly programmatic reports were submitted up to 120 days past their prescribed deadline.
Effect:	Failure to submit accurate and complete reports within the required timelines may result in delayed payments or retention of fund by the grantor.
Cause:	The delay in report submissions was attributed to a change in key personnel responsible for ensuring compliance with federal program guidelines. This transition resulted in lapses in oversight and adherence to reporting deadlines.
Criteria:	The quarterly programmatic reports are due within 30 days after the end of each quarter. Monthly reimbursement reports should be prepared and submitted in a timely manner to avoid payment delays and minimize the risk of omitting information crucial for the reimbursement process.
Recommendation:	<p>The County should strengthen its internal control procedures to ensure the required reports are prepared accurately and submitted within 30 days of the reporting period.</p> <p>The County's corrective action plan at the end of this report includes the views and planned actions of its responsible officials. We are not required to audit and have not audited these responses or corrective actions and therefore we provide no assurances as to their accuracy.</p>

Navajo County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2024

Federal Award Findings and Questioned Costs (continued)

2024-105 Allowable Costs/Cost Principles (Significant Deficiency in Internal Control and Noncompliance)

Cluster Name:	Not Applicable
Assistance Listings number and program name:	93.391 COVID-19: Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises
Award numbers and years:	CTR055993 from June 1, 2021 through May 31, 2026
Federal Agency:	U.S. Department of Health and Human Services
Pass-through grantor:	Arizona Department of Health Services
Questioned costs:	Unknown
Condition:	During our audit, we noted that the County charged payroll costs to federal grants based on budgeted time allocations rather than actual time spent on grant activities. The County lacked sufficient documentation to support the actual time worked on the grant program and did not perform a true-up or reconciliation process to adjust these charges to reflect the actual effort expended on the grant projects.
Effect:	The absence of a reconciliation process between budgeted and actual time spent on grant activities may have resulted in inaccurate charges to federal awards. This could potentially lead to questioned costs and impact the allowability of payroll expenses charged to the grants.
Cause:	The County's policies and procedures did not include a process for reconciling budgeted payroll allocations to actual time spent on grant activities. Additionally, there was a lack of understanding among some department personnel regarding the requirement to base final charges on actual effort rather than budget estimates.
Criteria:	As provided in 2 CFR §200.430(i) of the Uniform Guidance, charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. Payroll distribution records must reasonably reflect an employee's total activity and support the allocation of salary or wages across specific activities.
Recommendation:	The County should strengthen its comprehensive internal control policies and procedures to ensure that payroll costs charged to federal awards are accurate, allowable, and properly supported. Additionally, the County should implement a process to reconcile the budgeted payroll allocations with actual time spent on grant activities.

The County's corrective action plan at the end of this report includes the views and planned actions of its responsible officials. We are not required to audit and have not audited these responses or corrective actions and therefore we provide no assurances as to their accuracy.



NAVAJO COUNTY

Administration

Jayson Vowell
Chief Financial Officer

Bryan Layton
County Manager

Rochelle Lacapa
Government Relations Director

"We are Navajo County"

March 26, 2025

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

A handwritten signature in black ink that reads "Jayson Vowell".

Jayson Vowell
Finance Director
Navajo County, Arizona

Financial Statement Findings

2024-001 Internal Controls over Information Technology - Managing and Documenting Risk (Significant Deficiency in Internal Control)

Recommendation: The County's administration and IT management should:

1. Analyze and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.
2. Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.
3. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.
4. Regularly review and obtain approvals for the corresponding policies and procedures to ensure they are updated in a timely and contemporaneous manner.

Contact Person(s): Kenneth Dewitt, Information Technology Director

Anticipated completion date: July 1, 2025

County Discussion: Concur. Navajo County will continue to analyze risks through our State and Federal partnerships, our annual penetration testing, and security evaluations. Updated IT Policies should be completed and ready for approval by the Navajo County Board of Supervisors in June 2025.

**2024-002 Internal Controls over Information Technology - Protecting Systems and Data
(Significant Deficiency in Internal Control)**

Recommendation: The County should:
1. Continue to implement comprehensive IT policies and procedures and develop a process to ensure the procedures are consistently followed.

Restrict access—To restrict access to its IT systems and data, develop, document, and implement processes to:

2. Monitor user account activities to ensure adherence to established policies and procedures, particularly when significant events occur.
3. Enhance authentication requirements for IT systems.

Manage system configurations and changes—To configure IT systems securely to:

4. Assess and upgrade outdated systems requiring immediate updates or replacements to ensure they meet current operational and security requirements.

Secure systems and data—To secure IT systems and data, develop, document and implement processes to:

5. Enhance oversight and accountability for employees' ongoing training on IT security risks and their responsibilities to ensure the protection of systems and data.
6. Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to verify vendor qualifications and adherence to the vendor contract.

Ensure operations continue—To ensure operations continue, implement processes to:

7. Evaluate and fully implement the Continuity of Operations Plan (COOP) to enhance overall resilience. Additionally, establish a structured process for testing the plan, analyzing test results, identifying gaps, and updating procedures to ensure its effectiveness and confirm the plan functionality.

Contact Person(s): Kenneth Dewitt, Information Technology Director

Anticipated completion date: June 30, 2026

County Discussion: Concur. Navajo County takes all IT findings seriously and will make efforts to resolve deficiencies. Updated IT Policies should be completed and ready for approval by the Navajo County Board of Supervisors in June 2025.

Federal Award Findings and Questioned Costs

2024-101 Allowable Costs/Cost Principles (Significant Deficiency in Internal Control and Noncompliance)

Assistance Listings number and program name: 17.258, 17.259, 17.278 WIOA Cluster

Recommendation: The County should strengthen its comprehensive internal control policies and procedures to ensure that payroll costs charged to federal awards are accurate, allowable, and properly supported. Additionally, the County should implement a process to reconcile the budgeted payroll allocations with actual time spent on grant activities.

Contact Person(s): Adam Garrard, WIOA Executive Director

Anticipated completion date: May 31, 2026

County Discussion: Concur. To help ensure the County's policies and procedures include a process for reconciling budgeted payroll allocations to actual time spent on grant activities and provide sufficient documentation to support the actual time worked on the grant program, the County has revised its process for tracking the actual time spent on grant activities in order to provide sufficient documentation to support the actual time worked on the grant program and a reconciliation process to adjust these charges to reflect the actual effort expended on the grant projects. The recommended solutions include strengthening its comprehensive internal control policies and procedures to ensure that payroll costs charged to federal award are accurate, allowable, and properly supported. Additionally, the County will implement a process to reconcile the budgeted payroll allocation with actual time spent on grant activities. The County's goal is to meet and complete recommendations by the end of fiscal year 2025-26.

2024-102 Earmarking (Material Weakness in Internal Control and Noncompliance)

Assistance Listings number and program name: 17.258, 17.259, 17.278 WIOA Cluster

Recommendation: The County should strengthen WIOA Youth Activities program policies and procedures to ensure no less than the required 20 percent of its monies is spent to provide in-school and out-of-school youth with paid and unpaid work experience, retain qualified in-school and out-of-school youth, and consistently monitor the County's and subrecipients spending throughout the award period.

Contact Person(s): Adam Garrard, WIOA Executive Director

Anticipated completion date: June 30, 2025

County Discussion: Concur. The County is working with the contracted subrecipient for WIOA Youth Activities to expand unpaid work experience (WEX) in order to meet the earmarking requirement. This includes adjusting the 4-year plan to specifically require the provider to expand WEX activities and target the earmarking requirement. The recommended solutions include improved tracking and monitoring of the WEX activities to include both paid and unpaid work experiences, increasing all youth outreach, partnering with other local youth programs, and enrolling youth

with barriers pursuant to the policy.

In order to expand unpaid work experience (WEX) as part of the four-year plan, the WIOA administration team is dedicated to promoting WEX.

2024-103 Subrecipient Monitoring (Significant Deficiency in Internal Control and Noncompliance)

Assistance Listings number and program name: 17.258, 17.259, 17.278 WIOA Cluster

Recommendation: The County should strengthen its internal control procedures to ensure that the subaward agreement includes a clause for subrecipient monitoring activities and conduct monitoring reviews on a regular basis.

Contact Person(s): Adam Garrard, WIOA Executive Director

Anticipated completion date: June 30, 2025

County Discussion: Concur. Due to key vacant positions and the inability to fill these positions, the required subrecipient monitoring activities were not completed during the fiscal year ending June 30, 2024. During the current fiscal year, the County has been successful in recruiting these positions and will ensure that the monitoring activities occur. In addition, policies and procedures will be documented on subrecipient monitoring activities to ensure that they are performed on a regular basis.

2024-104 Reporting (Significant Deficiency in Internal Control)

Assistance Listings number and program name: 17.258, 17.259, 17.278 WIOA Cluster

Recommendation: The County should strengthen its internal control procedures to ensure the required reports are prepared accurately and submitted within 30 days of the reporting period.

Contact Person(s): Adam Garrard, WIOA Executive Director

Anticipated completion date: June 30, 2025

County Discussion: Concur. Due to key vacant positions and the inability to fill these positions, the required reports were not completed and submitted on time during the fiscal year ending June 30, 2024. During the current fiscal year, the County has been successful in recruiting these positions and will ensure that the timely and accurate reports are submitted. In addition, policies and procedures will be documented on reporting requirements to ensure that they are performed on a timely basis.

2024-105 Allowable Costs/Cost Principles (Significant Deficiency in Internal Control and Noncompliance)

Assistance Listings number and program name: 93.391 COVID-19: Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises

Recommendation: The County should strengthen its comprehensive internal control policies and procedures to ensure that payroll costs charged to federal awards are accurate, allowable, and properly supported. Additionally, the County should implement a process to reconcile the budgeted payroll allocations with actual time spent on grant activities.

Contact Person(s): Janelle Linn, Public Health Director, and Bencita Bowman, Public Health Finance Manager

Anticipated completion date: May 31, 2026

County Discussion: Concur. To help ensure the County's policies and procedures include a process for reconciling budgeted payroll allocations to actual time spent on grant activities and provide sufficient documentation to support the actual time worked on the grant program, the County has revised its process for tracking the actual time spent on grant activities in order to provide sufficient documentation to support the actual time worked on the grant program and a reconciliation process to adjust these charges to reflect the actual effort expended on the grant projects. The recommended solutions include strengthening its comprehensive internal control policies and procedures to ensure that payroll costs charged to federal award are accurate, allowable, and properly supported. Additionally, the County will implement a process to reconcile the budgeted payroll allocation with actual time spent on grant activities. The County's goal is to meet and complete recommendations by the end of fiscal year 2025-26.



NAVAJO COUNTY

Administration

Jayson Vowell
Chief Financial Officer

Bryan Layton
County Manager

Rochelle Lacapa
Government Relations Director

"We are Navajo County"

March 26, 2025

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying Summary Schedule of Prior Audit Findings as required by the audit requirements of Title 2 U.S. Code of Federal regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs. This schedule also includes the status of audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Sincerely,

A handwritten signature in black ink that reads "Jayson Vowell".

Jayson Vowell
Finance Director
Navajo County, Arizona

Status of Financial Statement Findings

Title: P-Card Purchases (Significant Deficiency in Internal Control)
Finding No.: 2023-01
Status: Fully corrected

Title: Information Technology (IT) - Managing Risk
Finding No.: 2023-02
Status: Not corrected
County Discussion: Navajo County and IT will continue the process of identifying resources that will mitigate potential risks regarding sensitive information. This process will include identifying, classifying, and inventorying the information the County stores. The County has created a position within the IT department where the duties and responsibilities include reviewing data within the network along with determining which information should be classified as sensitive information. The County expects this process to take multiple years to complete.

Title: Information Technology (IT) - Controls
Finding No.: 2023-03
Status: Not corrected
County Discussion: The County continues the process of mitigating IT audit findings and will continue to improve controls over its IT resources.

Access: Financial system access is reviewed on an annual basis and progress continues to be made as issues are identified and corrected.

Configuration and change management: The County will continue to improve the process of maintaining baseline configurations for systems and managing the system for unauthorized or unintended changes.

Security: Policy reviews based on NIST standards have been initiated. These review processes are continuing and expected to result in changes to processes that will align with the County's policies and procedures.

Status of Federal Award Findings and Questioned Costs

Assistance Listings number and program name: 17.258, 17.259, 17.278 WIOA Cluster
Finding No.: 2023-101 Earmarking
Status: Not corrected
County Discussion: The County continues to work toward compliance with the earmarking requirement of spending the required 20 percent of WIOA Youth Activities monies on in-school and out-of-school paid and unpaid work experience. The County is in the process of revising its procedures and providing support/training to the subrecipient to implement procedures to ensure the earmarking requirements are met.