

Coconino County

CONCLUSION: Coconino County is responsible for preparing its annual financial report and a federal expenditure schedule, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of the County's financial statements and federal expenditure schedule is presented below.

Based on our audits, we issued opinions on the County's financial statements and federal expenditure schedule and issued reports on internal control and on compliance over financial reporting and major federal programs. The information in the County's fiscal year 2016 financial statements and schedule is reliable. Our Office identified internal control weaknesses over financial reporting and an internal control weakness and instance of noncompliance over a major federal program. The most significant findings are summarized on the next page.

Condensed financial information

Statement of net position—This statement reports all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in land, buildings, equipment, and infrastructure.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the remaining net position balance after allocating the net investment in capital assets and restricted balances.

Statement of Activities—This statement reports all revenues, expenses, and other changes in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes raised for general purposes. Net position increased by \$3 million, or 2.0 percent, in fiscal year 2016.

Federal expenditure schedule—During fiscal year 2016, the County expended \$12 million in federal awards. The County's federal award expenditures decreased by \$2.2 million, or 15.4 percent, compared to fiscal year 2015.

Statement of net position As of June 30, 2016 (In millions)

Assets and deferred outflows	
Current and other assets	\$109
Capital assets, net of depreciation	151
Deferred outflows of resources	27
Total assets and deferred outflows	287
Liabilities and deferred inflows	
Current liabilities	10
Noncurrent liabilities:	
Net pension liability	116
Other	13
Deferred inflows of resources	7
Total liabilities and deferred inflows	146
Net position	
Net investment in capital assets	151
Restricted	68
Unrestricted (deficit)	(78)
Total net position	\$141

Statement of activities Year ended June 30, 2016 (In millions)

Program revenues	
Charges for services	\$ 13
Operating grants and contributions	32
Capital grants and contributions	1
General revenues	
Property taxes	20
Sales tax	37
State shared revenue	25
Other	4
Total revenues	132
Expenses	
General government	34
Public safety	41
Highways and streets	22
Other	32
Total expenses	129
Increase in net position	3
Net position—beginning	138
Net position—ending	\$141

Federal expenditure schedule Year ended June 30, 2016 (In millions)

Federal grantor agency	
Department of Agriculture	\$ 5
Department of Health and Human Services	2
Department of Interior	2
Department of Education	1
Department of Labor	1
Other	1
Total federal expenditures	\$12

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial reporting of its pension plan contributions and its information technology (IT) resources. For the federal compliance audit, we tested three federal programs under the major program guidelines established by the Single Audit Act and found that the County did not always have adequate internal controls and did not always comply with federal program requirements for one of its federal programs. Our report on internal control and compliance and our single audit report contain further details to help the County correct the internal control weaknesses and instance of noncompliance. The most significant findings and recommendations are summarized below.

County did not follow its policies and procedures when reporting pension plan contributions—The County's Board of Supervisors and management depend on accurate financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) to fulfill their oversight responsibilities and to report accurate information to the public and agencies from which the County receives funding. However, during the fiscal year, the County made contributions to the Public Safety Personnel Retirement System that exceeded the statutorily required amount by \$10 million. This additional contribution was not properly reported in its financial statements in accordance with GAAP and was subsequently corrected.

Recommendation

The County should follow its established policies and procedures when reporting pension plan contributions in its annual financial report. This will help ensure its financial statements, note disclosures, and other required information are prepared in accordance with GAAP.

County had inadequate policies and procedures over IT resources—The County's IT resources, which include its systems, network, infrastructure, and data, are vital to its daily operations. However, the County did not have adequate policies and procedures over its IT resources to sufficiently manage access, including preventing, detecting, and responding to unauthorized access, and to track, document, and test IT resource changes. The County also lacked a comprehensive up-to-date contingency plan to provide for the continuity of operations in the event of a disaster, system or equipment failure, or other interruption.

Recommendations

To help prevent and detect unauthorized access to its IT resources; prevent and detect unauthorized, inappropriate, and unintended changes to its IT resources; and ensure county operations can continue in the event of a disaster, system or equipment failure, or other interruption the County needs to update and implement policies and procedures over its IT resources to ensure they address the following:

- **User access**—A periodic, comprehensive review should be performed of all existing employee access accounts to help ensure that network and system access granted is needed and compatible with job responsibilities.
- **Logging and log monitoring**—Key user activity should be logged and monitored, particularly for users with administrative access privileges and remote access.
- **Change management processes**—For changes to its financial system's IT resources, a change management process should be established for each type of change, including emergency changes and other changes that might not follow the normal change management process. Further, all changes should follow the applicable change management process and should be appropriately documented.
- **Contingency planning**—The contingency plan should be updated at least annually for all critical information or when changes are made to IT resources, and updates to the plan should be communicated to key personnel.
- **IT standards and best practices**—IT policies and procedures should be reviewed against current IT standards and best practices, updated where needed, and implemented entity-wide, as appropriate.