

# Coconino County

Single Audit Report

Year Ended June 30, 2017



A Report to the Arizona Legislature

Debra K. Davenport  
Auditor General



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## Report Issued Separately

Comprehensive annual financial report





**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
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  
Coconino 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 Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Coconino County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 30, 2018.

**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) to determine 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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 basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-01, 2017-02, 2017-04, and 2017-05 to be material weaknesses.

A significant deficiency is a deficiency, or a 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-03, 2017-06, and 2017-07 to be significant deficiencies.

### **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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Coconino County response to findings**

Coconino County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County's responses were not subjected to the 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.

Jay Zsorey, CPA  
Financial Audit Director

January 30, 2018



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

**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**

Members of the Arizona State Legislature

The Board of Supervisors of  
Coconino County, Arizona

**Report on compliance for each major federal program**

We have audited Coconino County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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). Those standards and the Uniform Guidance 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the County's compliance.

***Basis for qualified opinion on Public Health Emergency Preparedness and Schools and Roads—Grants to States programs***

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements that are applicable to the major federal programs listed below. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

<b>Program name</b>	<b>CFDA number</b>	<b>Compliance requirement</b>	<b>Finding number</b>
Public Health Emergency Preparedness	93.069	Activities allowed and unallowed and allowable costs/cost principles	2017-101
Schools and Roads—Grants to States	10.665	Reporting	2017-102

***Qualified opinion on Public Health Emergency Preparedness and Schools and Roads—Grants to States programs***

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, Coconino County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Public Health Emergency Preparedness (93.069) and Schools and Roads—Grants to States (10.665) programs for the year ended June 30, 2017.

***Unmodified opinion on each of the other major federal programs***

In our opinion, Coconino County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

**Report on internal control over compliance**

The County’s management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over compliance.

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. A significant deficiency in internal control over compliance is a deficiency, or a 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-101 and 2017-102, that we consider to be material weaknesses.

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.

### **Coconino County response to findings**

Coconino County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County's responses were not subjected to the 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 Coconino County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated January 30, 2018, that contained unmodified opinions on those financial statements. Our audit was conducted 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.

Jay Zsorey, CPA  
Financial Audit Director

March 23, 2018





# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Summary of auditors' results

### Financial statements

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

#### Internal control over financial reporting

Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Noncompliance material to the financial statements noted? No

### Federal awards

#### Internal control over major programs

Material weaknesses identified? Yes

Significant deficiencies identified? None reported

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

Unmodified on all programs except for Public Health Emergency Preparedness (93.069) and Schools and Roads—Grants to States (10.665), which were qualified.

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

#### Identification of major programs

CFDA number	Name of federal program or cluster
10.665	Schools and Roads—Grants to States
15.226	Payments in Lieu of Taxes
84.366	Mathematics and Science Partnerships
93.069	Public Health Emergency Preparedness

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? No

**Other matters**

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.511 (b)? Yes

# Financial statement findings

## 2017-01

### The County should properly report its capital assets

**Criteria**—The County should ensure its capital assets are accurately reported in its financial statements and note disclosures in accordance with U.S. generally accepted accounting principles (GAAP). Accurate financial statements provide valuable information to those charged with governance, management, and other financial statement users to make important decisions about the County’s financial operations.

**Condition and context**—The County’s capital assets total \$169 million, which is 61 percent of the County’s total assets. However, the County did not follow its established internal control policies and procedures to ensure its capital assets were accurately reported in accordance with GAAP. Specifically, the County did not report transportation infrastructure project costs of \$5.5 million as construction in progress in prior and current years and incorrectly reported \$610,000 of revenues, which consisted of project costs contributed by another government, as a reduction of current year expenses.

**Effect**—The County’s financial statements and note disclosures were not initially prepared in accordance with GAAP. The County made recommended audit adjustments to the financial statements and note disclosures for these errors.

**Cause**—The County did not perform a thorough analysis of its transportation infrastructure construction projects in prior and current years.

**Recommendations**—To help ensure its capital assets are accurately reported in its financial statements and note disclosures, the County should consistently apply its established internal control policies and procedures. Specifically, the County should perform a thorough analysis of its transportation infrastructure construction projects at fiscal year-end and ensure project costs are properly capitalized in accordance with GAAP. Further, the County should report a revenue for project costs contributed by another government.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

## 2017-02

### The County should separate the responsibilities for managing and operating its financial system

**Criteria**—Separating responsibilities helps reduce the risk of error, misuse, or fraud. Accordingly, no one individual should have full control of the County’s information technology (IT) resources used for financial reporting, which includes its financial system, system infrastructure, and financial data used for financial reporting.

**Condition and context**—One individual is responsible for managing and operating the County’s financial system. Specifically, this individual operates the infrastructure, makes all operating system and application software modifications, grants user access to the system, and manages the system’s database.

**Effect**—Not separating incompatible responsibilities increases the possibility that errors and improper activities would not be prevented or detected. In addition, the County risks the ability to fully continue financial operations if the individual is not available.

**Cause**—The County’s financial system has been in place for many years, and one individual has been assigned the responsibilities of managing these resources.

**Recommendations**—To help reduce the risk of error, misuse, or fraud, the County should separate the responsibilities for managing and operating its financial system infrastructure and software from the responsibilities of managing the system data and granting user access to the system.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2016-02.

## 2017-03

### The County should improve its risk-assessment process to include information technology security

**Criteria**—The County faces risks of reporting inaccurate financial information and exposing sensitive data. An effective internal control system should include an entity-wide risk-assessment process that involves members of the County’s administration and information technology (IT) management to determine the risks the County faces as it seeks to achieve its objectives to report accurate financial information and protect sensitive data. An effective risk-assessment process provides the basis for developing appropriate risk responses and should include defining objectives to better identify risks and define risk tolerances, and identifying, analyzing, and responding to identified risks.

**Condition and context**—The County’s annual risk-assessment process did not include a county-wide IT security risk assessment over the County’s IT resources, which include its systems, network, infrastructure, and data. Also, the County did not identify and classify sensitive information. Further, the County did not evaluate the impact disasters or other system interruptions could have on its critical IT resources.

**Effect**—There is an increased risk that the County’s administration and IT management may not effectively identify, analyze, and respond to risks that may impact its IT resources.

**Cause**—The County developed risk-assessment policies and procedures during the fiscal year; however, these policies were not fully implemented as of June 30, 2017.

**Recommendations**—To help ensure the County has effective policies and procedures to identify, analyze, and respond to risks that may impact its IT resources, the County needs to implement a county-wide IT risk-assessment process. The information below provides guidance and best practices to help the County achieve this objective.

- **Conduct an IT security risk-assessment process at least annually**—A risk-assessment process should include the identification of risk scenarios, including the scenarios’ likelihood and magnitude; documentation and dissemination of results; review by appropriate personnel; and prioritization of risks

identified for remediation. An IT risk assessment could also incorporate any unremediated threats identified as part of an entity's security vulnerability scans.

- **Identify, classify, inventory, and protect sensitive financial information**—Security measures should be developed to identify, classify, and inventory sensitive information and protect it, such as implementing controls to prevent unauthorized access to that information. Policies and procedures should include the security categories into which information should be classified, as well as any state statutes and federal regulations that could apply, and require disclosure to affected parties if sensitive information covered by state statutes or federal regulations is compromised.
- **Evaluate the impact disasters or other system interruptions could have on critical IT resources**—The evaluation should identify key business processes and prioritize the resumption of these functions within time frames acceptable to the entity in the event of contingency plan activation. Further, the results of the evaluation should be considered when developing its disaster recovery plan.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2016-03.

## 2017-04

### The County should improve access controls over its information technology resources

**Criteria**—Logical access controls help to protect the County's information technology (IT) resources, which include its systems, network, infrastructure, and data, from unauthorized or inappropriate access or use, manipulation, damage, or loss. Logical access controls also help to ensure that authenticated users access only what they are authorized to. Therefore, the County should have effective internal control policies and procedures to control access to its IT resources.

**Condition and context**—The County has written policies and procedures for managing access to its IT resources; however, they lacked critical elements and the County did not consistently implement its policies and procedures to help prevent or detect unauthorized or inappropriate access to its IT resources.

**Effect**—There is an increased risk that the County may not prevent or detect unauthorized or inappropriate access or use, manipulation, damage, or loss of its IT resources, including sensitive and confidential information.

**Cause**—The County has an informal process for managing access to its financial system's IT resources. Additionally, the County developed policies and procedures for managing access to its other IT resources during the fiscal year; however, these policies were not fully implemented as of June 30, 2017.

**Recommendations**—To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the County needs to review its logical access policies and procedures over its IT resources against current IT standards and best practices, update them where needed, and implement them county-wide, as appropriate. Further, the County should train staff on the policies and procedures. The information below provides guidance and best practices to help the County achieve this objective.

- **Review user access**—A periodic, comprehensive review should be performed of all existing employee accounts to help ensure that network and system access granted is needed and compatible with job responsibilities.

- **Review and monitor key activity of users**—Key activities of users and those with elevated access should be reviewed for propriety.
- **Improve network and system password policies**—Network and system password policies should be improved and ensure they address all accounts.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2016-04.

## 2017-05

### The County should improve its configuration management processes over its information technology resources

**Criteria**—A well-defined configuration management process, including a change management process, is needed to ensure that the County's information technology (IT) resources, which include its systems, network, infrastructure, and data, are configured securely and that changes to these IT resources do not adversely affect security or operations. IT resources are typically constantly changing in response to new, enhanced, corrected, or updated hardware and software capabilities and new security threats. The County should have effective written configuration management internal control policies and procedures to track and document changes made to its IT resources.

**Condition and context**—The County did not have policies and procedures for managing changes to its financial system's IT resources to ensure changes were properly documented, authorized, reviewed, tested, and approved. Also, the County did not consistently implement its configuration management policies and procedures for all of its IT resources.

**Effect**—There is an increased risk that the County's IT resources may not be configured appropriately and securely and that changes to those resources could be unauthorized or inappropriate or could have unintended results without proper documentation, authorization, review, testing, and approval prior to being applied.

**Cause**—The County did not develop written policies and procedures for managing changes to its financial system's IT resources because it does not typically perform changes to those resources. Additionally, the County developed configuration management policies and procedures during the fiscal year; however, these policies were not fully implemented as of June 30, 2017.

**Recommendations**—To help prevent and detect unauthorized, inappropriate, and unintended changes to its financial system's IT resources, the County needs to develop change management policies and procedures. The County should review these policies and procedures against current IT standards and best practices and implement them, as appropriate. Further, the County should train staff on the policies and procedures. The information below provides guidance and best practices to help the County achieve this objective.

- **Establish and follow change management processes**—For changes to 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.

- **Review proposed changes**—Proposed changes to IT resources should be reviewed for appropriateness and justification, including consideration of the change’s security impact.
- **Document changes**—Changes made to IT resources should be logged and documented, and a record should be retained of all change details, including a description of the change, the departments and system impacted, the individual responsible for making the change, test procedures performed and the test results, security impact analysis results, change approvals at each appropriate phase of the change management process, and a post-change review.
- **Roll back changes**—Rollback procedures should be established that include documentation necessary to back out changes that negatively impact IT resources.
- **Test**—Changes should be tested prior to implementation, including performing a security impact analysis of the change.
- **Separate responsibilities for the change management process**—Responsibilities for developing and implementing changes to IT resources should be separated from the responsibilities of authorizing, reviewing, testing, and approving changes for implementation or, if impractical, performing a post-implementation review of the change to confirm the change followed the change management process and was implemented as approved.

Further, the County should consistently implement its configuration management policies and procedures to ensure all of its IT resources are configured appropriately and securely, which includes limiting the functionality to ensure only essential services are performed, and maintaining configuration settings for all systems.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year findings 2016-05.

## 2017-06

### The County should improve security over its information technology resources

**Criteria**—The selection and implementation of security controls for the County’s information technology (IT) resources, which include its systems, network, infrastructure, and data, are important because they reduce the risks that arise from the loss of confidentiality, integrity, or availability of information that could adversely impact the County’s operations or assets. Therefore, the County should implement internal control policies and procedures for an effective IT security process that include practices to help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources.

**Condition and context**—The County has written policies and procedures over IT security; however, they lacked critical elements and the County did not consistently implement its IT security policies and procedures.

**Effect**—There is an increased risk that the County may not prevent or detect the loss of confidentiality, integrity, or availability of systems and data.

**Cause**—The County developed IT security policies and procedures during the fiscal year; however, these policies were not fully implemented as of June 30, 2017.

**Recommendations**—To help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss of its IT resources, the County needs to review its IT security policies and procedures against current IT standards and best practices, update them where needed, and implement them county-wide, as appropriate. Further, the County should train staff on the policies and procedures. The information below provides guidance and best practices to help the County achieve this objective.

- **Prepare and implement an incident response plan**—An incident response plan should be developed, tested, and implemented for an entity’s IT resources, and staff responsible for the plan should be trained. The plan should coordinate incident-handling activities with contingency-planning activities and incorporate lessons learned from ongoing incident handling in the incident response procedures. The incident response plan should be distributed to incident response personnel and updated as necessary. Security incidents should be reported to incident response personnel so they can be tracked and documented. Policies and procedures should also follow regulatory and statutory requirements, and provide a mechanism for assisting users in handling and reporting security incidents, and making disclosures to affected individuals and appropriate authorities if an incident occurs.
- **Protect sensitive or restricted data**—Restrict access to media containing data the entity, federal regulation, or state statute identifies as sensitive or restricted. Such media should be appropriately marked indicating the distribution limitations and handling criteria for data included on the media. In addition, media should be physically controlled and secured until it can be destroyed or sanitized using sanitization mechanisms with the strength and integrity consistent with the data’s security classification.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year findings 2016-06.

## 2017-07

**The County should improve its contingency planning procedures for its information technology resources**

**Criteria**—It is critical that the County have contingency planning procedures in place to provide for the continuity of operations and to help ensure that vital information technology (IT) resources, which include its systems, network, infrastructure, and data, can be recovered in the event of a disaster, system or equipment failure, or other interruption. Contingency planning procedures include having a comprehensive, up-to-date contingency plan; taking steps to facilitate activation of the plan; and having system and data backup policies and procedures.

**Condition and context**—The County did not have a written contingency plan for its financial system, and its draft contingency plan for its other systems lacked certain key elements related to restoring operations in the event of a disaster or other system interruption of its IT resources.

**Effect**—The County risks not being able to provide for the continuity of operations, recover vital IT systems and data, and conduct daily operations in the event of a disaster, system or equipment failure, or other interruption, which could cause inaccurate or incomplete system and data recovery.

**Cause**—The County drafted a comprehensive disaster recovery plan; however, it was unfinished at June 30, 2017, and did not address recovery of the financial system.

**Recommendations**—To help ensure county operations continue in the event of a disaster, system or equipment failure, or other interruption, the County needs to continue developing and documenting its contingency planning procedures. The County should review its contingency planning procedures against current IT standards and best practices and implement them county-wide, as appropriate. The information below provides guidance and best practices to help the County achieve this objective.

- **Develop and implement a contingency plan**—A contingency plan should be developed and implemented and include essential business functions and associated contingency requirements; recovery objectives and restoration priorities and metrics as determined in the entity’s business-impact analysis; contingency roles and responsibilities and assigned individuals with contact information; identification of critical information assets and processes for migrating to the alternative processing site; processes for eventual system recovery and reconstitution to return the IT resources to a fully operational state and ensure all transactions have been recovered; and review and approval by appropriate personnel. The contingency plan should also be coordinated with incident-handling activities and stored in a secure location, accessible to those who need to use it, and protected from unauthorized disclosure or modification.
- **Move critical operations to a separate alternative site**—Policies and procedures should be developed and documented for migrating critical IT operations to a separate alternative site for essential business functions, including putting contracts in place or equipping the alternative site to resume essential business functions, if necessary. The alternative site’s information security safeguards should be equivalent to the primary site.
- **Test the contingency plan**—A process should be developed and documented to perform regularly scheduled tests of the contingency plan and document the tests performed and results. This process should include updating and testing the contingency plan at least annually or as changes necessitate, and coordinating testing with the entity’s other plans such as its continuity of operations, cyber incident response, and emergency response plans. Plan testing may include actual tests, simulations, or tabletop discussions and should be comprehensive enough to evaluate whether the plan can be successfully carried out. The test results should be used to update or change the plan.
- **Train staff responsible for implementing the contingency plan**—An ongoing training schedule should be developed for staff responsible for implementing the plan that is specific to each user’s assigned role and responsibilities.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2016-07.

## Federal award findings and questioned costs

### 2017-101

<b>CFDA number and name:</b>	93.069 <b>Public Health Emergency Preparedness</b>
<b>Award number and years:</b>	ADHS17-133181, 2017; ADHS12-007885, 2016
<b>Federal agency:</b>	<b>U.S. Department of Health and Human Services</b>
<b>Pass-through grantor:</b>	<b>Arizona Department of Health Services</b>
<b>Compliance requirements:</b>	Activities allowed or unallowed; allowable costs/cost principles
<b>Questioned costs:</b>	\$19,364

**Criteria**—In accordance with 2 Code of Federal Regulations (CFR) §200.403, to be allowable under federal awards, costs must be necessary and reasonable for the performance of the federal award, and be adequately documented. Further, the County’s grant agreement with the pass-through grantor specifies the requirements for activities allowed or unallowed, which generally consist of developing plans and timetables for responding to public health emergencies. Lastly, 2 CFR §200.303, requires the County to establish and maintain effective internal control over its federal award that provides reasonable assurance that it is managing the award in compliance with federal statutes, regulations, and the award terms and conditions.

**Condition and context**—The County’s Public Health Services District (District), which administered the County’s Public Health Emergency Preparedness (PHEP) program, did not have adequate controls to ensure that \$19,364 of purchasing card expenditures were properly reviewed, approved, adequately supported, and in compliance with the program’s requirements. Specifically, a district employee purchased \$17,900 of goods and services but did not retain itemized receipts or document the expenditure’s program purpose. The district employee also purchased \$1,464 of goods and services that were either not necessary and reasonable for the performance of the PHEP program or unallowable under the County’s agreement with the pass-through grantor.

**Effect**—The District did not comply with the program’s activities allowed or unallowed and allowable costs/cost principles requirements by requesting reimbursement for \$19,364 of goods and services that were either not adequately supported or were unallowable.

**Cause**—The District did not consistently follow the County’s purchasing card policies and procedures requiring an independent review and approval of all transactions to ensure all costs charged to the PHEP program were documented and complied with the program’s activities allowed or unallowed and allowable costs/cost principle requirements.

**Recommendation**—To help ensure that the County complies with the program’s activities allowed or unallowed and allowable costs/cost principles requirements, the District needs to follow the County’s existing policies and procedures for reviewing and approving purchasing card expenditures and ensuring these approvals are documented. For instance, the District should ensure that an appropriate level of management reviews and approves all purchases and it retains adequate documentation such as itemized receipts and the expenditure’s program purpose for all purchasing card transactions. Additionally, the County should provide training to district employees responsible for reviewing and approving program expenditures to educate them about the existing policies and procedures for purchasing card expenditures and the permissible expenditures under the program.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

## 2017-102

<b>Cluster name:</b>	<b>Forest Service Schools and Roads Cluster</b>
<b>CFDA number and name:</b>	10.665 <b>Schools and Roads—Grants to States</b>
<b>Award number and year:</b>	N/A
<b>Federal agency:</b>	<b>U.S. Department of Agriculture</b>
<b>Compliance requirements:</b>	Reporting
<b>Questioned costs:</b>	None

**Criteria**—In accordance with the Secure Rural Schools and Community Self-Determination Act §303(a), the County must submit a certification that it used its Title III monies for the uses authorized under §302(a). Also, 2 CFR §200.303, requires the County to establish and maintain effective internal control over its federal award that provides reasonable assurance that it is managing the award in compliance with federal statutes, regulations, and the award terms and conditions.

**Condition and context**—The County did not accurately report financial information on its calendar year 2016 Title III report. Specifically, the County misclassified \$107,521 of expenditures related to patrol activities as Firewise Communities activities, did not report \$38,461 of expenditures related to Firewise Communities activities, and understated expenditures related to search and rescue and other emergency services by \$5,181.

**Effect**—The County submitted inaccurate financial information to the grantor, which may result in potential errors in analysis or other determinations. This finding did not result in questioned costs because the report was not used to request reimbursement of federal expenditures.

**Cause**—The County did not have an adequate review process in place to ensure that its Title III report contained accurate financial information.

**Recommendation**—To help ensure its Title III report contains accurate financial information, the County should improve its established procedures by requiring a more detailed review of all underlying data supporting the report.

The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of this report.

This finding is similar to prior year finding 2016-101.



# COUNTY SECTION

**Coconino County**  
**Schedule of expenditures of federal awards**  
**Year ended June 30, 2017**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
<b>Department of Agriculture</b>						
10 167	Transportation Services		Bureau of Indian Affairs, Navajo Regional Office	A14AC00016	\$ 167,420	
10 351	Rural Business Development Grant		N/A	N/A	6,701	
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	21-10-13	9,630	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	21-10-13	31,137	
	<i>Total Child Nutrition Cluster</i>				<u>40,767</u>	
10 557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS14-053061	658,574	
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Community Action Association	2015-2016	3,293	
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS16-106171	365,965	
	<i>Total SNAP Cluster</i>				<u>369,258</u>	
10 565	Commodity Supplemental Food Program	Food Distribution Cluster	Arizona Department of Health Services	ADHS17-132852	90,285	
10 572	WIC Farmers' Market Nutrition Program (FMNP)		Arizona Department of Health Services	ADHS14-053061	779	
10 576	Senior Farmers Market Nutrition Program		Arizona Department of Health Services	ADHS17-132852	148	
10 664	Cooperative Forestry Assistance		Arizona State Forestry Division	IPG 16-701	6,200	
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster	N/A	N/A	1,759,127	
	<b>Total Department of Agriculture</b>				<u>3,099,259</u>	
<b>Department of Commerce</b>						
11 307	Economic Adjustment Assistance	Economic Development Cluster	N/A	N/A	28,350	
<b>Department of Defense</b>						
12 610	Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies		N/A	N/A	632	
12 unknown	Forest Product Sales		Arizona State Treasurer's Office	None	282	
	<b>Total Department of Defense</b>				<u>914</u>	
<b>Department of Housing and Urban Development</b>						
14 218	Community Development Block Grants/Entitlement Grants	CDBG-Entitlement Grants Cluster	City of Flagstaff	88C-16	23,882	
14 228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		Arizona Department of Housing	120-15	190,794	\$ 188,760
	<b>Total Department of Housing and Urban Development</b>				<u>214,676</u>	<u>188,760</u>
<b>Department of the Interior</b>						
15 226	Payments in Lieu of Taxes		N/A	N/A	1,748,939	
15 227	Distribution of Receipts to State and Local Governments		Arizona State Treasurer's Office	None	3,986	3,986
15 605	Sport Fish Restoration	Fish and Wildlife Cluster	Arizona Game and Fish Department	None	20,000	
	<b>Total Department of the Interior</b>				<u>1,772,925</u>	<u>3,986</u>

**Coconino County**  
**Schedule of expenditures of federal awards**  
**Year ended June 30, 2017**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
<b>Department of Justice</b>						
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2015-332	14,499	
16 593	Residential Substance Abuse Treatment for State Prisoners		Arizona Criminal Justice Commission	RSAT 16-002; RSAT 17-002	90,505	
16 606	State Criminal Alien Assistance Program		N/A	N/A	4,578	
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-17-022	53,556	
16 738	Edward Byrne Memorial Justice Assistance Grant Program		City of Flagstaff	JAG 2016-DJ-BX-1002	6,716	
	<i>Total 16.738</i>				<u>60,272</u>	
16 812	Second Chance Act Reentry Initiative		N/A	N/A	164,546	79,564
	<b>Total Department of Justice</b>				<u>334,400</u>	<u>79,564</u>
<b>Department of Labor</b>						
17 258	WIOA Adult Program	WIOA Cluster	Arizona Department of Economic Security	DI16-002119	265,250	
17 259	WIOA Youth Activities	WIOA Cluster	Arizona Department of Economic Security	DI16-002119	317,292	
17 278	WIOA Dislocated Worker Formula Grants	WIOA Cluster	Arizona Department of Economic Security	DI16-002119	285,686	
	<i>Total WIOA Cluster</i>				<u>868,228</u>	
17 281	WIOA Dislocated Worker National Reserve Technical Assistance and Training		Arizona Department of Economic Security	DI16-002119	6,968	
	<b>Total Department of Labor</b>				<u>875,196</u>	
<b>Department of Transportation</b>						
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Arizona Department of Transportation	FHWA Agreement DTFH68-14-E-00013; IGA/JPA 14-0003967-I; IGA/JPA 14-004007-1	136,599	
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2017-OP-004; 2017-PS-002	12,509	
	<b>Total Department of Transportation</b>				<u>149,108</u>	
<b>Environmental Protection Agency</b>						
66 468	Capitalization Grants for Drinking Water State Revolving Funds	Drinking Water State Revolving Fund Cluster	Water Infrastructure Finance Authority of Arizona	820110-16	19,787	
66 818	ARRA—Brownfields Assessment and Cleanup Cooperative Agreements		City of Flagstaff	BF-00T97401	47,829	
	<b>Total Environmental Protection Agency</b>				<u>67,616</u>	
<b>Department of Education</b>						
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Department of Education	17FT1TII-711187-03A	15,610	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	17FESCBG-711187-09A; 17FESSCG-711187-55B	40,568	
84 365	English Language Acquisition State Grants		Arizona Department of Education	17FELENG-713173-66A	26,000	25,900

**Coconino County**  
**Schedule of expenditures of federal awards**  
**Year ended June 30, 2017**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
84 366	Mathematics and Science Partnerships		Arizona Department of Education	S366B150003	1,387,283	
84 367	Supporting Effective Instruction State Grant		Northern Arizona University	ITQ015-04 NAU; ITQ015-05 NAU; ITQ016-02 NAU	69,357	
<b>Total Department of Education</b>					<u>1,538,818</u>	<u>25,900</u>
<b>Department of Health and Human Services</b>						
93 053	Nutrition Services Incentive Program	Aging Cluster	Northern Arizona Council of Governments	866000441BA	173,280	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS17-133181	320,455	
93 074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		Arizona Department of Health Services	ADHS17-133181; ADHS12-007885	3,788	
93 236	Grants to States to Support Oral Health Workforce Activities		Arizona Department of Health Services	ADHS14-058987:5	7,588	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041537	4,128	
93 323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		Arizona Department of Health Services	ADHS17-133181	7,740	
93 539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		Arizona Department of Health Services	ADHS13-041537	125,934	
93 558	Temporary Assistance for Needy Families	TANF Cluster	Arizona Department of Economic Security	ADES15-089142	86,858	
93 563	Child Support Enforcement		Arizona Department of Economic Security	G1604AZ4004; DI16-002147	41,382	
93 568	Low-Income Home Energy Assistance		Arizona Department of Economic Security	ADES15-089142	310,221	
93 569	Community Services Block Grant		Arizona Department of Economic Security	ADES15-089142	153,327	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	G1101AZSAVP	13,266	
93 602	Assets for Independence Demonstration Program		Mesa Community Action Network, Inc	2016-2021; 2015-2020	3,599	
93 667	Social Services Block Grant		Northern Arizona Council of Governments	866000441BA	9,155	
93 667	Social Services Block Grant		Arizona Department of Economic Security	ADES15-089142	11,136	
	<i>Total 93.667</i>				<u>20,291</u>	
93 758	Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		Arizona Department of Health Services	ADHS IGA 16-099160	52,954	
93 889	National Bioterrorism Hospital Preparedness Program		Arizona Department of Health Services	None	125,000	
93 917	HIV Care Formula Grants		Arizona Department of Health Services	ADHS 13-040497	206,714	
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS 17-164920	22,355	
93 959	Block Grants for Prevention and Treatment of Substance Abuse		Governor's Office of Youth, Faith, and Family	IGA-SABG-GR-17-070116-03	58,067	29,970

**Coconino County**  
**Schedule of expenditures of federal awards**  
**Year ended June 30, 2017**

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
93 977	Sexually Transmitted Diseases (STD) Prevention and Control Grants		Arizona Department of Health Services	ADHS14-071555	21,467	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS14-058987:5; ADHS-16-099160	179,593	
<b>Total Department of Health and Human Services</b>					<u>1,938,007</u>	<u>29,970</u>
<b>Corporation for National and Community Service</b>						
94 006	AmeriCorps		Arizona Supreme Court	ISA-AC-GR-16-090116-02	285	
<b>Department of Homeland Security</b>						
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMF-2016-EP-00009-S01	212,021	
97 045	Cooperating Technical Partners		N/A	N/A	198,615	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	160100-02; 160100-01; 150102-01; 160106-01	61,272	
<b>Total Department of Homeland Security</b>					<u>471,908</u>	
<b>Total expenditures of federal awards</b>					<u>\$ 10,491,462</u>	<u>\$ 328,181</u>

**Coconino County**  
**Notes to schedule of expenditures of federal awards**  
**Year ended June 30, 2017**

**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards includes Coconino County's federal grant activity for the year ended June 30, 2017. 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* (Uniform Guidance).

**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 - Catalog of Federal Domestic Assistance (CFDA) numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word "unknown" were used.

**Note 4 - Indirect cost rate**

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

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# COUNTY RESPONSE

March 23, 2018

Debbie Davenport  
Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

We have prepared the accompanying corrective action plans 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,

Bonny Lynn, CPFO, MPA  
Chief Financial Officer

Coconino County  
Corrective Action Plan  
Year Ended June 30, 2017

Financial Statement Findings

**2017-01**

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**The County should properly report its capital assets**

Contact Persons: Tom Johnson, Accounting Manager, Finance Department; Bonny Lynn, Finance Director, Finance Department

Anticipated completion date: June 30, 2018

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Corrective Action: Concur. The County will design procedures to perform a thorough analysis of its transportation infrastructure construction projects at fiscal year-end to ensure project costs are properly capitalized in accordance with GAAP and that costs contributed by another government are reported as a revenue.

**2017-02**

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**The County should separate the responsibilities for managing and operating its financial system**

Contact Persons: Bonny Lynn, Finance Director, Finance Department

Anticipated completion date: July 1, 2018

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Corrective Action: Concur. The County's current financial system does not have the capability of separating the responsibilities for managing and operating the financial system infrastructure and software from the responsibilities of managing the system data and granting user access to the system. The County will be implementing a new ERP system, with Go-Live date of July 1, 2018 which will have this capability.

In order to ensure continuity of its daily operations, the County has cross trained two employees, a Senior Accountant and Buyer in the Finance Department to perform duties related to managing and operating its financial accounting system.

**2017-03**

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**The County should improve its risk-assessment process to include information technology security**

Contact Person: Kris Estes, IT Director

Anticipated completion date: June 30, 2019

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Corrective Action: Concur. To ensure adequate policies and procedures to identify, analyze, and respond to risks that may impact IT resources, the County will further develop a county-wide IT risk assessment process that incorporates NIST best practices.

Coconino County  
Corrective Action Plan  
Year Ended June 30, 2017

**2017-04**

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**The County should improve access controls over its information technology resources**

Contact Person: Kris Estes, IT Director

Anticipated completion date: June 30, 2019

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Corrective Action: Concur. To help prevent and detect unauthorized access or use, manipulation, damage, or loss to IT resources, the County will further develop and implement effective logical and physical access policies and procedures over its IT resources.

**2017-05**

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**The County should improve its configuration management processes over its information technology resources**

Contact Person: Kris Estes, IT Director

Anticipated completion date: June 30, 2019

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Corrective Action: Concur. To help prevent and detect unauthorized access or use, manipulation, damage, or loss to IT resources, the County will further develop and implement effective configuration management policies and procedures over its IT resources.

**2017-06**

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**The County should improve security over its information technology resources**

Contact Person: Kris Estes, IT Director

Anticipated completion date: June 30, 2019

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Corrective Action: Concur. Policies and procedures are currently being drafted by the County's IT Department to improve security over its information technology resources.

**2017-07**

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**The County should improve its contingency planning procedures for its information technology resources**

Contact Persons: Kris Estes, IT Director

Anticipated completion date: June 30, 2019

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Corrective Action: Concur. To help ensure its operations continue in the event of a disaster, system or equipment failure, or other interruption, the County will further develop its contingency planning procedures.

Coconino County  
Corrective Action Plan  
Year Ended June 30, 2017

## Federal Award Findings and Questioned Costs

### **2017-101**

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**CFDA Number and Name:** 93.069 Public Health Emergency Preparedness

**Contact Persons:** Dr. Marie Peoples, Chief Public Health Officer, Public Health Services District; Bonny Lynn, CFO/Finance Director, Finance Department; Scott Richardson, Purchasing Manager, Finance Department

**Anticipated completion date:** June 30, 2018

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**Corrective Action:** Concur. The County and the District have reviewed existing policies and procedures for reviewing and approving purchasing card expenditures and ensuring these approvals are documented. The District will work with County Finance Department to develop a process within the District, to ensure that all purchases are reviewed and approved by an appropriate level of management, and adequate documentation such as itemized receipts and the program purpose is maintained for all purchasing card transactions. The County will provide training to District employees and its managers responsible for reviewing and approving program expenditures to educate them about the existing policies and procedures for purchasing card expenditures. The District will educate its staff regarding the permissible expenditures under federal program(s).

### **2017-102**

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**CFDA Number and Name:** 10.665 Schools and Roads—Grants to States

**Contact Persons:** Bonny Lynn, CFO/Finance Director

**Anticipated completion date:** June 30, 2018

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**Corrective Action:** Concur. To help ensure its Title III report contains accurate financial information, the County will improve its established procedures by requiring a more detailed review of all underlying data supporting the report. The County will adopt Financial procedure identifying program manager who will be responsible for drafting Title III Certification report and define a process for secondary review and approval by separate individual.



## FINANCE

March 23, 2018

*Bonny Lynn  
CFO/Director*

*Megan Cunningham  
Deputy Finance  
Director*

*Tom Johnson  
Financial Reporting  
and Audit Manager*

*Scott Richardson  
Purchasing Manager*

Debbie Davenport  
Auditor General  
2910 N. 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

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,

219 E. Cherry Ave.  
Flagstaff, AZ 86001  
928-679-7199

Bonny Lynn, CPFO, MPA  
Chief Fiscal Officer

Coconino County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

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**Status of Financial Statement Findings**

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**Pension Plan Contribution Reporting and Note Disclosures Procedures**

Finding No: 2016-01

Status: Fully corrected

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**Financial Accounting System Responsibilities**

Finding No: 2016-02

Status: Partially corrected

Explanation: The County's current financial system does not have the capability of separating the responsibilities for managing and operating the financial system infrastructure and software from the responsibilities of managing the system data and granting user access to the system. The County will be implementing a new ERP system, with Go Live date of July 1, 2018 which will have this capability. In order to ensure continuity of its daily operations, the County has cross trained two employees, a Senior Accountant and Buyer in the Finance Department to perform duties related to managing and operating its financial accounting system.

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**Information Resources Risk Assessment Procedures**

Finding No: 2016-03

Status: Partially Corrected

Explanation: The County has established an Information Security Office (ISO) under the leadership of a Chief Information Security Officer (CISO). The County has also conducted an annual security audit of its IT resources which was performed by an outside firm to assist in its risk assessment process. Additional security measures have been taken to ensure data loss prevention (DLP) on some systems and we are planning our county wide data classification initiative.

---

**Information Technology Resources Access Controls**

Finding No: 2016-04

Status: Partially Corrected

Explanation: The County has implemented systematic review of all user accounts which is now audited monthly. A Log and Event Management system has been established and some systems are enrolled to report key activities. Additionally, we are exploring resources to establish logical access controls over classified sensitive and secured data.

---

**Information Technology Configuration Management Policies and Procedures**

Finding No: 2016-05

Status: Partially Corrected

Explanation: The County ISO has incorporated the use of Security Technical Implementation Guides (STIG) to standardize protocols within networks, servers, computers, and logical designs to enhance overall security.

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Coconino County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2017

**Information Resources Security**

Finding No: 2016-06

Status: Partially Corrected

Explanation: The County ISO has incorporated the use of system wide vulnerability scanning using Nessus/Tenable to continuously monitor and identify risks. Criticality is evaluated by the ISO and remediation is assigned to operational staff to ensure separation of duties.

---

**Disaster Recovery Plan and Data Backup Procedures for Information Technology Resources**

Finding No: 2016-07

Status: Partially Corrected

Explanation: The County is further developing our policies and procedures to effectively identify our essential business functions in coordination with our department of Emergency management. Additionally, the County is implementing a virtualized DR solution (VEEAM) to -further improve continuity of operations. When the project is complete, the county will consolidate DR functions its main data center, extend secondary recovery at an alternate B site and finally explore Cloud hosted solutions for key mission critical data and systems.

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**Status of Federal Award Findings and Questioned Costs**

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Cluster Name: Forest Service Schools and Roads Cluster

CFDA No: 10.665 **Schools and Roads – Grants to States**

Finding No: 2016-101

Status: Not corrected.

Explanation: The County has drafted a procedure to correct this recommendation and plans to implement these procedures on the next required report.

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