

# Coconino County

Single Audit Report

Year Ended June 30, 2020



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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Comprehensive Annual Financial Report



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 29, 2021.

### **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 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 did identify 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 2020-02 and 2020-04 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 2020-01 and 2020-03 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as item 2020-01.

## **County response to findings**

The 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 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 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.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

September 29, 2021



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
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, 2020. 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on each major federal program***

In our opinion, the 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 major federal programs for the year ended June 30, 2020.

### ***Emphasis of matter***

As described in the notes to the schedule of expenditures of federal awards (SEFA), the County has reissued its Single Audit Report for the year ended June 30, 2020, because it had to revise its SEFA to remove State-funded expenditures in the amount of \$816,433 that it incorrectly reported as federal award expenditures under Disaster Grants—Public Assistance (Presidentially Declared Disasters, Assistance Listings number 97.036). Therefore, our 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 originally issued on and dated September 29, 2021, is not to be relied upon and is replaced by this current report version dated December 10, 2021. Our opinions on each major federal program and on the SEFA are not modified with respect to this matter. However, we have reported an instance of noncompliance and a deficiency in internal control related to this matter as described below.

### ***Other matter***

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as item 2020-101. Our opinion on each major federal program is not modified with respect to this matter.

### **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 a certain deficiency in internal

control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-101, that we consider to be a material weakness.

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**

The County's response to the finding identified in our audit is 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 response and corrective action plan 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 County's governmental activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated September 29, 2021, 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.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

December 10, 2021



# 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 weakness identified? **Yes**

Significant deficiencies identified? **None reported**

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)? **Yes**

#### Identification of major programs

Assistance Listings number	Name of federal program or cluster
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
21.019	COVID-19 Coronavirus Relief Fund
17.258, 17.259, 17.278	WIOA Cluster

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

Auditee qualified as low-risk auditee? **No**

# Financial statement findings

## 2020-01

The County misspent \$145,857 of public monies on food and beverages and other items, and \$64,679 of that amount was from monies restricted for highway and street purposes, resulting in a possible misuse of public monies and possible violation of the Arizona Constitution

**Condition**—The County misspent a total of \$145,857 of public monies on food and beverages and other items during fiscal year 2020. Specifically, in response to a prior-year finding, the County Finance Department reviewed all the County’s fiscal year 2020 food and beverage purchases and found 1,048 food and beverage purchases totaling \$122,408 at various County departments that lacked documentation showing the expenses were necessary to serve a public purpose and benefit the County and its citizens.<sup>1,2</sup> We also reviewed a sample of these purchases and agreed with the County’s assessment. Further, we tested other purchased items and determined the Public Works Department misspent an additional \$23,449 on other nonfood and nonbeverage items.

Food and beverage purchases the County determined it misspent public monies on include coffee, meals, and snacks for County employees, because these expenditures either lacked support, lacked a public purpose determination, or were not for an authorized public, County purpose. For example, the County determined it misspent \$15,176 for food and beverages for a County-wide employee barbeque and \$864 for a food truck for Adult Probation staff. Further, of the total \$145,857 the County misspent, the Public Works Department (Department) misspent \$64,679, or 44 percent, with monies that were statutorily restricted for highway and street purposes. The Department misspent the restricted monies as follows:

- \$36,535 for food and beverages for Department employees, including a \$507 dinner for which the Department Director used her County purchasing card, and the County paid for her purchasing card expenditures using the restricted monies. The dinner included herself and 20 others, including Department employees, their spouses, and their children.
- \$14,443 for other miscellaneous purchases for Department employees, which included \$4,335 for gift cards, awards, and flowers and \$560 for chair massages and yoga classes.
- \$7,651 for 3 holiday events for Department employees and management. The purchases included \$4,696 for food, \$1,664 for a venue rental, \$731 for holiday party lodging for nonlocal employees, and \$560 for holiday gifts, centerpieces, and games.
- \$6,050 for community outreach programs, of which \$1,860 was donated to nonprofit entities.

We analyzed purchase transactions and sampled and audited purchases across all County departments and did not identify any other purchases that did not serve a public purpose. In addition, the County has transferred \$115,871 during fiscal years 2021 and 2022 from its General Fund to the Public Works Fund to repay unallowable expenditures we identified in fiscal years 2019 and 2020.

**Effect**—The County misspent \$145,857 of public monies, resulting in a possible misuse of public monies and possible violation of the Arizona Constitution and less monies available for uses that benefit the County and its citizens. Moreover, of that amount, \$64,679 in restricted road monies were unavailable for highway and street improvements. Further, the County’s restricted road monies are at continued risk of misuse in

<sup>1</sup> Food and beverage purchases in fiscal year 2020 totaled \$797,263, including \$751,177 for County departments except for Public Works, which totaled \$46,086. The majority, or \$674,855 of these total food and beverage purchases, included items that served a public purpose, including purchases for jail inmate meals and federal grant programs that allow such expenditures.

<sup>2</sup> Arizona Auditor General (2020), Coconino County Single Audit Report Year Ended June 30, 2019 (p. 12). Phoenix: Arizona Auditor General.

violation of State laws and the Arizona Constitution until the County develops and implements policies and procedures related to proper spending of these monies. Also, the State Treasurer can withhold future transportation excise tax revenue disbursements to the County, which are part of the restricted highway and street monies, if the County does not repay the monies the Department misspent in a timely manner. Finally, when the County's department directors do not follow State laws, they set an unfavorable tone that policies do not need to be followed.

**Cause**—The County's policies in place during fiscal year 2020 did not explain what would constitute an acceptable use of public monies to purchase food and beverages that would serve a public purpose and benefit the County and its citizens. Also, the County did not have policies and procedures during the fiscal year that required its employees to provide documentation to demonstrate or explain purchases' public purposes and benefits, and the County lacked written policies and procedures defining allowable uses of monies restricted for highway and street purposes. Further, the County had not provided any training to its employees regarding ensuring purchases comply with statutory and Constitutional provisions.

**Criteria**—The Arizona Constitution, Art. IX, Sec. 7, bans gifts of public monies by counties to individuals and organizations. Consequently, if the County determines that it is appropriate to purchase food and beverages using public monies, it must document how each purchase serves a public purpose and benefits the County. Also, A.R.S. §§28-6533, 28-6392, and 28-5808 restrict highway user revenue fees, transportation excise taxes, and certain vehicle license taxes for highway and street purposes.<sup>3</sup> Further, management should design internal control activities to achieve objectives and respond to noncompliance risks and should implement and monitor its control activities through effective policies by following guidance for essential and effective internal control standards, such as *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States. This guidance is fundamental to ensuring monies are not fraudulently or mistakenly misused.<sup>4</sup>

**Recommendations**—During fiscal year 2021, the County took some actions to address its prior-year inappropriate food and beverage purchases. Specifically, the County developed new policies and procedures that became effective in July 2020 that explain what food and beverage purchases are acceptable to serve a public purpose and benefit the County. However, the County has not developed policies and procedures specifically defining allowable uses of monies restricted for highway and street purposes. Therefore, the County should implement the following recommendations:

1. Enforce its newly created policies and procedures over purchasing food and beverages.
2. Ensure the Public Works Department uses its restricted monies for allowable highway and street purposes by establishing written policies and procedures that:
  - a. Define the allowable uses of monies restricted for highway and street purposes.
  - b. Require employees to prepare and retain documentation, including detailed receipts, to demonstrate and explain how restricted monies were used for allowable highway and street purposes.
  - c. Require written preapproval from the employees' designated approver for exceptions to the County policies.
  - d. Prohibit unallowable purchases, including those without detailed documentation demonstrating or explaining how the purchases served a County purpose and were for highway and street purposes.

<sup>3</sup> Monies the Department receives that are restricted for highway and street purposes include highway user revenue fees, transportation excise taxes, and vehicle license taxes. Arizona Revised Statutes (A.R.S.) §28-6392(B)(2) provides that the State Treasurer may withhold future transportation excise tax revenues if the County does not repay the misspent restricted monies in a timely manner.

<sup>4</sup> U.S. Government Accountability Office (GAO). (2014). *Standards for Internal Control in the Federal Government*. Washington, DC. Retrieved 3/9/2021 from <https://www.gao.gov/assets/670/665712.pdf>.

3. Perform a review of all purchases from monies restricted for highway and street purposes since the road excise tax was passed by County voters in 2015, and repay any misspent monies with other available County public monies when discovered.
4. Provide training to all employees on the County's purchasing policies and procedures, including the new policies and procedures related to the Public Works Department's restricted monies.
5. Update current policies and procedures to require timely reimbursement from employees for any unallowable purchases they make.

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 2019-04.

## 2020-02

### The County's initial financial statements contained misstatements and misclassifications, which increased the risk that those relying on the reported financial information could be misinformed

**Condition**—Contrary to generally accepted accounting principles (GAAP), the County's initial financial statements contained errors we identified that required correction so that the County's financial statements would contain accurate information to ensure its financial statement users would not be misinformed. The County's Finance Department subsequently corrected these errors, which included:

- \$135.9 million of investments presented as cash and cash equivalents on the Governmental and Fiduciary Statement of Net Position.
- \$74.2 million of deposits were misclassified as investments in the deposits and investments note disclosure.
- \$14.7 million of various note disclosure errors and omissions related to pensions and other postemployment benefits.
- \$2.8 million of due from other governments that were misclassified as interfund receivables.
- \$2.4 million of National Forest Fees Fund intergovernmental revenues that were misreported as unearned revenues, which also resulted in misrepresenting major funds.
- \$1.3 million of accrued payroll and employee benefits that were misclassified as accounts payable.

**Effect**—These errors delayed the issuance of the County's Annual Financial Report (AFR), which includes its financial statements, by an additional 6 months, as explained in finding 2020-03. The County corrected the errors we identified before issuing its AFR. However, there is an increased risk that the County's financial statements could contain significant errors and misinform those who are relying on the information.

**Cause**—The County had not developed written procedures for preparing the financial statements and supporting schedules to ensure they are prepared in accordance with GAAP and for requiring management to review them, ensuring they are accurate and in accordance with GAAP. In addition, the County hired a CPA firm to compile its AFR that failed to detect the compilation errors.

**Criteria**—The Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the County to prepare its financial statements in accordance with GAAP. Accurate financial statements provide valuable information to those charged with the County's governance, management, and others who are relying on the reported financial information to make important decisions about the County's financial operations.

**Recommendations**—The County should develop and implement written procedures for:

1. Preparing the financial statements and supporting schedules to ensure they are prepared in accordance with GAAP.
2. Requiring management to perform detailed supervisory reviews to ensure that the financial statements are accurate, properly supported, and presented in accordance with GAAP and to detect and correct errors in the financial statements before providing them for audit. This review should be performed by an individual who is independent of the financial statements' preparation and knowledgeable of GAAP reporting requirements to review the financial statements and related note disclosures.

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 2019-03.

## 2020-03

**The County issued its Annual Financial Report late, resulting in untimely financial information for decision makers**

**Condition**—The County issued its Annual Financial Report 15 months after fiscal year-end, 6 months later than State law requires.

**Effect**—The County did not provide timely financial information to its board of supervisors and others who rely on it to make important decisions about the County's operations. Additionally, because the County had not issued timely financial statements, its Annual Expenditure Limitation Report (AELR), which relies on information from the Annual Financial Report and was due 9 months after fiscal year-end, will also be issued late.

**Cause**—The County had significant turnover in key positions responsible for compiling its Annual Financial Report and had not developed written procedures for preparing the financial statements and supporting schedules and reviewing them for accuracy, as described in finding 2020-02. The County's misstatements we reported in finding 2020-02 and the County's contracting a CPA firm to help compile its Annual Financial Report and correct errors we identified, delayed the issuance of the Annual Financial Report by an additional 6 months.

**Criteria**—State law requires the County to issue its audited Annual Financial Report and AELR within 9 months after fiscal year-end, or by March 31, 2021 (Arizona Revised Statutes §41-1279.07[C]).

**Recommendations**—The County should:

1. Allocate or acquire sufficient resources to compile its Annual Financial Report in a timely manner.
2. Implement the recommendations in finding 2020-02 so that the County can prepare and issue its Annual Financial Report in accordance with required deadlines.

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 2019-03.

## 2020-04

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.
- **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 was incomplete and 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 was actively working on updating the County's IT policies and procedures but was unable to implement many changes due to its shifting resources to address the COVID-19 pandemic.

**Criteria**—The County should follow a credible industry source such as the National Institute of Standards and Technology to implement effective internal controls that protect its IT systems and help ensure the integrity and accuracy of the data it maintains, as follows:

- **Restricting access through logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Securing 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.
- **Ensuring 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.

**Recommendations**—The County should:

1. Make it a priority to develop and document comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

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

2. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.

3. Remove terminated employees' access to IT systems and data.
4. Review all other account access to ensure it remains appropriate and necessary.
5. Enhance authentication requirements for IT systems.

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

6. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
7. Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to ensure vendor qualifications and adherence to the vendor contract.
8. Utilize data-sharing agreements when sharing the County's data, limit the access as appropriate, and enforce data-sharing security restrictions.

**Ensuring operations continue**—To ensure operations continue, develop, document, and implement processes to:

9. Update its contingency plan and ensure it includes all critical elements to restore critical operations, including being prepared to move critical operations to a separate alternative site if necessary.
10. Back up and securely maintain backups of systems and data.

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 2019-02.

## Federal award findings and questioned costs

### 2020-101

**Assistance Listings number and name:** Not applicable

**Questioned costs:** Not applicable

**Condition**—The County misreported a State-funded emergency assistance grant with expenditures totaling \$816,433 on its fiscal year 2020 schedule of expenditures of federal awards (SEFA), contrary to federal regulations. Specifically, after the County's *June 30, 2020, Single Audit Report* (Single Audit Report) dated September 29, 2021, was originally issued, the Arizona Department of Emergency and Military Affairs (DEMA) notified us and the County that the County's SEFA included a State-funded emergency assistance grant for which DEMA and the County had entered into an agreement. Therefore, the County should not have included the State grant on its federal SEFA. However, the County erroneously recorded it in its accounting system as a federal grant program and reported it as the Disaster Grants—Public Assistance (Presidentially Declared Disasters), Assistance Listings number 97.036, on its SEFA that was included in its Single Audit Report.

**Effect**—By misreporting \$816,433 of State-funded expenditures as federal expenditures on its initial SEFA, the County provided inaccurate information to its federal grantors and other stakeholders and had to revise and reissue its Single Audit Report. First, the County had to remove the program from its SEFA, which reduced its fiscal year 2020 total federal expenditures to \$8,980,269, and then revise the corresponding SEFA section of its Single Audit Report.

Second, we had to audit a different federal program to replace this misreported program we had already audited to ensure compliance with federal audit coverage requirements. Specifically, because the County had originally misreported the program as a federal program, we had included it as part of the required audit coverage of the County's federal award expenditures. We subsequently audited the federal Workforce Investment Opportunities Act federal program cluster, Assistance Listings numbers 17.258, 17.259, and 17.278, with fiscal year 2020 expenditures totaling \$987,556, and then we had to revise the auditors' sections of the County's Single Audit Report to indicate we audited this program.

Finally, the County's revised Single Audit Report was issued late. Specifically, once we audited the additional federal program, we and the County revised and reissued its Single Audit Report and resubmitted it to the Federal Audit Clearinghouse on December 10, 2021, 71 days after the September 30, 2021, deadline.<sup>1</sup>

**Cause**—The County erroneously recorded the State-funded emergency assistance grant as a federal grant on the SEFA because County personnel believed it was a federal grant. Specifically, the County's Public Works Department administering the program recorded the program revenues and expenditures as a federal program in the County's accounting system. Thus, the County's Finance Department included the program on the SEFA. Further, the grant agreement between DEMA and the County did not identify the funding source and included reporting requirements similar to that of a federal program. Finally, the County had not established written policies and procedures or trained its applicable department employees to verify the funding source of grant programs when the grant agreements or other documents did not identify the funding source.

**Criteria**—Federal Uniform Guidance regulations require the County to maintain effective internal controls so it can separately identify in its records and accounting system all federal awards received and expended and accurately report its federal award expenditures for the year.<sup>2</sup> Those same federal regulations require us to audit major federal program expenditures to attain coverage of at least 40 percent of the County's total federal awards expended for the year. Additionally, due to the COVID-19 pandemic and public health emergency, written guidance from OMB gave the County until September 30, 2021, to submit its Single Audit Report to the Federal Audit Clearinghouse before it would be considered late.

**Recommendations**—The County should ensure that it reports only federal grant program expenditures on its SEFA by developing and implementing written policies and procedures and training applicable employees to verify the funding source of grant programs when the related grantor agreements/contracts or other documents do not clearly identify the funding source. Procedures should include contacting the grantor for additional information to the grant agreement or contract if identifying the grant as federal, State, or local is not evident. Employees should verify the funding source before including and classifying the program in the County's accounting system.

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.

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<sup>1</sup> As a result of the COVID-19 pandemic and public health emergency, the U.S. Office of Management and Budget (OMB) extended nonfederal entities' Single Audit Report submissions to the Federal Audit Clearinghouse an additional 6 months beyond their normal due dates provided by 2 CFR §200.501. Coconino County's normal due date for its June 30, 2020, Single Audit Report was March 31, 2021; therefore, the extended due date for its June 30, 2020, Single Audit Report was September 30, 2021 (U.S. Office of Management and Budget [2020]. *Memorandum M-20-26*. [Memo \(whitehouse.gov\)](https://www.whitehouse.gov). Retrieved from OMB's website at <https://www.whitehouse.gov/wp-content/uploads/2020/06/M-20-26.pdf>).

<sup>2</sup> Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). (2021). (Refer to 2 Code of Federal Regulations [CFR] §§200.302, 200.510[b], 200.518[f], and 200.512 for specific criteria.)

# COUNTY SECTION

**COCONINO COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2019 - 6/30/2020**

Federal Awarding Agency/Program Title	Federal CFDA Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
<b>DEPARTMENT OF AGRICULTURE</b>									
TRANSPORTATION SERVICES	10.167		BUREAU OF INDIAN AFFAIRS, NAVAJO REGIONAL OFFICE	A19AC00022		\$167,420	\$167,420	N/A	\$0
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTRO40359 CTRO43231		\$583,195	\$583,195	N/A	\$0
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS 16-106171		\$328,003	\$328,003	SNAP CLUSTER	\$328,003
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTRO40359		\$581	\$581	N/A	\$0
SCHOOLS AND ROAD - GRANTS TO STATES	10.665					\$6,426	\$6,426	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$6,426
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>						<u>\$1,085,625</u>			
<b>DEPARTMENT OF COMMERCE</b>									
ECONOMIC ADJUSTMENT ASSISTANCE	11.307					\$29,093	\$29,093	ECONOMIC DEVELOPMENT CLUSTER	\$29,093
<b>TOTAL DEPARTMENT OF COMMERCE</b>						<u>\$29,093</u>			
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>									
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218		ARIZONA DEPARTMENT OF HOUSING	88C-16		\$9,869	\$9,869	CDBG - ENTITLEMENT GRANTS CLUSTER	\$9,869
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228		ARIZONA DEPARTMENT OF HOUSING	108-20 528-20		\$155,000	\$155,000	N/A	\$0
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239		ARIZONA DEPARTMENT OF HOUSING	302-18		\$18,130	\$18,130	N/A	\$0
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						<u>\$182,999</u>			
<b>DEPARTMENT OF THE INTERIOR</b>									
SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION OUTDOOR RECREATION ACQUISITION, DEVELOPMENT, AND PLANNING	15.234		ARIZONA STATE PARKS AND TRAILS	04-00754		\$157,920	\$157,920	N/A	\$0
<b>TOTAL DEPARTMENT OF THE INTERIOR</b>						<u>\$20,521</u>	<u>\$178,441</u>		
<b>DEPARTMENT OF JUSTICE</b>									
STRENGTHENING THE MEDICAL EXAMINER - CORONER SYSTEM	16.037					\$283,043	\$283,043	N/A	\$0
LAW ENFORCEMENT ASSISTANCE NATIONAL CRIME INFORMATION CENTER	16.304		ARIZONA CRIMINAL JUSTICE COMMISSION	ACESF-21-017		\$16,837	\$16,837	N/A	\$0
NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	16.554		ARIZONA CRIMINAL JUSTICE COMMISSION	RSAT-20-002		\$45,832	\$45,832	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	2018-265		\$121,303	\$199,870	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575					\$78,567	\$199,870	N/A	\$0
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593		ARIZONA CRIMINAL JUSTICE COMMISSION	RSAT-20-002		\$103,582	\$103,582	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DGVCC-19-022		\$52,501	\$52,501	N/A	\$0
<b>TOTAL DEPARTMENT OF JUSTICE</b>						<u>\$701,665</u>			
<b>DEPARTMENT OF LABOR</b>									
WIOA ADULT PROGRAM	17.258		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002119 DI19-002201		\$19,321	\$361,225	WIOA CLUSTER	\$987,556
WIOA YOUTH ACTIVITIES	17.259		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI19-002201		\$11,117	\$270,954	WIOA CLUSTER	\$987,556
WIOA DISLOCATED WORKER FORMULA GRANTS	17.278		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002119 DI19-002201		\$4,033	\$355,377	WIOA CLUSTER	\$987,556
<b>TOTAL DEPARTMENT OF LABOR</b>						<u>\$34,471</u>	<u>\$987,556</u>		
<b>DEPARTMENT OF TRANSPORTATION</b>									
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-OP-005		\$4,381	\$4,381	HIGHWAY SAFETY CLUSTER	\$4,554
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-405H-004		\$173	\$173	HIGHWAY SAFETY CLUSTER	\$4,554
INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING AND PLANNING GRANTS	20.703		ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY	HM-HMP-0583-16-01-00		\$9,500	\$9,500	N/A	\$0
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>						<u>\$14,054</u>			
<b>DEPARTMENT OF TREASURY</b>									
COVID-19 CORONAVIRUS RELIEF FUND	21.019	COVID-19	STATE OF ARIZONA GOVERNOR'S OFFICE	ERMT-EP-20-002 ERMT-20-026		\$3,286,646	\$3,286,646	N/A	\$0
<b>TOTAL DEPARTMENT OF TREASURY</b>						<u>\$3,286,646</u>			
<b>DEPARTMENT OF EDUCATION</b>									
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365		ARIZONA DEPARTMENT OF EDUCATION	17FELENG-713173-66A		\$19,448	\$19,448	N/A	\$0
<b>TOTAL DEPARTMENT OF EDUCATION</b>						<u>\$19,448</u>			
<b>DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION</b>									
HELP AMERICA VOTE ACT REQUIREMENTS PAYMENTS	90.401		ARIZONA SECRETARY OF STATE	AZ18101001		\$84,044	\$84,044	N/A	\$0
<b>TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION</b>						<u>\$84,044</u>			
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>									
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043131		\$208,479	\$208,479	N/A	\$0
FOOD AND DRUG ADMINISTRATION RESEARCH	93.103					\$20,000	\$20,000	N/A	\$0
PROJECT GRANTS AND COOPERATIVE AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043235		\$10,815	\$10,815	N/A	\$0
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043159		\$72,896	\$72,896	N/A	\$0

CHILDHOOD LEAD POISONING PREVENTION PROJECTS, STATE AND LOCAL CHILDHOOD LEAD POISONING PREVENTION AND SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	93.197		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR041629	\$10,000	\$10,000	N/A	\$0
GRANTS TO STATES TO SUPPORT ORAL HEALTH WORKFORCE ACTIVITIES	93.236		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043264	\$7,232	\$7,232	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043250	\$39,882	\$39,882	N/A	\$0
PUBLIC HEALTH CRISIS RESPONSE	93.354	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043131	\$891	\$891	N/A	\$0
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES12-089142	\$128,949	\$128,949	477 CLUSTER	\$282,856
CHILD SUPPORT ENFORCEMENT	93.563		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	G1804AZ4004	\$6,556	\$35,635	N/A	\$0
CHILD SUPPORT ENFORCEMENT	93.563				\$29,079	\$35,635	N/A	\$0
LOW-INCOME HOME ENERGY ASSISTANCE	93.568		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043151	\$464,207	\$464,207	N/A	\$0
COMMUNITY SERVICES BLOCK GRANT	93.569				\$153,907	\$153,907	477 CLUSTER	\$282,856
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	93.597				\$17,094	\$17,094	N/A	\$0
ASSETS FOR INDEPENDENCE DEMONSTRATION PROGRAM	93.602		MESA COMMUNITY ACTION NETWORK, INC.	90EI0817	\$1,483	\$1,483	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES15-089142	\$34,611	\$43,664	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667				\$9,053	\$43,664	N/A	\$0
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT FUNDED SOLELY WITH PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.758		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043280	\$54,704	\$54,704	N/A	\$0
OPIOID STR	93.788		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043159	\$257,918	\$257,918	N/A	\$0
HIV CARE FORMULA GRANTS	93.917		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS 18-193951	\$256,840	\$256,840	N/A	\$0
HIV PREVENTION ACTIVITIES, HEALTH DEPARTMENT BASED	93.940		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043154	\$20,421	\$20,421	N/A	\$0
SEXUALLY TRANSMITTED DISEASES (STD) PREVENTION AND CONTROL GRANTS	93.977		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR040474	\$16,608	\$16,608	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043280	\$155,602	\$155,602	N/A	\$0
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						<u>\$1,977,227</u>		
<b>DEPARTMENT OF HOMELAND SECURITY</b>								
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042		ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2019-EP-00010	\$252,464	\$252,464	N/A	\$0
FIRE MANAGEMENT ASSISTANCE GRANT	97.046		ARIZONA DEPARTMENT OF FORESTRY AND FIRE	AZ-ADC-191268 19-AZDOHS-HSGP-190101-03	\$74,455	\$74,455	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY	180100-01 180100-02	\$106,552	\$106,552	N/A	\$0
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>						<u>\$433,471</u>		
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>					<u>\$54,992</u>	<u>\$8,980,269</u>		

**Please Note:**

*Italicized award lines indicate pass-through funding*

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

**COCONINO COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2019 - 6/30/2020**

**Significant Accounting Policies Used in Preparing the SEFA**

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.

**10% De Minimis Cost Rate**

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

**Basis of presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes Coconino County's federal grant activity for the year ended June 30, 2020. 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.

**Federal Assistance Listings number**

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2020 Federal Assistance Listings.

**Donated Personal Protective Equipment (PPE)**

The fair market value of donated personal protective equipment the County received for the COVID-19 response for the year ended June 30, 2020 was \$1,020,496.

**Restated SEFA Due to Correction of an Error**

Subsequent to the initial issuance of our Single Audit Report, the County discovered that Disaster Grants – Public Assistance (Presidentially Declared Disasters), Assistance Listings number 97.036 in the amount of \$816,433, which was previously reported in the SEFA as a federal program, was actually a state funded program. Therefore, the County revised its initial SEFA to reflect the correction of this error.

# COUNTY RESPONSE



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December 3, 2021

Lindsey Perry  
Auditor General  
2910 N. 44<sup>th</sup> Street, Suite 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,

*Siri Mullaney*

Siri Mullaney  
Chief Fiscal Officer

Coconino County  
Corrective Action Plan  
Year Ended June 30, 2020

## Financial Statement Findings

### 2020-01

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**The County misspent \$145,857 of public monies on food and beverages and other items, and \$64,679 of that amount was from monies restricted for highway and street purposes, resulting in a possible misuse of public monies and possible violation of the Arizona Constitution**

Contact Persons: Siri Mullaney, Finance Director

Anticipated completion date: June 30, 2022

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Corrective Action: Concur. Coconino County did not have adequate policies and procedures in place to document the public purpose for food and beverage purchases and purchase details. The County became aware of this finding for fiscal year 2019 at the very end of fiscal year 2020, and immediately adopted a policy to be in effect for fiscal year 2021 which outlines the documentation and reporting requirements for food and beverage purchases, including maintaining detailed receipts and demonstrating the public purpose and benefit of those purchases. Coconino County has repaid the road fund for all food and beverage and other unallowed purchases made during FY2020 using any road monies. This item was not corrected by the end of fiscal year 2020 but has been corrected for fiscal year 2021. Coconino County will adopt policies to define allowable uses of monies restricted for highway and street purposes.

### 2020-02

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**The County's initial financial statements contained misstatements and misclassifications, which increased the risk that those relying on the reported financial information could be misinformed**

Contact Persons: Siri Mullaney, Finance Director

Anticipated completion date: June 30, 2022

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Corrective Action: Concur. Coconino County has experienced significant turnover in key positions and was not successful in recruiting an Audit Manager until six months after the close of fiscal year 2020. This position is responsible for leading the development of accurate, timely financial statements that are prepared in accordance with GAAP. To mitigate the impact of staffing shortages, the County hired a CPA firm to compile the AFR that failed to detect the

Coconino County  
Corrective Action Plan  
Year Ended June 30, 2020

compilation errors. In addition to hiring an Audit Manager, the County has also recently created a GAAP and GASB Manager position that will develop and implement written procedures for preparing the financial statements and supporting schedules to ensure they are prepared in accordance with GAAP. The County will also require an employee who is independent of financial statement's preparation and knowledgeable of GAAP reporting requirements to review the financial statements and related note disclosures before providing them for audit.

**2020-03**

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**The County issued its Annual Financial Report late, resulting in untimely financial information for decision makers**

Contact Persons: Siri Mullaney, Finance Director

Anticipated completion date: June 30, 2022

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Corrective Action: Concur. Coconino County had significant turnover in the audit division and key positions beginning in fiscal year 2020. To mitigate the impact of staffing shortages, the County hired a CPA firm to compile the AFR but even with this assistance did not have the resources available to adhere to a timely audit schedule. In addition to hiring an Audit Manager, the County has also recently created a GAAP and GASB Manager and is working towards full staffing of the County's audit and financial reporting division.

**2020-04**

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**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**

Contact Persons: Matt Fowler, IT Director/CIO

Completion date: June 30, 2021

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Corrective Action: Concur. Coconino County has successfully implemented NIST 800-53 rev4 best practices to identify risks and safeguards. Comprehensive IT policies and procedures are implemented with high emphasis on access control, least privilege, disaster recovery, internal audits, and incident response; further promoting governance, risk, and compliance. This finding should be fully resolved for FY21 audit.

Coconino County  
Corrective Action Plan  
Year Ended June 30, 2020

## Federal Award Findings and Questioned Costs

**2020-101**

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**CFDA No. and Name:** N/A

**Responsible Persons:** Siri Mullaney, Finance Director

**Completion date:** June 30, 2022

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Corrective Action: Concur. The Finance Department received incorrect information as to the source of emergency assistance grant funding. Similar funding had previously been received as a federal pass-through, but the expenditures for FY20 were State funded based on the source of the emergency declaration. Written policies and procedures will be developed and training will be developed for personnel responsible for verifying the funding source of grant programs.



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September 29, 2021

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

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements to 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.

Sincerely,

*Siri Mullaney*

Siri Mullaney  
Chief Fiscal Officer

Coconino County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2020

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**Status of Financial Statement Findings**

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**Managing Risk**

Finding No: 2019-01, 2018-01 and 2017-03

Status: Fully Corrected

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**Information technology (IT) controls—access, change management, security, and contingency planning**

Finding No: 2019-02, 2018-02; 2017-04 (access controls), 2017-05 (change management); 2017-06 (security) and 2017-07 (contingency planning)

Status: Partially Corrected

Explanation: A target completion date of June 30, 2020, was originally established to fully correct these findings and adjusted to June 30, 2021, because IT resources were redirected because of the pandemic. Work was done during FY20 and is on track to be completed by the new target completion date, but the findings were not completely corrected by the end of FY2020 for access, security, and contingency planning. The change management finding was fully corrected in FY20. To help ensure the County has effective policies and procedures over its IT systems and data, the County CIO is implementing NIST 800-53 rev5 best practices to improve the security posture regarding Access, Configuration Management, Security, and Contingency Planning. This finding should be fully resolved for the FY21 audit.

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**Annual financial report (AFR) preparation**

Finding No: 2019-03 and 2018-04

Status: Not Corrected

Explanation: Coconino County has experienced significant turnover in key positions and was not successful in recruiting an Audit Manager until six months after the close of fiscal year 2020. This position is responsible for leading the development of accurate, timely financial statements that are prepared in accordance with GAAP. To mitigate the impact of staffing shortages, the County hired a CPA firm to compile the AFR that failed to detect the compilation errors. In addition to hiring an Audit Manager, the County has also recently created a GAAP and GASB Manager position that will develop and implement written procedures for preparing the financial statements and supporting schedules to ensure they are prepared in accordance with GAAP. The County will also require an employee who is independent of financial statement's preparation and knowledgeable of GAAP reporting requirements to review the financial statements and related note disclosures before providing them for audit. The County anticipates this finding will be corrected by June 30, 2022.

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Coconino County  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2020

**The County misspent HURF funds on food and beverages and may have misspent additional funds on food and beverages**

Finding No: 2019-04

Status: Not Corrected

Explanation: Coconino County did not have adequate policies and procedures in place to document the public purpose for food and beverage purchases and purchase details. The County became aware of this finding for fiscal year 2019 at the very end of fiscal year 2020, and immediately adopted a policy to be in effect for fiscal year 2021 which outlines the documentation and reporting requirements for food and beverage purchases, including maintaining detailed receipts and demonstrating the public purpose and benefit of those purchases. Coconino County has repaid the road fund for all food and beverage purchases made during FY2020 using any road monies. This item was not corrected by the end of fiscal year 2020 but has been corrected for fiscal year 2021. Coconino County will adopt policies to define allowable uses of monies restricted for highway and street purposes. The County anticipates this finding will be corrected by June 30, 2022.

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**The County Treasurer put the County's and other County governmental entities' monies at risk by not ensuring that all deposits were properly collateralized**

Finding No: 2019-05

Status: Fully Corrected

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**Conflict of interest**

Finding No: 2019-06

Status: Fully Corrected

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

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

Finding No: 2019-101 and 2018-104

Status: Fully corrected

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