

Gila County

Single Audit Report

Year Ended June 30, 2022



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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Audit Staff

Melanie M. Chesney, Deputy Auditor General and Acting Director, Financial Audit Division
Don Bohart, Manager

Contact Information

Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



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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
Gila County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Gila County as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 31, 2023.

Report on internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control 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 2022-01, 2022-03, and 2022-05 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 2022-02 and 2022-04 to be significant deficiencies.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County response to findings

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

Purpose of this report

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

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

March 31, 2023



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
Gila County, Arizona

Report on compliance for each major federal program

Qualified and unmodified opinions

We have audited Gila County's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified opinion on the COVID-19—Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the basis for qualified and unmodified opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19—Coronavirus State and Local Fiscal Recovery Funds (Assistance Listings number 21.027) for the year ended June 30, 2022.

Unmodified opinion on each of the other major federal programs

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its 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, 2022.

Basis for qualified and unmodified opinions

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General, and the audit requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

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

Matters giving rise to qualified opinion on the COVID-19—Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the COVID-19—Coronavirus State and Local Fiscal Recovery Funds (Assistance Listings number 21.027) reporting as described in item 2022-103. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Management's responsibilities for compliance

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

Auditors' responsibilities for the audit of compliance

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

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

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

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

Other matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2022-101, 2022-102, and 2022-104. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-101, 2022-102, 2022-103, and 2022-104 to be material weaknesses.

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

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

County response to findings

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

Report on schedule of expenditures of federal awards required by the Uniform Guidance

We have audited the financial statements of the County's governmental activities, business-type activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 31, 2023, that contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

May 18, 2023



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 for all major programs except for the COVID-19—Coronavirus State and Local Fiscal Recovery Funds (Assistance Listings number 21.027), which was qualified.

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

10.665

21.027

93.137

93.323

Name of federal program or cluster

Forest Service Schools and Roads Cluster

COVID-19—Coronavirus State and Local Fiscal Recovery Funds

COVID-19—Community Programs to Improve Minority Health Grant Program

COVID-19—Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

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

Auditee qualified as low-risk auditee? No

Financial statement findings

2022-01

The County awarded \$140,925 to various organizations without requiring them to provide documentation that the monies were used only for economic development that benefited the public, resulting in an increased risk of misuse of County monies

Condition—During fiscal year 2022, the County's Board of Supervisors awarded \$140,925 of Constituent Funds discretionary monies to 54 community nonprofit and governmental organizations for economic development, but County management did not require award recipients to provide documentation nor did it monitor how these monies were spent to provide authorized services and activities that benefited the public.

Effect—The County put \$140,925 of its Constituent Funds discretionary spending monies to be used to support economic development at an increased risk of misuse because it did not ensure the awarded monies were used for intended and authorized purposes.

Cause—The County's policies and procedures for awarding Constituent Funds discretionary monies for economic development did not include preaward and monitoring follow-up steps for County management to ensure monies were used for intended and authorized purposes. Specifically, the County did not require award recipients to demonstrate their qualifications for the award and specify with detailed budgets how and when requested monies will be used, report and certify how monies were spent, and return any unexpended or misspent monies.

Criteria—County policy requires a signed, written agreement, memorandum of understanding, or contract between the County and the awarded organizations any time the Board of Supervisors awards Constituent Funds for economic development (Gila County Community Agency and Economic Development Funding Policy, BOS-FIN-016). Additionally, 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 provide economic development awards to individuals or organizations, it must assess and document how each award serves a public purpose and benefits the County, and the value to be received by the public is not far exceeded by the consideration being paid by the public.

Further, developing and documenting the policies and procedures of internal control responsibilities, such as preaward and follow-up steps for the County's economic development award objectives, to respond to related risks of misusing monies is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, and integral to ensuring public monies are not fraudulently or mistakenly misused.¹

Recommendations—County management should improve its policies and procedures for awarding and monitoring Constituent Funds discretionary monies used for economic development to include preaward and follow-up steps for it to follow that:

1. Include detailed guidelines and requirements that all award recipients must meet to qualify for economic development award monies. For example, the County's policies should describe acceptable award uses. Further, the County should create an award application where entities would be required to describe their intended uses, such as service and activity goals, expected outcomes, and performance measures, and to provide sufficiently detailed budgets indicating how and when the requested monies will be used.

2. Require awarded entities to report and certify how monies were spent. This report and certification should be required periodically or at least once the specified and approved time frame for expending the monies has occurred.
3. Require awarded entities to return any unexpended or misspent monies.

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 2021-01.

¹ U.S. Government Accountability Office (GAO). (2014). *Standards for internal control in the federal government*. Retrieved on 3/31/23 from <https://www.gao.gov/assets/670/665712.pdf>.

2022-02

The County did not ensure \$36,610 of public monies its employees spent on various purchasing card expenditures were for authorized County business purposes, resulting in risk of possible misuse of public monies and possible violation of the Arizona Constitution

Condition—Contrary to its policies, the County did not review and approve or ensure appropriate support was obtained for \$36,610 of public monies its employees spent on various purchasing card expenditures to ensure they were for authorized purposes necessary for official County business. Specifically, for 33 of 60 fiscal year 2022 purchasing card transactions we tested, the County paid for the purchases prior to ensuring they were authorized as follows:

- 15 transactions totaling \$11,752 were not reviewed and approved by the assigned County department supervisor and consisted of purchases for building and home improvement materials (\$9,400), travel (\$955), electronics and software (\$843), fuel (\$27), and other miscellaneous items from retailers like Amazon, Walmart, and Office Depot (\$527). In addition, contrary to its policies, the County did not perform competitive purchasing procedures to obtain a minimum of 3 written price quotations for \$6,208 of the \$9,400 purchases for building and home improvement materials.
- 18 transactions totaling \$24,858 lacked required supporting documentation, including support that the purchase was for authorized County purposes, and consisted of purchases for electronics and software (\$11,242), building and home improvement materials (\$7,302), utilities (\$300), and other miscellaneous items from retailers like Amazon and Office Depot (\$6,014).

Effect—The County put public monies at risk of being misspent or being misused on purchasing card expenditures, which could also be a possible violation of the Arizona Constitution's ban on gifts or loans of public monies. Further, when public monies are misspent or misused, less monies are available for uses that benefit the County and its residents, such as for public safety and health and welfare programs.

Cause—The County's policies are not sufficiently detailed, and employee cardholders and department supervisors assigned to review and approve purchasing cards were not trained on them. For example, the policies do not specify the date by which County department heads are required to approve purchases. However, the County's system automatically approves all purchases on the fifth day of the month following the statement closing date so the balance owed by the County can be paid. Therefore, if the County department supervisor has not already approved a purchase prior to the fifth day of the month, the purchase will be paid for without the required department approval. Also, the County's policies do not

specify the documentation employees need to include to support a purchase is for authorized County business purposes when this is not evident from the purchase documentation, such as the invoice or receipt; include the requirement to prohibit cash advances; or require that employees and department supervisors be trained on them and how to apply other relevant County policies and procedures, such as those related to competitive purchasing. Additionally, although the Finance Department is required to monitor departments' purchasing card usage for compliance with the policies and procedures, it did not have a process in place for doing so.

Criteria—The County's purchasing card policies restrict County employees' purchasing card use to only purchases required for authorized County business purposes and require them to submit all applicable documentation supporting the purchase to the assigned department supervisor. Additionally, they require department supervisors to review and approve all charges prior to the County's paying the purchasing card but do not specify a time frame. Also, the County's purchasing card policies require the County's Finance Department to monitor departments' compliance with the policies.¹ Similarly, the County's travel policies require travel expenses to be necessary and incurred only while employees are conducting authorized County business, and require employees to submit a travel claim that is accompanied by documentation supporting the travel's purpose, such as conference registrations, agendas, purchase orders, invoices, and itemized receipts.² In addition to the purchasing card and travel policies, employees and the assigned department supervisors are also required to adhere to the County's competitive purchasing procedures when making purchasing card expenditures. The County's procurement policies establish purchasing thresholds for performing such procedures that include, for example, obtaining price quotations.³ Finally, State law bans gifts or loans of public monies by counties to individuals, which could potentially include purchasing card expenditures that are not reviewed and approved and not authorized by County policies (Arizona Constitution, Art. IX, Sec. 7).

Recommendations—The County should:

1. Update its existing policies and procedures for purchasing card expenditures to specify a time frame when department supervisors are expected to review and approve purchasing card transactions, including those for travel expenses; what supporting documentation is required if an authorized County business purpose is not evident from the invoice, receipt, or other support; prohibit cash advances; and to specify penalties for purchasing cardholders who violate County policies.
2. Require department supervisors responsible for reviewing and approving purchasing card transactions, including those for travel expenses, to approve only those transactions that are supported by documentation that evidence purchases are for an authorized County business purpose and to do so prior to the County's paying for them.
3. Require its Finance Department to develop and implement a process to monitor County departments' compliance with the County's policies to help ensure that the County does not pay for purchases that do not have the required invoices, travel claims, receipts, or other documentation supporting that they are for authorized County business.
4. Train all County employees who are purchasing cardholders and department supervisors on its policies and procedures for using purchasing cards, including travel expenses. Training should address detailed instructions for how to submit documentation for review and approval, what documentation to provide, and how to apply competitive purchasing procedures prior to purchases being made.

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 2021-02.

¹ Gila County. (2018). *Gila County Credit Card Usage Policy*. [BOS-FIN-114](#).

² Gila County. (2018). *Gila County Travel Policy*. [BOS-FIN-112](#).

³ Gila County. (2018). *Gila County Procurement Policy*, [BOS-FIN-113](#).

2022-03

The County lacked inventorying and other recordkeeping for nearly \$6 million of capital assets, resulting in an increased risk that they could be misstated, and machinery and equipment could be stolen, lost, or misused

Condition—The County’s Finance Department lacked inventorying and other recordkeeping for capital assets the County classified as machinery and equipment. Specifically, since 2009, the County had not performed a physical inventory of its machinery and equipment, reported at nearly \$6 million, to ensure that they were controlled and safeguarded and the related capital asset records were updated, accurate, and complete so that they were correctly reported in its financial statements. These capital assets comprised nearly 5 percent of the County’s total assets and deferred outflows of resources for the year.

Effect—There is an increased risk that capital assets the County classified as machinery and equipment, reported at nearly \$6 million for the year, could be misstated. Further, the County’s lack of stewardship policies and procedures over its machinery and equipment items exposed them to potential theft, loss, and misuse.

Cause—The County’s policies and procedures for capital assets did not address stewardship policies and procedures for machinery and equipment, such as performing a physical inventory on a periodic basis to control, safeguard, and accurately record these capital assets.

Criteria—The Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the County to report its capital assets in accordance with generally accepted accounting principles. In addition, federal regulation requires the County to perform a physical inventory of its machinery and equipment acquired with federal awards and reconcile the results to the County’s records at least once every 2 years (2 Code of Federal Regulations, §200.313[d][2]). Developing and documenting the policies and procedures of internal control responsibilities of inventorying and other recordkeeping for the County’s capital assets, such as machinery and equipment, are an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, and are integral to achieving these financial reporting and federal compliance objectives and ensuring capital assets are properly controlled and safeguarded from theft, loss, and misuse.¹

Recommendations—The County should:

1. Perform a complete physical inventory of capital assets located at all its departments at least once every 2 years, maintaining the inventory documentation and reconciling the inventory results to the capital asset records to ensure they are accurate and complete.

2. Develop and maintain detailed capital asset inventorying policies and procedures and provide training to employees to effectively control, safeguard, and report capital assets, including depreciation. The written procedures should include processes for performing a physical inventory and reconciling it to capital asset records; reconciling current-year capital expenditures to current-year additions; and reconciling current-year capital asset balances to prior-year capital asset balances.

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 2021-04.

¹ U.S. Government Accountability Office (GAO). (2014). *Standards for internal control in the federal government*. Retrieved 3/31/23 from <https://www.gao.gov/assets/670/665712.pdf>.

2022-04

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

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

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

Cause—The County's administration and IT management reported that it had neither prioritized documenting its risk-assessment and data classification process nor required that the risk assessment process involve a discussion with the County's administrative officials and others involved in managing the County who can help assess and respond to IT risks the County faces.

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

Recommendations—The County's administration and IT management should:

1. Plan for where to allocate resources and where to implement critical controls.
2. Ask responsible administrative officials and management over finance, IT, and other entity functions for input in the County's process for managing risk.
3. Perform an annual entity-wide IT risk-assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.
4. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

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 2021-05.

2022-05

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

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

- **Restricting access**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
- **Managing system configurations and changes**—Procedures did not ensure configuration settings were securely maintained and all IT system changes were adequately managed.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.

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.

Cause—The County's administration and IT management reported that they began developing and implementing procedures but did not prioritize them due to limited IT personnel resources and, instead, focused resources on continued operations.

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

- **Restrict access through logical and physical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, key systems and data access is monitored and reviewed, and physical access to its system infrastructure is protected.
- **Manage system configurations and changes through well-defined, documented configuration-management process**—Ensures the County’s IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system’s security or operation. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.
- **Secure systems and data through IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

Recommendations—The County’s administration and IT management 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.

Restrict 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. Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts.
6. Enhance authentication requirements for IT systems.
7. Review data center physical access periodically to determine appropriateness.

Manage system configurations and changes—To configure all IT systems securely and manage system changes, develop, document, and implement processes to:

8. Establish and follow a documented change-management process.
9. Identify, evaluate, and apply patches in a timely manner.
10. Document all changes, testing procedures and results, change approvals, and post-change review.
11. Review proposed changes for appropriateness, justification, and security impact.
12. Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
13. Test changes prior to implementation.
14. Separate responsibilities for the change-management process or, if impractical, perform a postimplementation review to ensure the change was implemented as approved.

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

15. Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.

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 2021-06.

Federal award findings and questioned costs

2022-101

Assistance Listings numbers and names: Not applicable

Questioned costs: Not applicable

Condition—Contrary to federal regulation, the County did not submit its June 30, 2022, Single Audit Report to the federal audit clearinghouse until May 2023, which was 2 months later than required.

Effect—The County submitting its Single Audit Report late prevents the federal government, the State, and other grantors of federal awards from having current information to effectively monitor their programs and could delay corrective actions that need to be taken by the County. Further, federal and other State grantors may deny the County future federal awards or subject it to additional cash-monitoring requirements. This finding was not a result of internal control deficiencies of individual federal programs and, accordingly, did not have a direct and material effect on the compliance requirements over the County's major federal programs.

Cause—The County's Finance Department reported that it provided key information for audit late due to turnover in finance and accounting personnel, who needed to focus their efforts on preparing and issuing the County's Annual Financial Report by March 31. As a result, the County's schedule of expenditures of federal awards (SEFA), which was needed for the County's single audit, was provided for audit nearly 1 month later than the agreed-upon deadlines established at the beginning of the audit.

Criteria—Federal regulation requires the County to submit its Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end, or by March 31, 2023, for the County's June 30, 2022, Single Audit Report (2 Code of Federal Regulations [CFR] §200.512).

Recommendations—The Department should:

1. Evaluate the County's need to allocate additional resources to timely meet agreed-upon deadlines for providing information needed for audit.
2. Improve its financial reporting process so that it can submit the County's future Single Audit Reports on or before the federally required submission deadline, which is no later than 9 months after fiscal year-end or by March 31 of the subsequent year.

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.

2022-102

Assistance Listings number and name:	21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Award number and year:	SLFRP0665, March 3, 2021 through December 31, 2026
Federal agency:	U.S. Department of the Treasury
Compliance requirement:	Procurement
Questioned costs:	\$25,625

Condition—Contrary to federal regulations and County policies and procedures, the County inappropriately used sole source procurement for a contract paid for with federal program monies. Specifically, the Public Works Department, which initiated the sole source procurement, and the County's former procurement officer who approved the sole source procurement inappropriately used a sole source procurement for a \$25,625 contract for hauling dirt for the County Fair's arena paid for with federal program monies, failing to ensure multiple sources for the service did not exist and to appropriately document the sole source justification in the contract file. This inappropriate sole source purchase comprised 3.6 percent of the program's total federal award expenditures of \$707,004 in fiscal year 2022.

Effect—The County's inappropriate use of a sole source procurement increased the County's risk of not receiving the most advantageous price for the service purchased with federal monies. Therefore, the County may have inappropriately decreased federal program monies available for other program activities. The County is also at risk that this finding applies to other federal programs that it administers.

Cause—The County's current procurement officer reported that the former procurement officer is no longer employed with the County and, therefore, did not know why the County's sole source procurement procedures were not followed, documented, and enforced.

Criteria—Federal regulations permit noncompetitive purchases using federal program monies only in certain circumstances, such as when there is only a single source for purchasing goods/services, and require the County to establish and follow written policies and procedures that conform with the purchasing requirements of the federal Uniform Guidance (2 CFR §200.318 and .320[c][2]). Further, County policies and procedures require sole source procurement to be avoided when possible and require the County procurement officer and departments to conduct a good-faith search for available sources and, if there is only one source for the goods or services being purchased, to document the determination for using sole source procurements prior to making such purchases and include it in the contract file (Gila County. [2019.] *Procurement Policy*, Section 8, Part C.). Also, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendations—The County should:

1. Require the Public Works Department and procurement officer to follow County policies and procedures for determining and documenting each sole source procurement only after conducting a good-faith search for available sources and concluding there is only a single source and include it in the contract file.
2. Annually, train all County employees with purchasing responsibilities, including the Public Works Department and procurement officer, on the County's policies and procedures for determining and documenting sole source procurements.

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.

2022-103

Assistance Listings number and name:	21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds
Award number and year:	SLFRP0665, March 3, 2021 through December 31, 2026
Federal agency:	U.S. Department of the Treasury
Compliance requirement:	Reporting
Questioned costs:	Not applicable

Condition—The County's Finance Department (Department) did not review and approve all 4 federal program reports (progress reports), including 1 interim and 3 project and expenditure reports, before submitting them to the federal agency. Specifically, the Department was advanced \$10,492,363 of program monies, and of this amount, the Department reported expenditures totaling \$707,004 in progress reports as of June 30, 2022. However, the Department did not perform an independent review and approval of these required progress reports to ensure the \$707,004 of reported expenditures was accurate, agreed to County records, and contained only allowable expenditures. Our testing of the 3 progress reports found the following inaccuracies:

- Both a \$631,385 understatement and overstatement, respectively, of program expenditures and obligations on the December 31, 2021 and March 31, 2022, progress reports because the County reported the expenditures and obligations in the wrong quarter.
- A \$99,811 overstatement of cumulative program obligations the County reported on both the December 31, 2021 and March 31, 2022, progress reports.
- An overstatement of \$555,767 and an understatement of \$75,618, respectively, of current and cumulative program expenditures the County reported on the June 30, 2022, progress report.
- Overstatements of \$655,578 and \$24,193, respectively, of current and cumulative program obligations the County reported on the June 30, 2022, progress report.

Effect—The Department's reporting inaccurate and erroneous program information results in the federal agency being unable to rely on the reports to effectively monitor the Department's program administration, including its compliance with program requirements and ability to prevent and detect fraud, and to evaluate the program's success. The County is also at risk that this finding applies to other federal programs that it administers.

Cause—The County did not have policies and procedures requiring the Department to perform and document an independent review and approval of the program's reports before submitting them to the federal agency. Although the Department reported that it had performed independent reviews and approvals of the reports, it did not document these independent reviews and approvals, nor did these reviews detect the errors we noted above.

Criteria—Federal agency guidance requires the County to verify and confirm that all program information that it reports is accurate and approved before submitting it.¹ Additionally, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendations—The County's management should:

1. Develop policies and procedures requiring the Department to:
 - a. Perform and document an independent review and approval of all federal program reports before submitting them to the federal agency to ensure the reports are accurate, agree to County records, and contain only allowable expenditures.
 - b. Reconcile program expenditure amounts reported to the County's accounting records.
2. Adjust or resubmit reports for errors detected on reports the Department already submitted to the federal agency or work with the federal agency so that it is informed of errors on previously submitted reports.
3. Train Department employees responsible for preparing and reviewing reports on what information to gather to prepare the reports and on the County's policies and procedures.

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.

¹ U.S. Department of the Treasury. (2022.) *State and Local Fiscal Recovery Funds: Project and Expenditure Report User Guide*, Section IV, Part i.—Subawards or Direct Payments. Retrieved on 4/6/2023 from <https://home.treasury.gov/system/files/136/April-2022-PE-Report-User-Guide.pdf>.

2022-104

Assistance Listings number and name:

93.137 **COVID-19 Community Programs to Improve Minority Health Grant Program**

Award number and years:

1 CPIMP211254-01-00, July 2, 2021 through June 30, 2023;

Federal agency:

U.S. Department of Health and Human Services

Compliance requirement:

Reporting

Questioned costs:

Not applicable

Condition—Contrary to federal guidance and the County's federal grant award terms, the County's Health and Emergency Management Department and Finance Department did not prepare and submit timely and accurate program information to the federal grantor agency for monitoring and expense reimbursement. Specifically, the departments submitted the first 2 required quarterly reports to the federal agency in February 2022, which was 95 and 11 days later than required for the September 30, 2021 and December 31, 2021, reports, respectively.

The departments also reported inaccurate information in all 4 quarterly reports they submitted. Specifically, they omitted information related to cash disbursements for the first 2 quarterly reports in the amounts of \$507,363 and \$359,964, respectively, resulting in cash on hand being overstated. Further, they reported inaccurate information on the final 2 quarterly reports in the amounts of \$507,363 and \$14,644, respectively, related to multiple line items in the reports.

Effect—The departments' reporting untimely program information delayed the County's receiving federal reimbursement for program expenditures it incurred totaling \$867,327 until March 2022. Had the departments submitted the first 2 reports on time, the County could have received an initial reimbursement of \$507,363 in October 2021 and a second reimbursement of \$359,964 in January 2022. Also, the departments' reporting untimely and inaccurate program information negatively impacts the federal agency's ability to effectively monitor the County's program administration and compliance with program

requirements, prevent and detect fraud, and evaluate the program's success. The County is also at risk that this finding applies to other federal programs that it administers.

Cause—The County lacked policies and procedures requiring the departments to perform and document an independent review and approval of federal program reports before submitting them to the federal agency. Although the Departments did not have policies and procedures requiring a review, they had assigned an employee to perform a review and submit the reports. However, this employee was no longer employed with the County, and therefore, the departments did not know why the reports were submitted late and the errors were not detected.

Criteria—Federal agency guidance and the County's grant award terms require the departments to submit to the federal agency quarterly program information reports to request reimbursement of program expenditures the County incurs during each quarter, no later than 30 days after each quarter's end. Further, the guidance and award terms require the departments to complete the reports using the federal agency's financial reporting instructions.¹ Finally, federal regulation requires the County's establishing and maintaining effective internal control over federal awards that provides reasonable assurance that federal programs are being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendations—The County's management should:

1. Develop and implement policies and procedures requiring the departments to:
 - a. Perform and document an independent review and approval of all federal program reports before submitting them to the federal agency to ensure the reports are accurate, agree to County records, and contain only allowable expenditures.
 - b. Submit reports on time.
2. Annually train the departments' employees who are responsible for preparing and reviewing reports regarding the information required to be gathered and documented in the County's policies and procedures.

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.

¹ U.S. Department of Health and Human Services (HHS). (2010.) *Federal Financial Report Instructions*. Retrieved on 4/12/2023 from https://www.hhs.gov/guidance/sites/default/files/hhs-guidance-documents/sf_425_instructions.pdf.

COUNTY SECTION

GILA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022

Federal Awarding Agency/Program Title	Assistance Listings Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE								
SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043241	\$241,632	\$241,632	N/A	\$0
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561		ARIZONA DEPARTMENT OF HEALTH SERVICES	NONE	\$203,055	\$203,055	SNAP CLUSTER FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$203,055
SCHOOLS AND ROADS - GRANTS TO STATES	10.665				\$1,322,856	\$1,322,856		\$1,322,856
TOTAL DEPARTMENT OF AGRICULTURE					<u>\$1,767,543</u>			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228		ARIZONA DEPARTMENT OF HOUSING	135-21	\$63,230	\$63,230	N/A	\$0
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239		ARIZONA DEPARTMENT OF HOUSING	309-21	\$66,123	\$66,123	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267		ARIZONA DEPARTMENT OF HOUSING	521-21	\$5,250	\$5,250	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871				\$339,328	\$383,272	HOUSING VOUCHER CLUSTER	\$383,272
COVID-19 - SECTION 8 HOUSING CHOICE VOUCHERS	14.871	COVID-19			\$43,944	\$383,272	HOUSING VOUCHER CLUSTER	\$383,272
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u>\$517,875</u>			
DEPARTMENT OF JUSTICE								
CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	COVID-19	ARIZONA CRIMINAL JUSTICE COMMISSION	ACESF-21-021 2020-VD-BX-1661	\$64,598	\$64,598	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	2018-V2-GX-0012 DC-22-004 DC-22-023	\$80,338	\$80,338	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION		\$110,867	\$110,867	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE					<u>\$255,803</u>			
DEPARTMENT OF LABOR								
WIOA NATIONAL DISLOCATED WORKER GRANT	17.277		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI20-002263	\$55,355	\$55,355	N/A	\$0
TOTAL DEPARTMENT OF LABOR					<u>\$55,355</u>			
DEPARTMENT OF TRANSPORTATION								
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2022-PTS-026 2021-PTS-023	\$12,337	\$12,337	HIGHWAY SAFETY CLUSTER	\$30,056
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2021-405D-015	\$17,719	\$17,719	HIGHWAY SAFETY CLUSTER	\$30,056
TOTAL DEPARTMENT OF TRANSPORTATION					<u>\$30,056</u>			
DEPARTMENT OF TREASURY								
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19			\$707,004	\$707,004	N/A	\$0
TOTAL DEPARTMENT OF TREASURY					<u>\$707,004</u>			
ENVIRONMENTAL PROTECTION AGENCY								
BROWNFIELDS ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS	66.818				\$8,985	\$8,985	N/A	\$0
TOTAL ENVIRONMENTAL PROTECTION AGENCY					<u>\$8,985</u>			
DEPARTMENT OF ENERGY								
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042		ARIZONA DEPARTMENT OF HOUSING	213-21	\$150,758	\$150,758	N/A	\$0
TOTAL DEPARTMENT OF ENERGY					<u>\$150,758</u>			
DEPARTMENT OF EDUCATION								
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002		ARIZONA DEPARTMENT OF EDUCATION	22FABASC-213181-01A 22FPRLEC-213181-01A 22FVILEC-213181-01A 22FIELCC-213181-01A 22FIECTC-213181-01A 22FIETCO-213181-01A	\$94,319	\$94,319	N/A	\$0
EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425D	ARIZONA DEPARTMENT OF EDUCATION	21FEIINT-111207-01A	\$106,487	\$106,487	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION					<u>\$200,806</u>			
DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION								
2018 HAVA ELECTION SECURITY GRANTS	90.404		ARIZONA SECRETARY OF STATE	AZ20101001	\$7,425	\$7,425	N/A	\$0
TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION					<u>\$7,425</u>			
DEPARTMENT OF HEALTH AND HUMAN SERVICES								
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR055209	\$209,455	\$209,455	N/A	\$0
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136		ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2021-069	\$232,245	\$232,245	N/A	\$0
COMMUNITY PROGRAMS TO IMPROVE MINORITY HEALTH GRANT PROGRAM	93.137	COVID-19			\$1,252,238	\$1,252,238	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177678 CTROS6164	\$488,335	\$488,335	N/A	\$0
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTROS5639 IGA2021-037	\$1,610,523	\$1,610,523	N/A	\$0
COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE -PUBLIC HEALTH CRISIS RESPONSE- 2018	93.354		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR055209	\$180,689	\$180,689	N/A	\$0
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93.391	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR055997	\$218,839	\$218,839	N/A	\$0
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI20-002263	\$139,954	\$139,954	N/A	\$0

CHILD SUPPORT ENFORCEMENT	93.563		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002156	\$64,264	\$64,264	N/A	\$0
COVID-19 - LOW-INCOME HOME ENERGY ASSISTANCE	93.568	COVID-19	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI20-002263	\$181,294	\$564,063	N/A	\$0
LOW-INCOME HOME ENERGY ASSISTANCE	93.568		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI20-002263	\$184,407	\$564,063	N/A	\$0
LOW-INCOME HOME ENERGY ASSISTANCE	93.568		ARIZONA DEPARTMENT OF HOUSING	213-21	\$198,362	\$564,063	N/A	\$0
COVID-19 - COMMUNITY SERVICES BLOCK GRANT	93.569	COVID-19	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI120-002263	\$23,891	\$150,876	N/A	\$0
COMMUNITY SERVICES BLOCK GRANT	93.569		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI120-002263	\$126,985	\$150,876	N/A	\$0
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	93.597		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002146	\$52,083	\$52,083	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI20-002263	\$8,048	\$8,048	N/A	\$0
HIV CARE FORMULA GRANTS	93.917		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-193949	\$228,834	\$228,834	N/A	\$0
HIV PREVENTION ACTIVITIES, HEALTH DEPARTMENT BASED	93.940		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-188825	\$4,289	\$4,289	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR055258	\$161,459	\$161,459	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						<u>\$5,566,194</u>		
DEPARTMENT OF HOMELAND SECURITY								
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042		ARIZONA DEPARTMENT OF MILITARY AND EMERGENCY AFFAIRS	EMF-2021-EP-00016-S01	\$152,594	\$152,594	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067		ARIZONA DEPARTMENT OF HOMELAND SECURITY	21-AZDOHS-HSGP-210304-01	\$92,502	\$92,502	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY						<u>\$245,096</u>		
TOTAL EXPENDITURE OF FEDERAL AWARDS						<u>\$9,512,900</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.

GILA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2021 - 6/30/2022

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 elected 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 Gila County's federal grant activity for the year ended June 30, 2022. 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 2022 Federal Assistance Listings.

COUNTY RESPONSE



Gila County Finance Department
1400 E. Ash Street, Globe, Arizona 85501
Fax: (928) 425-7056

James Menlove
County Manager
jmenlove@gilacountyaz.gov
928-402-4387

Maryn Belling
Finance Director
mbelling@gilacountyaz.gov
928-402-8743

April 24, 2023

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

Dear Ms. Perry:

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

Sincerely,

Maryn Belling, Finance Director

Financial Statement Findings

2022-01

The County awarded \$140,925 to various organizations without requiring them to provide documentation that the monies were used only for economic development that benefited the public, resulting in an elevated risk of misuse of County monies.

Contact: Maryn Belling, Finance Director

Anticipated completion date: December 31, 2023

Corrective Action Plan: To help ensure that the County provides funding for economic development activities that are used for the intended purposes and that are constitutional the County will revise its policy and procedures to include an application process detailing the request for funding. Prior to funding, each request will be reviewed to ensure services and uses are constitutional, and that an agreement is executed by the County and requesting party and will require that the funds will be utilized as intended. Any unexpended funds will be returned to the County. The awarded entities will be required to certify that the awarded funds were used as intended.

2022-02

The County did not ensure \$36,610 of public monies its employees spent on various purchasing card expenditures were for authorized County business purposes, resulting in risk of possible misuse of public monies and possible violation of the Arizona Constitution.

Contact: Maryn Belling, Finance Director

Anticipated completion date: June 30, 2023

Corrective Action: Monthly the main page of Bank of America Works system is updated to include the reconciliation & approval date (6th of the following month) for all transactions by both accountholders and approvers. Transactions not in compliance with County policies are required to be reimbursed to the County. Card use is suspended when errors are identified subsequent to 6th of the month. Cash advances are prohibited countywide (corrected in FY21) County policy will be updated to reflect this default setting on p-cards.

The Finance Department has implemented additional training to all Elected Officials and Department Directors and staff on the travel policy, credit card policy, and procurement policy. The audit findings, specifically regarding credit card purchases and travel documentation were discussed with Elected Officials and County Leadership on February 15, 2023, and the handout was distributed by email to Elected Officials, Department Directors, and their staff. On March 23 and April 19, 2023, emails were distributed to all Elected Officials, Department Directors, and their staff identifying outstanding credit card charges that were not reviewed and approved for the first quarter of calendar year 2023. Staff have been providing training and updating permissions in the Works software credit card reconciliation system so that credit card charges are properly reviewed and approved. Finance continues internal auditing processes for credit card purchases and travel reconciliation to ensure that credit card purchases are properly documented, and credit cards are used for approved business purposes. The Finance staff will provide additional training to County employees on the Procurement, Travel, and Credit Card policies and will continue to monitor and audit expenditures monthly to ensure compliance with policies.

2022-03

The County lacked inventorying and other recordkeeping for nearly \$6 million of capital assets, resulting in an increased risk that they could be misstated, and machinery and equipment could be stolen, lost, or misused.

Contact: Maryn Belling, Finance Director

Completion Date: June 30, 2023

Corrective Action Plan: To help ensure the County's capital assets are safeguarded against theft and misuse and accurately reported, the County will develop and implement capital asset procedures for properly classifying and disposing of capital assets and for performing a physical inventory at least every 2 years. Physical inventory will be completed by May 2023 with reconciliation completed by June 30, 2023. On-going training will be conducted as necessary.

2022-04

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

Contact: Maryn Belling, Finance Director

Anticipated completion date: June 30, 2023

Corrective Action Plan: To help improve its risk-analysis for information and technology security the County IT Department will train staff on the Security Risk Assessment Policy BOS-IT-003 that was adopted by the Board of Supervisors on June 25, 2019, to ensure compliance. IT Director and staff will provide appropriate training on the policy requirements and will lead in developing procedures detailing how to conduct an entity-wide risk assessment and document findings and corrective actions, anticipated completion 6/30/23.

IT staff provided training in identification and classification of sensitive information and how to safeguard information with proper controls. On May 10, 2022, IT implemented an auto encrypt mail feature for sensitive information (HIPAA, PII, PHI) within the county's new email filter. Users have been trained and can also use manual encryption as required by law. All Offices and Departments were notified of the auto and manual encrypt feature. IT also implemented a new VM environment which allowed all Data at Rest to be encrypted on May 15, 2022.

IT has developed additional procedures to perform multiple IT risk-assessment processes. Gila County has contracted a 3rd party vendor to conduct an IT internal and external penetration and risk assessment in Oct 2021 and January 2022. Since October 2020, IT staff has reviewed Elevated Access logs from Netwrix. External Penetration testing was completed on schedule January 2022, Internal Penetration testing was completed in March 2022.

Information Access Control Policy BOS-IT-002 was adopted on June 25, 2019. Multifactor Authentication (MFA) has been implemented to approximately 150 users currently to high-risk Departments such as finance, Human Resources, and Health. Implementation was delayed due to supply chain issues receiving Windows Hello Cameras. IT staff will continue MFA implementation as equipment becomes available and scheduled completion is December 31, 2022. Gila County IT Director and staff will develop procedures to ensure policy compliance and document user account access permissions and deletions.

Additional security and MFA measures are in effect with ongoing analysis, internal audit & testing activities, and best-practice VPN requirements. For proprietary and security purposes, the specifics of FY2023 improvement implementations will be available to the Auditor General's office during the FY23 audit process. For the security of our network and its participating users, the proprietary combination of programs, internal-review protocols, and routine penetration evaluations are not shared publicly.

Gila County
Corrective action plan
Year ended June 30, 2022

2022-05

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: Maryn Belling, Finance Director
Anticipated completion date: June 30, 2023

Corrective Action Plan: To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the County has developed effective logical access policies and procedures over its IT resources.

Restricting access—Netwrix reporting on elevated access to systems and notifications as well as utilizing elevated privileges with Multi Factor Authentication (MFA) for system access was implemented in October 2020 and anticipated completion is December 31, 2022. Created Disabled users Organizational Unit in Active Directory Oct 1, 2020, and IT staff reviews and remediates stale permissions and accounts on an on-going basis.

Managing system configurations and changes—Change control process and documentation was implemented in Aug 2020 and is currently under review by IT staff to improve and document accountability within the process, anticipated completion is December 1, 2022. IT staff is currently working on a configuration management policy for review and anticipated adoption to be completed by December 2022.

Information Access Control Policy BOS-IT-002 was adopted on June 25, 2019. Multifactor Authentication (MFA) has been implemented to approximately 150 users currently to high-risk Departments such as finance, Human Resources, and Health. Implementation was delayed due to supply chain issues receiving Windows Hello Cameras. IT staff will continue MFA implementation as equipment becomes available and scheduled completion is December 31, 2022. Gila County IT Director and staff will develop procedures to ensure policy compliance and document user account access permissions and deletions.

Provide all employees with ongoing training on IT security risks and their responsibilities to ensure systems and data are protected-Implemented Know Be 4 Training January 2020.

IT staff will be reviewing permissions within systems with each department using the systems to determine the lowest level of permissions required to perform their functions. User privileges will be adjusted accordingly, and the permission changes will be documented, anticipated completion June 30, 2023.

Additional security and MFA measures are in effect with ongoing analysis, internal audit & testing activities, and best-practice VPN requirements. For proprietary and security purposes, the specifics of FY2023 improvement implementations will be available to the Auditor General's office during the FY23 audit process. For the security of our network and its participating users, the proprietary combination of programs, internal-review protocols, and routine penetration evaluations are not shared publicly.

Federal Award Findings and Questioned Costs

2022-101

Assistance Listings number and program name: NOT APPLICABLE
Contact: Maryn Belling
Anticipated completion date: May 31, 2023

Corrective Action Plan: To help ensure that the County prepares the SEFA in compliance with Uniform Guidance, 2 Code of Federal Regulations (CFR) §200.510, the County will improve its financial

Gila County
Corrective action plan
Year ended June 30, 2022

reporting process so that it can submit its single audit reporting package to the federal clearinghouse no later than 9 months after fiscal year-end in accordance with 2 CFR §200.512.

2022-102

Assistance Listings number and program name: 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Fund
Contact: Maryn Belling
Anticipated completion date: June 30, 2023

Corrective Action Plan: The County procurement officer will, in collaboration with responsible departments, follow County policies and procedures for determining and documenting each sole-source procurement including documenting the good-faith search for available sources, concluding a single source, and including the related documentation in the contract file. The Procurement Officer and departments responsible for procurement will participate in annual training about County policies and procedures regarding the determination and documentation of sole-source procurement.

2022-103

Assistance Listings number and program name: 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Fund
Contact: Maryn Belling
Anticipated completion date: May 31, 2023

Corrective Action Plan: The County will develop, implement, and maintain procedures requiring both the performance & documentation of independent review and approval of all federal program reports prior to submitting them to the federal agency to ensure the reports are accurate, agree to County records, and contain only allowable expenditures. Program expenditures will be reconciled to the County's accounting records. Errors identified will be reported to the federal agency in adjusted or resubmitted reports. Departmental training will be provided for staff responsible for preparing and reviewing reports for both data management, compliance with Uniform Guidance, 2 Code of Federal Regulations (CFR) §200.510, and adherence to County's policies and procedures.

2022-104

Assistance Listings number and program name: 93.137 Community Programs to Improve Minority Health Grant Program
Contact: Maryn Belling
Anticipated completion date: June 30, 2023

Corrective Action Plan: The County will develop, implement, and maintain procedures requiring both the performance & documentation of independent review and approval of all federal program reports prior to submitting them to the federal agency to ensure the reports are accurate, agree to County records, and contain only allowable expenditures. Program expenditures will be reconciled to the County's accounting records. Errors identified will be reported to the federal agency in adjusted or resubmitted reports. Departmental training will be provided for staff responsible for preparing and reviewing reports for both data management, compliance with Uniform Guidance, 2 Code of Federal Regulations (CFR) §200.510, and adherence to County's policies and procedures.



Gila County Finance Department

1400 E. Ash Street, Globe, Arizona 85501

Fax: (928) 425-7056

James Menlove

County Manager

jmenlove@gilacountyaz.gov

928-402-4387

Maryn Belling

Finance Director

mbelling@gilacountyaz.gov

928-402-8743

March 21, 2023

Lindsey A. Perry

Arizona Auditor General

2910 North 44th Street, Suite 410

Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying 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,

Maryn Belling

Finance Director

Status of Financial Statement Findings

The County should improve its policies and procedures to ensure monies awarded for economic development are used for the intended and authorized services and activities and are constitutional.

Finding No.: 2021-01

This finding initially occurred in fiscal year 2017.

Status: Not Corrected

To help ensure that the County provides funding for economic development activities that are used for the intended purposes and that are constitutional the County will revise its policy and procedures to include an application process detailing the request for funding. Prior to funding, each request will be reviewed to ensure services and uses are constitutional, and that an agreement is executed by the County and requesting party and will require that the funds will be utilized as intended. Any unexpended funds will be returned to the County. The awarded entities will be required to certify that the awarded funds were used as intended. Anticipated policy adoption and new funding process completion December 31, 2023.

The County should improve its policies and procedures to ensure credit card purchases comply with the Arizona Constitution, Art. IX, Sec. 7, which bans gifts or loans of public monies to private organizations. In addition, the County should revise its County Credit Card policy to ensure that proper documentation is retained demonstrating that the purpose of the expenditure was for official County Business.

Finding No.: 2021-02

This finding initially occurred in fiscal year 2017.

Status: Not Corrected

Contact: Maryn Belling, Finance Director

Anticipated Completion Date: June 30, 2023

The Finance Department has implemented additional training to all Elected Officials and Department Directors and staff on the travel policy, credit card policy, and procurement policy. The audit findings, specifically regarding credit card purchases and travel documentation were discussed with Elected Officials and County Leadership on February 16, 2022, and the handout was distributed by email to Elected Officials, Department Directors, and their staff. On March 24, 2022, an email was distributed to all Elected Officials, Department Directors, and their staff identifying outstanding credit card charges that were not reviewed and approved for the fiscal year 2022. Staff has been providing training and updating permissions in the Works software credit card reconciliation system so that credit card charges are properly reviewed and approved. The Finance Department has implemented internal auditing processes for credit card purchases and travel reconciliation in FY2022 to ensure that credit card purchases are properly documented, and credit cards are used for approved business purposes. The Finance staff will provide additional training to County employees on the Procurement, Travel, and Credit Card policies and will continue monitor and audit expenditures monthly to ensure compliance with policies.

Gila County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022
Page 3

The County should improve its policies and procedures to accurately compile, record, and report financial information in its annual financial report and issue its report in a timely manner.

Finding No.: 2021-03

This finding initially occurred in fiscal year 2013

Status: Corrected

The County needs to improve controls over its capital assets.

Finding No.: 2021-04

This finding initially occurred in fiscal year 2013

Status: Partially Corrected

To help ensure the County's capital assets are safeguarded against theft and misuse and accurately reported, the County will develop and implement capital asset procedures for properly classifying and disposing of capital assets and for performing a physical inventory at least every 2 years. Physical inventory was completed in 2017 by an outside consulting firm, however staff discovered inconsistencies in the inventory. Staff conducted a physical inventory in FY19, however the Covid-19 pandemic delayed completion until January 12, 2021. Physical inventory will be completed by May 2023 with reconciliation completed by June 30, 2023. On-going training will be conducted as necessary.

The County should improve process for managing its risk-assessment to include information technology security by identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use disclosure, disruption, modification, or destruction of IT data systems.

Finding No.: 2021-05

This finding initially occurred in fiscal year 2014

Status: Partially Corrected

To help improve its risk-analysis for information and technology security the County IT Department will train staff on the Security Risk Assessment Policy BOS-IT-003 that was adopted by the Board of Supervisors on June 25, 2019, to ensure compliance. IT Director and staff will provide appropriate training on the policy requirements and will lead in developing procedures detailing how to conduct an entity-wide risk assessment and document findings and corrective actions, anticipated completion 6/30/23.

IT staff provided training in identification and classification of sensitive information and how to safeguard information with proper controls. On May 10, 2022, IT implemented an auto encrypt mail feature for sensitive information (HIPAA, PII, PHI) within the county's new email filter. Users have been trained and can also use the manual encrypt as required by law. All Offices and Departments were notified of the auto and manual encrypt feature IT also implemented a new VM environment which allowed all Data at Rest to be encrypted on May 15, 2022.

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Information Access Control Policy BOS-IT-002 was adopted on June 25, 2019. Multifactor Authentication (MFA) has been implemented to approximately 150 users currently to high-risk Departments such as finance, Human Resources, and Health. Implementation was delayed due to supply chain issues receiving Windows Hello Cameras. IT staff will continue MFA implementation as equipment becomes available and scheduled completion is December 31, 2022. Gila County IT Director and staff will develop procedures to ensure policy compliance and document user account access permissions and deletions.

The County should improve Information technology (IT) controls – access, configuration and change management, security, and contingency planning

Finding No.: 2021-06

This finding initially occurred in fiscal year 2014

Status: Not Corrected

To help prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the County has developed effective logical access policies and procedures over its IT resources.

Restricting access—Netwrix reporting on elevated access to systems and notifications as well as utilizing elevated privileges with Multi Factor Authentication (MFA) for system access was implemented in October 2020 and anticipated completion is December 31, 2022. Created Disabled users Organizational Unit in Active Directory Oct 1, 2020, and IT staff reviews and remediates stale permissions and accounts on an on-going basis.

Managing system configurations and changes—Change control process and documentation was implemented in Aug 2020 and is currently under review by IT staff to improve and document accountability within the process, anticipated completion is December 1, 2022. IT staff is currently working on a configuration management policy for review and anticipated adoption to be completed by December 2022.

Information Access Control Policy BOS-IT-002 was adopted on June 25, 2019. Multifactor Authentication (MFA) has been implemented to approximately 150 users currently to high-risk Departments such as finance, Human Resources, and Health. Implementation was delayed due to supply chain issues receiving Windows Hello Cameras. IT staff will continue MFA implementation as equipment becomes available and scheduled completion is December 31, 2022. Gila County IT Director and staff will develop procedures to ensure policy compliance and document user account access permissions and deletions.

Provide all employees ongoing training on IT security risks and their responsibilities to ensure systems and data are protected-Implemented Know Be 4 Training January 2020.

IT staff will be reviewing permissions within systems with each department using the systems to determine the lowest level of permissions required to perform their functions. User privileges will be adjusted accordingly, and the permission changes will be documented, anticipated completion June 30, 2023.

Status of Federal Award Findings and Questioned Costs

CFDA No.: 14.871 Section 8 Housing Choice Vouchers

Finding No.: 2018-104

This finding initially occurred in fiscal year 2017

Status: Partially Corrected

The annual financial data schedules were filed timely with HUD; however, the audit and certification of the financial data schedules were not completed for FY2020 and FY2021 until November 2022 and March 2023, respectively due to resource constraints and the COVID-19 pandemic. To help ensure that the County meets HUD's financial reporting requirements, the County's Finance Director will engage the auditors annually to perform necessary services on the schedules to ensure they are audited and certified through HUD within the required timeframe. Anticipated completion for FY2022 is July 2023.

