

Coconino County

Single Audit Report

Year Ended June 30, 2021



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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Audit Staff

Stephanie Gerber, Director
Taryn Stangle, 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 Comprehensive 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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 14, 2022.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-01 and 2021-02, that we consider to be material weaknesses.

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 2021-01.

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

October 14, 2022



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, 2021. 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.

Basis for qualified opinion on COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (Assistance Listings number 93.323)

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases, as described in item 2021-102 for procurement and suspension and debarment. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified opinion on COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, 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 the COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases program for the year ended June 30, 2021.

Unmodified opinion on each of the other major federal programs

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 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, 2021.

Other matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2021-101 and 2021-103. Our opinion on each major federal program is not modified with respect to these matters.

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 were not identified. We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-101 through 2021-103, that we consider to be material weaknesses.

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

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 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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated October 14, 2022, 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

October 28, 2022



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?	None reported
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 for all major programs except for the COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases program, which was qualified.

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

Assistance Listings number	Name of federal program or cluster
21.019	COVID-19 Coronavirus Relief Fund
93.323	COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.354	COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response
93.569	Community Services Block Grant

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Financial statement findings

2021-01

The County failed to provide key financial information to auditors timely, and its initial financial statements contained misstatements and misclassifications, which delayed their issuance and increased the risk that those relying on the reported financial information could be misinformed

Condition—Contrary to State laws, the County’s Finance Department failed to provide key financial information, such as complete financial statements, associated note disclosures, and supporting schedules, to auditors by established deadlines agreed upon at the beginning of the audit. Specifically, this information was provided to auditors up to 4 months past agreed-upon deadlines. Further, contrary to generally accepted accounting principles (GAAP), the County’s initial financial statements contained \$4.6 million in errors we identified that required correction so that the County’s financial statements would contain accurate information. The County’s Finance Department subsequently corrected these errors, which included:

- \$642,000 of investment earnings were misclassified as cash and investments.
- \$300,000 of prepaid expenses and accounts payable were overstated in the Public Health Services Department Fund.
- \$300,000 of fund balances were misclassified between various categories in the Public Health Services Department Fund.
- \$3.4 million of various note disclosure errors related to receivables.

Effect—Since the County’s Finance Department did not provide key information to auditors by the agreed-upon deadlines established at the beginning of the audit, the County delayed the issuance of the County’s Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021, which included its financial statements, by an additional 6 months. As a result, the County’s Finance Department 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 financial statements and was due 9 months after fiscal year-end, will also be issued late.¹ Finally, while the County corrected the errors we identified before issuing its final financial statements, without implementing corrective action to improve its financial reporting process, 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 experienced significant delays at the beginning of the audit due to turnover in 3 key positions responsible for compiling the ACFR.

¹ The County has not prepared nor issued an Annual Expenditure Limitation Report since fiscal year 2017 and will need to issue all past due reports as required by State law.

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 and management, and others who are relying on the reported financial information to make important decisions about the County’s financial operations. Further, State law requires the County to issue its audited financial statements and AELR within 9 months after fiscal year-end. (Arizona Revised Statutes §41-1279.07[C]).

Recommendations—The County should:

1. Provide key financial information to auditors by the agreed-upon deadlines established at the beginning of the audit to ensure timely issuance of its financial statements.
2. Develop and implement written procedures for:
 - a. Preparing the financial statements and supporting schedules to ensure they are accurate and prepared in accordance with GAAP.
 - b. 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.
3. Allocate or acquire sufficient resources to compile its ACFR in a timely manner.

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

This finding is similar to prior-year findings 2020-02 and 2020-03.

2021-02

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 finalized 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.
- **Ensuring operations continue**—Contingency plan lacked key elements related to restoring operations in the event of a disaster or other system interruption.

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

Cause—The County updated a significant portion of its IT policies and procedures but was unable to implement many changes due to its shifting resources to address the COVID-19 pandemic and other natural disasters that affected the County.

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:

- **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.
- **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.
- **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 finalize and implement its IT policies and procedures and ensure the procedures are being consistently followed.

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

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

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

3. Review proposed changes for appropriateness, justification, and security impact.
4. Document changes, testing procedures and results, change approvals, and post-change review.
5. Document a plan to roll back changes in the event of a negative impact to IT systems.
6. Test changes prior to implementation.
7. Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.

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

8. Update the 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.
9. Test the contingency plan.
10. Train staff responsible for implementing the contingency plan.

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 2020-04.

Federal award findings and questioned costs

2021-101

Assistance Listings number and name: Not applicable

Questioned costs: Not applicable

Condition—Contrary to federal regulations, the County did not accurately compile its schedule of expenditures of federal awards (SEFA). As a result, the County's initially prepared SEFA contained errors we identified that required correction so that the County's SEFA would contain accurate information. Specifically, the County misstated amounts for 9 of 51 federal programs. Specifically, the County understated 3 of its federal programs by \$718,056 and overstated 6 federal programs by \$551,018. Further, the County submitted its June 30, 2021, Single Audit Report to the Federal Audit Clearinghouse on October 28, 2022, 28 days after the COVID-19-related single audit extension of September 30, 2022.

Effect—The County corrected the most significant errors we identified. However, the County risks potentially misinforming those who rely on its reported federal award expenditures and potentially wasting public monies because misstated amounts could result in auditors unnecessarily auditing the wrong federal programs or programs that were not federally funded. In addition, submitting the Single Audit Report late prevents the federal government and other stakeholders from having current information to effectively monitor their programs and could delay corrective actions that need to be taken by the County. Further, federal grantors may deny future federal awards or subject the County 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 reporting requirements over the County's major federal programs.

Cause—The County did not have written policies and procedures to separately identify federal awards received and expended in its records and accounting system or to thoroughly review its SEFA for accuracy and completeness, which would help ensure that it prepares an accurate and complete SEFA. Additionally, the County has not trained departments on what to record in the general ledger and documentation to retain in the accounting records for federal awards. Finally, the County failed to prepare its June 30, 2021, Annual Comprehensive Financial Report in a timely manner for the reasons we reported in finding 2021-01, which delayed the completion of the Single Audit.

Criteria—Federal regulations require the County to maintain effective internal controls so that it can separately identify in its accounts all federal awards received and expended and prepare an accurate and complete SEFA that reports all its federal award expenditures (2 Code of Federal Regulations [CFR] §§200.302 and .510[b]). Additionally, federal regulations normally require the County to submit its Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end (2 CFR §200.512). However, due to the COVID-19 pandemic, the U.S. Office of Management and Budget (OMB) extended this deadline by allowing an additional 6 months—until September 30, 2022—for the County to file its June 30, 2021, Single Audit Report. Also, federal regulation requires establishing and maintaining

effective internal control over federal awards that provides reasonable assurance that the federal program is being managed in compliance with all applicable laws, regulations, and award terms (2 CFR §200.303).

Recommendations—To help ensure that the County’s SEFA is accurate and complete and the Single Audit Report is submitted timely, the County should:

1. Develop and implement written policies and procedures to:
 - a. Separately identify in its records and accounting system each federal award the County receives and expends.
 - b. Define what documentation to retain in the accounting records for federal awards, such as grant agreements and contracts, the federal assistance listings numbers and titles, and other federal awarding agency or pass-through grantor guidance and information.
 - c. Require a thorough review of the SEFA by someone who is independent of its preparation and knowledgeable about the Uniform Guidance requirements to help ensure the SEFA is accurate and complete.
2. Train County departments on the policies and procedures developed in Recommendation 1 after these items have been implemented.
3. Improve its financial reporting process so that it can submit all future Single Audit Reports on or before the federally required submission deadline, which is normally 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.

This finding is similar to prior-year finding 2020-101.

2021-102

Assistance Listings number and name:	93.323 COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Award numbers and year:	IGA2021-056 and IGA2021-063 August 17, 2020 through February 28, 2022
Federal agency:	U.S. Department of Health and Human Services
Pass-through grantor	Arizona Department of Health Services
Compliance requirements:	Procurement and Suspension and Debarment
Questioned costs:	Unknown

Condition—Contrary to federal regulations and County policies and procedures, the County’s Health and Human Services Department failed to document, for 1 of 2 vendors we tested, the sole-source-procurement justification before it made program purchases totaling \$44,268 during fiscal year 2021. According to the County, it purchased tents to provide shade/cover for its testing and vaccination sites. In addition, for both vendors tested, the County did not maintain documentation that it had verified the vendors were not suspended or debarred from doing business with the federal government prior to making the purchases. Both vendors were paid program monies totaling \$94,137, or 7 percent of the program’s total federal award expenditures of \$1.3 million.

Effect—The Department’s use of sole source procurements without advance approval to ensure multiple sources for the goods/services did not exist and that sole source procurements were appropriate

increased the County's risk of not receiving the most advantageous prices for the goods/services purchased with federal monies. Therefore, the County may have inappropriately decreased monies available for other program activities. Additionally, the County could not demonstrate that at the time of the purchase, it obtained services from a vendor that had not been suspended or debarred from doing business with the federal government. Subsequently, we performed additional audit procedures and verified the vendors had not been suspended or debarred by the federal government.

Cause—Despite the County's policies and procedures specifying the process for making sole source purchases, the County's Health and Human Services Department reported that it contracted with a vendor that another County department recommended. The Department did not know it was required to perform procedures to determine and then document its justification for the vendor being the only source for the goods/services it needed. In addition, the County employee responsible for verifying the suspension and debarment status of vendors left the County's employment, and the Department had not assigned another person or trained others to do this.

Criteria—Federal regulations require the County to maintain records sufficient to detail the history of procuring its good and services. These records should include the rationale for the method of procurement, such as the selection of contract type, contractor selection or rejection, and the basis for the contract price (45 CFR §75.327[j]). In addition, the County requires that all sole source procurement purchases under \$50,000 be documented, including information on why only 1 source is available, and approved by the Purchasing Office (Coconino County Purchasing Policy 6.10.2). Further, the County should verify that vendors being paid more than \$25,000 in federal program monies have not been suspended or debarred by either checking their suspension and debarment status, obtaining the vendor's certification stating they are not suspended or debarred, and/or adding a condition regarding suspension and debarment to the purchase contract with the vendor (2 CFR §180.300 and Coconino County Purchasing Policy 2.11). Also, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the federal program is being managed in compliance with all applicable laws, regulations, and award terms (45 CFR §75.303).

Recommendations—The County should:

1. Ensure all County departments follow its existing policies and procedures for competitively purchasing goods and services, including using and justifying sole source procurements, and verifying vendors are not suspended and debarred from doing business with the federal government.
2. Designate and train staff to verify vendor suspension and debarment status prior to making purchases.

Further, the County's Health and Human Services Department should follow the County's existing policies and procedures requiring it to:

3. Prepare and retain documentation justifying when a vendor is the only source from which to procure goods and services.
4. Verify and maintain documentation that a vendor being paid more than \$25,000 in federal funds has not been suspended or debarred from doing business with the federal government. Suspension and debarment can be verified through the federal government's sam.gov website, certification from the vendor, or a clause included in the vendor contract.

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.

2021-103

Assistance Listings number and name:

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

Award numbers and year:

IGA2021-056 and IGA2021-063
August 17, 2020 through February 28, 2022

Federal agency:

U.S. Department of Health and Human Services

Pass-through grantor

Arizona Department of Health Services

Compliance requirements:

Activities allowed or unallowed, allowable costs/cost principles, and period of performance

Questioned costs:

None

Condition—Contrary to federal law, the County's Health and Human Services Department spent \$61,917 on unallowable purchases that were originally included and requested for reimbursement as part of the program's \$1.3 million total expenditures. Specifically, for 3 of 42 expenditures tested, we found that the Department recorded expenditures and requested reimbursement, but was denied reimbursement by the pass-through grantor, for program monies it misspent for:

- \$56,834 on 2 purchases for COVID-19 tests and computers. The Department purchased these items before the time period the costs were allowed to be incurred and did not receive preapproval from the pass-through grantor, as required. According to the County, these purchases helped administer COVID-19 testing and vaccination sites for County residents.
- \$5,083 on purchases for food and beverages. The Department did not receive preapproval by the pass-through grantor for food and beverage purchases, as required. According to the County, these food and beverage purchases were for emergency incident response teams working at the COVID-19 sites.

Effect—The pass-through grantor denied the Department's reimbursement request for these purchases totaling \$61,917; therefore, we noted no questioned costs, and the County adjusted its schedule of expenditures of federal awards to remove these unallowable expenditures. However, the County is now responsible for paying for these unallowable federal expenditures with County monies, resulting in less public monies available for other County purposes.

Cause—Despite the Department's grant award terms and conditions with the pass-through entity specifying requirements for certain preapprovals of purchases, the Department's existing policies to review reimbursement requests did not require verifying that preapprovals were obtained from the pass-through grantor when costs were incurred before the award term's start date or were for food and beverages prior to submitting the request to the pass-through grantor.

Criteria—Both the County's award terms with the pass-through grantor and federal regulation allow the Department to charge only allowable costs incurred during the performance period, or August 17, 2020 through February 28, 2022, and require any costs incurred before the start date to be preapproved by the pass-through entity (45 CFR §75.309). In addition, food and beverage purchases are unallowable unless explicitly approved in advance by the pass-through grantor (Arizona Department of Health Services grant award terms and conditions §27.11). Also, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the federal program is being managed in compliance with all applicable laws, regulations, and award terms (45 CFR §75.303).

Recommendations—The Department should:

1. Improve existing purchasing policies and procedures for federal grants by requiring the reviewer to verify that preapprovals were obtained from the pass-through grantor when costs were incurred before the award term's start date or were for food and beverages prior to submitting the request for reimbursement.
2. Request and obtain preapproval from its federal pass-through grantor for all purchases that require preapproval, such as purchases outside the grant award terms start date and food and beverages.

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.

COUNTY SECTION

COCONINO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

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
DEPARTMENT OF AGRICULTURE									
TRANSPORTATION SERVICES	10.167		BUREAU OF INDIAN AFFAIRS, NAVAJO REGIONAL OFFICE	A19AC00022		\$125,565	\$125,565	N/A	\$0
SNAP-ED TOOLKIT	10.533		ARIZONA DEPARTMENT OF EDUCATION	ADE ED09-0001		\$3,113	\$3,113	N/A	\$0
NATIONAL SCHOOL LUNCH PROGRAM	10.555		ARIZONA DEPARTMENT OF EDUCATION	ADE ED09-0001		\$4,595	\$4,595	N/A	\$0
WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043231		\$487,523	\$487,523	N/A	\$0
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-106171	\$6,836	\$308,814	\$308,814	SNAP	\$308,814
SCHOOLS AND ROADS - GRANTS TO STATES	10.665					\$2,313,203	\$2,313,203	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$2,313,203
TOTAL DEPARTMENT OF AGRICULTURE					\$6,836	\$3,242,813			
DEPARTMENT OF DEFENSE									
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR COMPATIBLE USE AND JOINT LAND USE STUDIES	12.610					\$75,028	\$75,028	OFFICE OF ECONOMIC ADJUSTMENT	\$75,028
TOTAL DEPARTMENT OF DEFENSE						\$75,028			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218		CITY OF FLAGSTAFF	88C-19		\$54,693	\$54,693	CDBGENTILEMENT GRANTS CLUSTER	\$54,693
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII	14.228		ARIZONA DEPARTMENT OF HOUSING / NARBHA	108-20		\$39,977	\$39,977	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						\$94,670			
DEPARTMENT OF JUSTICE									
COVID-19 - CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	COVID-19	ARIZONA CRIMINAL JUSTICE COMMISSION	21-002		\$157,024	\$186,547	N/A	\$0
COVID-19 - CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	COVID-19	BUREAU OF JUSTICE ASSISTANCE	2020-VD-BX-1664		\$29,523	\$186,547	N/A	\$0
NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	16.554		ARIZONA CRIMINAL JUSTICE COMMISSION	NCHIP-20-22-007		\$11,347	\$11,347	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	DPS 2020-144 DPS 2020-143 DPS 2020-142 DPS 2018-265		\$168,146	\$168,146	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738					\$184	\$46,545	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DC-21-002		\$46,361	\$46,545	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						\$412,585			
DEPARTMENT OF LABOR									
WIOA ADULT PROGRAM	17.258		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI21-002282	\$25,629	\$165,204	\$165,204	WIOA CLUSTER	\$802,703
WIOA YOUTH ACTIVITIES	17.259		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI19-002201 DI16-002119	\$6,496	\$250,709	\$250,709	WIOA CLUSTER	\$802,703
WIOA DISLOCATED WORKER FORMULA GRANTS	17.278		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI19-002201 DI16-002119	\$4,026	\$386,790	\$386,790	WIOA CLUSTER	\$802,703
TOTAL DEPARTMENT OF LABOR					\$36,151	\$802,703			
DEPARTMENT OF TRANSPORTATION									
RECREATIONAL TRAILS PROGRAM	20.219		ARIZONA STATE PARKS	471811		\$71,485	\$71,485	N/A	\$0
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	GOHS 2021-OP-005 GOHS 2021-405H-003		\$13,861	\$13,861	HIGHWAY SAFETY CLUSTER	\$13,861
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-405C-003		\$1,123	\$1,123	N/A	\$0
TOTAL DEPARTMENT OF TRANSPORTATION						\$86,469			
DEPARTMENT OF TREASURY									
COVID-19 - CORONAVIRUS RELIEF FUND	21.019	COVID-19	STATE OF ARIZONA	NONE		\$164,116	\$3,993,649	N/A	\$0
COVID-19 - CORONAVIRUS RELIEF FUND	21.019	COVID-19	STATE OF ARIZONA, OFFICE OF THE GOVERNOR	ERMT-EP-20-026		\$3,245,540	\$3,993,649	N/A	\$0
COVID-19 - CORONAVIRUS RELIEF FUND	21.019	COVID-19	ARIZONA DEPARTMENT OF EMERGENCY MANAGEMENT AND MILITARY AFFAIRS (DEMA)	ERMT-EP-21-057 ERMT-EP-21-060		\$583,993	\$3,993,649	N/A	\$0
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19				\$14,076	\$14,076	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						\$4,007,725			
INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES									
GRANTS TO STATES	45.310		ARIZONA STATE LIBRARY DEPARTMENT	LSTA#2020-0010-01		\$992	\$992	N/A	\$0
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES OR NATIONAL ENDOWMENT FOR THE ARTS OR NATIONAL ENDOWMENT FOR THE HUMANITIES						\$992			
NATIONAL SCIENCE FOUNDATION									
EDUCATION AND HUMAN RESOURCES	47.076					\$71,236	\$71,236	N/A	\$0
TOTAL NATIONAL SCIENCE FOUNDATION						\$71,236			
ENVIRONMENTAL PROTECTION AGENCY									
LEAD TESTING IN SCHOOL AND CHILD CARE PROGRAM DRINKING WATER (SDWA 1464(D))	66.444		ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2021-02		\$2,560	\$2,560	N/A	\$0
TOTAL ENVIRONMENTAL PROTECTION AGENCY						\$2,560			
DEPARTMENT OF EDUCATION									

SPECIAL EDUCATION GRANTS TO STATES	84.027	ARIZONA DEPARTMENT OF EDUCATION	H027A200007	\$12,980	\$12,980	N/A	\$0
JAVITS GIFTED AND TALENTED STUDENTS EDUCATION	84.206	NORTHERN ARIZONA UNIVERSITY	MA1370	\$18,311	\$18,311	N/A	\$0
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	ARIZONA DEPARTMENT OF EDUCATION	S365A210003	\$11,371	\$11,371	N/A	\$0
EDUCATION STABILIZATION FUND	84.425	ARIZONA DEPARTMENT OF EDUCATION	S425D210038	\$55,226	\$55,226	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION					\$97,888		
DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION							
2018 HAVA ELECTION SECURITY GRANTS	90.404	STATE OF ARIZONA	AZ18101001	\$56,785	\$56,785	N/A	\$0
TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION					\$56,785		
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043131	\$272,939	\$272,939	N/A	\$0
PROJECT GRANTS AND COOPERATIVE AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS19-206653 CTR043235	\$11,347	\$11,347	N/A	\$0
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043159 (3), (4)	\$168,428	\$168,428	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043250	\$87,002	\$232,659	N/A	\$0
COVID-19 - IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	COVID-19 ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043250	\$145,657	\$232,659	N/A	\$0
EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	COVID-19 ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2021-056 IGA2021-063	\$1,278,232	\$1,345,709	N/A	\$0
COVID-19 - PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE	93.354	COVID-19 ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043131	\$1,740,720	\$1,391,454	N/A	\$0
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI-20-002262	\$130,068	\$130,068	N/A	\$0
CHILD SUPPORT ENFORCEMENT	93.563	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	G1804AZ4004	\$44,950	\$44,950	N/A	\$0
LOW-INCOME HOME ENERGY ASSISTANCE	93.568	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI-20-002262	\$240,632	\$464,701	N/A	\$0
LOW-INCOME HOME ENERGY ASSISTANCE	93.568	COVID-19 ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI-20-002262	\$224,069	\$464,701	N/A	\$0
COMMUNITY SERVICES BLOCK GRANT	93.569	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI-20-002262	\$285,007	\$285,007	N/A	\$0
COMMUNITY SERVICES BLOCK GRANT DISCRETIONARY AWARDS	93.570	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI-20-002262	\$150,074	\$150,074	N/A	\$0
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	93.597	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI18-002155	\$12,322	\$12,322	N/A	\$0
FOSTER CARE TITLE IV-E	93.658	ADMINISTRATIVE OFFICE OF THE COURTS	TITLE IV-E	\$61,776	\$61,776	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI-20-002262	\$929	\$929	N/A	\$0
OPIOID STR	93.788	HEALTH CHOICE ARIZONA, INC.	1H79T1083320-01	\$197,577	\$197,577	N/A	\$0
HIV CARE FORMULA GRANTS	93.917	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043151	\$242,666	\$242,666	N/A	\$0
HIV PREVENTION ACTIVITIES HEALTH DEPARTMENT BASED	93.940	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS 18-188829 CTR043154	\$17,103	\$17,103	N/A	\$0
BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.959	GOVERNOR'S OFFICE OF YOUTH, FAITH AND FAMILY	SABG-DSG-20-100120-04	\$71,200	\$71,200	SUBSTANCE ABUSE BLOCK GRANT	\$71,200
SEXUALLY TRANSMITTED DISEASES (STD) PREVENTION AND CONTROL GRANTS	93.977	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR040474	\$17,028	\$17,028	N/A	\$0
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	93.991	ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA 2020-016 CTR055326	\$42,184	\$42,184	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.994	ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2020-047 CTR055271	\$90,096	\$90,096	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					\$5,532,006		
DEPARTMENT OF HOMELAND SECURITY							
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA)	EMF-2020-EP-00009	\$173,721	\$173,721	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY	19-AZDOHS-HSGP-190101-04 20-AZDOHS-HSGP-200101-02 19-AZDOHS-HSGP-190101-02 20-AZDOHS-HSGP-200101-01	\$70,752	\$72,845	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA)	17-AZDOHS-HSGP-170602-01	\$2,093	\$72,845	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY					\$246,566		
TOTAL EXPENDITURE OF FEDERAL AWARDS				\$42,987	\$14,730,026		

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 7/1/2020 - 6/30/2021

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reporting 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 Countys federal grant activity for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation (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 2021 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, 2021 was \$169,244.

COUNTY RESPONSE



October 28, 2022

Lindsey Perry
Auditor General
2910 N. 44th 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,

A handwritten signature in black ink that reads "Siri Mullaney".

Siri Mullaney
Chief Fiscal Officer

Coconino County
Corrective Action Plan
Year Ended June 30, 2021

Financial Statement Findings

2021-01

The County failed to provide key financial information to auditors timely, and its initial financial statements contained misstatements and misclassifications, which delayed their issuance and increased the risk that those relying on the reported financial information could be misinformed

Contact Persons: Siri Mullaney, Finance Director

Completion date: March 31, 2023

Concur. Coconino County has experienced significant turnover during the time in which financial statements were initially scheduled to be completed, including the loss of three key staff responsible for compiling the ACFR. This substantially delayed the preparation of financial statements. Due to labor market conditions, the County was unsuccessful in filling the position of GAAP and GASB Manager. This position was created to lead the development of accurate, timely financial statements prepared in accordance with GAAP. To mitigate the major impact of staffing shortages, the County hired a CPA firm to prepare several of the fiscal year 2021 financial statements and supporting schedules. Despite investing in this support, the delays resulting from the loss of staff were highly impactful and resulted in further setbacks. The County has now filled all accounting and audit positions and will continue to employ a CPA firm that specializes in governmental accounting to ensure that financial statements are prepared in accordance with GAAP and GASB.

The County will also require that an employee or contractor that is independent of financial statement preparation and knowledgeable of GAAP reporting requirements will review the financial statements and related note disclosures before providing them for audit.

2021-02

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, 2023

Corrective Action: Concur. Coconino County has successfully implemented NIST 800-53 rev4 best practices to identify risks and applied multi-layered defense safeguards. Comprehensive IT

Coconino County
Corrective Action Plan
Year Ended June 30, 2021

policies and procedures are implemented with a high emphasis on access control, least privilege, disaster recovery, internal audits, external audits, and incident response; further promoting governance, risk, and compliance. We operate a continuous diagnostics and mitigation (CDM) program with strict remediation timelines. All systems are hardened utilizing Defense Information System Agency (DISA) Security Technical Implementation Guides (STIG). We are passionate about IT Security and always encourage 3rd party audits to enhance our security posture. All auditor findings are taken seriously as we maintain the Confidentiality, Integrity, and Availability of Coconino County infrastructure.

Access Control – County IT will continue to work with the department Elected Officials ensuring routine internal audits take place and will integrate role-based, least privilege, access controls when vendor updates are available.

Change Management – County IT will automate standard language into our change management process, capturing routine rollback/testing considerations utilizing our existing enterprise software.

Contingency Planning – County IT will enhance our existing Continuity of Operations Planning (COOP) documentation.

This finding will be fully resolved for FY23 audit.

Federal Award Findings and Questioned Costs

2021-101

CFDA No. and Name: N/A

Responsible Persons: Siri Mullaney, Finance Director

Completion date: March 31, 2023

Corrective Action: Concur. The County will develop written procedures detailing the process by which federal awards are tracked in its accounting system. Additionally, a process will be developed for a thorough review of the SEFA by someone who is independent of its preparation. The County will conduct trainings with County departments on the identification of federal awards, accounting, and required recordkeeping in accordance with Uniform Guidance requirements to help ensure the SEFA is accurate and complete.

Coconino County
Corrective Action Plan
Year Ended June 30, 2021

2021-102

CFDA No. and Name: 93.323 COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

Responsible Persons: Siri Mullaney, Finance Director

Completion date: March 31, 2023

Corrective Action: Concur. The County will follow its existing policies and procedures for competitively purchasing goods and services, including using and justifying sole source procurements. Training on procurement policies and sole source procurement will be administered to departments. The County will develop and implement a written procedure for verifying that vendors being paid more than \$25,000 in federal funds are not suspended or debarred from doing business with the federal government before procurement occurs. The procedure will designate the staff responsible for verification and documentation.

The County Health and Human Services Department will prepare and retain documentation justifying when a vendor is the only source from which to procure goods and services. Additionally, the Department will verify and maintain documentation that a vendor being paid more than \$25,000 in federal funds has not been suspended or debarred from doing business with the federal government.

2021-103

CFDA No. and Name: 93.323 COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

Responsible Persons: Siri Mullaney, Finance Director

Completion date: March 31, 2023

Corrective Action: Concur. The County Health and Human Services Department will develop and implement procedures to ensure that federal expenditures are not made outside of the term of the federal award. Procedures will also be developed to ensure that the requirement for pre-approval is identified and requested for applicable purchases with federal funds.



October 28, 2022

Lindsey Perry
Auditor General
2910 N. 44th 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,

A handwritten signature in black ink that reads "Siri Mullaney".

Siri Mullaney
Chief Fiscal Officer

Coconino County
Corrective Action Plan
Year Ended June 30, 2021

Status of Financial Statement Findings

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

Finding No: 2020-01, 2019-04

Status: Fully Corrected

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

Finding No: 2020-02, 2019-03 and 2018-04

Status: Not Corrected

Explanation: Coconino County has experienced significant turnover during the time in which financial statements were initially scheduled to be completed, including the loss of three key staff responsible for compiling the ACFR. Due to labor market conditions, the County was unsuccessful in filling the position of GAAP and GASB Manager. This position was created to lead the development of accurate, timely financial statements prepared in accordance with GAAP. To mitigate the major impact of staffing shortages, the County hired a CPA firm to prepare several of the fiscal year 2021 financial statements and supporting schedules. Despite investing in this support, the delays resulting from the loss of staff were highly impactful and resulted in further setbacks. The County has now filled all accounting and audit positions and will continue to employ a CPA firm that specializes in governmental accounting to ensure that financial statements are prepared in accordance with GAAP and GASB.

The County will also require that an employee or contractor that is independent of financial statement preparation and knowledgeable of GAAP reporting requirements will review the financial statements and related note disclosures before providing them for audit. The County estimates that this finding will be corrected by March 31, 2023.

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

Finding No: 2020-03

Status: Not Corrected

Explanation: Coconino County has experienced significant turnover during the time in which financial statements were initially scheduled to be completed, including the loss of three key

Coconino County
Corrective Action Plan
Year Ended June 30, 2021

staff responsible for compiling the ACFR. This substantially delayed the preparation of financial statements. Due to labor market conditions, the County was unsuccessful in filling the position of GAAP and GASB Manager. To mitigate the major impact of staffing shortages, the County hired a CPA firm to prepare several of the fiscal year 2021 financial statements and supporting schedules. Despite investing in this support, the delays resulting from the loss of staff were highly impactful and resulted in further setbacks. The County has now filled all accounting and audit positions and will continue to employ a CPA firm that specializes in governmental accounting to ensure that financial statements are prepared in accordance with GAAP and GASB. The County estimates that this finding will be corrected by March 31, 2023.

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

Finding No: 2020-04, 2019-02, 2018-02; 2017-04 (access controls), 2017-06 (security) and 2017-07 (contingency planning)

Status: Partially Corrected

Explanation: The Information Technology department resolved all enterprise access control and security issues identified during the audit year with the exception of non-departmental audits not managed by County IT. Our organization will continue to work with the identified areas, ensuring County IT Security policies are followed and continue efforts to satisfy this finding. Contingency planning tabletop exercises (TTX) were not performed within the FY21 audit cycle as we actively managed emergency events (Covid19, Fires, Floods) and did not have the capacity to properly test. Contingency planning, enhanced documentation, and testing is estimated to be complete by June 30, 2023.

Status of Federal Award Findings and Questioned Costs

CFDA No: N/A
Finding No: 2020-101
Status: Not corrected

Explanation: The County has trained applicable employees on verifying the funding source of grant programs when agreements/contracts do not clearly identify the funding source. A process has been implemented to screen all agreements in the County's agreement routing software to identify any federal awards. Accounting staff classifying new programs in the accounting system consult with grant accounting staff to ensure federal expenditures are separately tracked.

Coconino County
Corrective Action Plan
Year Ended June 30, 2021

The County will develop written procedures detailing the process by which federal awards are tracked in its accounting system. Additionally, a process will be developed for a thorough review of the SEFA by someone who is independent of its preparation. The County will conduct trainings with County departments on the identification of federal awards, accounting, and required recordkeeping, in accordance with Uniform Guidance requirements to help ensure the SEFA is accurate and complete. The County estimates that this finding will be corrected by March 31, 2023.

