

Gila County

Single Audit Report

Year Ended June 30, 2021



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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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 Comptroller General of the United States, 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, 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 May 18, 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.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-01, 2021-03, 2021-04, and 2021-06 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 2021-02 and 2021-05 to be significant deficiencies.

Compliance and other matters

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

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

May 18, 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
Gila County, Arizona

Report on compliance for each major federal program

We have audited Gila 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.

Opinion on each major federal program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated May 18, 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, based on our audit and the procedures performed as described previously, 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

July 18, 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? Yes

Noncompliance material to the financial statements noted? No

Federal awards

Internal control over major programs

Material weaknesses identified? No

Significant deficiencies identified? None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? No

Identification of major programs

Assistance Listings number	Name of federal program or cluster
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
21.019	COVID-19 Coronavirus Relief Fund
93.069	COVID-19 Public Health Emergency Preparedness
93.069	Public Health Emergency Preparedness
93.323	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

2021-01

The County awarded \$145,612 to various organizations without always 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

Condition—During fiscal year 2021, County management did not always follow its written policies and procedures when the Board of Supervisors awarded 42 economic development awards to community nonprofit and governmental organizations totaling \$145,612 of Constituent Funds discretionary monies. Although the County had established written procedures to prepare written agreements to enumerate specific services or activities for which the monies should be used that it and the receiving parties could sign, the County did not always receive a signed written agreement from the awarded organizations prior to disbursing monies.

Furthermore, although the County had written policies and procedures for providing monies for economic development, those procedures did not include pre-award and follow-up steps for the County to ensure its monies were spent to provide authorized services and activities that benefited the public.

Effect—The County put \$145,612 of its Constituent Funds discretionary spending monies to be used to support economic development at an elevated risk of misuse because it did not always ensure the awarded monies were used for intended and authorized purposes.

Cause—The County did not always follow its policies and procedures for awarding economic development funding and did not always require awarded organizations to certify that monies would be and were used for intended and authorized purposes. In addition, the County's Board of Supervisors did not ensure that the County's policies and procedures included details necessary, such as requirements for award recipients, committee evaluations, and the return of unspent funds, to ensure monies were used for intended and authorized purposes.

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 pre-award 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 Federal Governments* issued by the Comptroller General of the United States, and integral to ensuring public monies are not fraudulently or mistakenly misused.¹

¹ U.S. Government Accountability Office (GAO). (2014). *Standards for internal control in the federal government*. Retrieved 6/2/22 from <https://www.gao.gov/assets/gao-14-704g.pdf>.

Recommendations—To help ensure County monies awarded for economic development are used for the intended and authorized services and uses are constitutional (i.e., not gifts or loans of public monies), County management should follow its established policies and procedures and always require that award monies be provided to community organizations only after the County has obtained a signed written agreement enumerating the specific services or activities for which the monies should be used. Further, the County should strengthen its policies and procedures to:

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. Ensure a committee evaluates all award requests or applications before recommending an award decision and require that award decisions be approved by the County's Board of Supervisors in an open meeting, so the public is aware of the entities to which awards are being made.
3. 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.
4. 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 2020-01.

2021-02

The County did not ensure \$48,598 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 \$48,598 of public monies its employees spent on various purchasing card expenditures to ensure they were for authorized purposes necessary for official County business. Specifically, our review of a County-wide sample of 60 purchasing card expense transactions made during fiscal year 2021 found that the County paid for the purchases prior to ensuring they were authorized for 28 of the transactions as follows:

- 26 transactions totaling \$36,336 were not reviewed and approved by the applicable County department approver, consisting of computer equipment (\$8,759), various Amazon purchases (\$8,944), automotive parts and equipment (\$6,516), building and home improvement materials (\$5,208), office and miscellaneous supplies (\$4,076), and employee travel (\$2,833).
- 2 transactions totaling \$12,262 lacked required supporting documentation, consisting of an Apple Store purchase (\$12,067) and an Amazon purchase (\$195). Further, the Apple Store purchase lacked required documentation indicating it was purchased at a price most advantageous to the County.

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 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 statement can be paid. Therefore, if the County department head has not already approved a purchase prior to the fifth of the month, the purchase will be paid for without the required department approval. In addition, the County Finance Department lacked a process for monitoring whether County department heads had carefully reviewed their employees’ purchasing card expenditures for compliance with County policies prior to approving them for payment. Further, the County’s written policies and procedures for using purchasing cards were not clear about what supporting documentation was required if an official County business purpose was not evident from the invoice, receipt, or other support and did not specify penalties for purchasing cardholders who violated County policies. Finally, the County provided only verbal instructions to its department heads and employees to follow for how to submit documentation for review and approval and what documentation to provide and had not provided any training to its department heads and employees to ensure they consistently understood and followed the procedures.

Criteria—The County’s purchasing card policies require County employees’ purchasing card use to be limited to only authorized purchases required for official County business, cardholders to submit all applicable documentation supporting the purchase, and the applicable County department approver to review and approve all charges prior to the County’s paying the purchasing card charges. These policies also require the County’s Finance Department to monitor each purchasing cardholder’s compliance with the policies (Gila County Credit Card Usage Policy, BOS-FIN-114). Further, County departments are required to ensure that purchasing card expenditures meeting the County’s thresholds for competitive purchases, such as getting price quotations, are competitively procured (Gila County Procurement Policy BOS-FIN-113). Similarly, the County’s travel policies, which require travel expenditures to be appropriate and necessary and incurred only while employees are conducting official County business, require County 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. This documentation must also be reviewed and approved by an appropriate County department approver prior to the purchasing card expenditures being paid. 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 written policies and procedures for purchasing card expenditures to clarify when County department heads should review and approve purchases; what supporting documentation is required if an official County business purpose was not evident from the invoice, receipt, or other support; and to specify penalties for purchasing cardholders who violate County policies.
2. Require County department heads and others responsible for reviewing and approving purchasing card expenditures, including those for travel, to approve only those transactions that are supported by documentation that evidence the purchase is for official County business and to do so prior to the County’s paying for them.
3. Require its Finance Department to develop a process for monitoring County departments’ compliance with the County’s policies to help ensure that the County does not pay for purchasing card

expenditures, including those for travel, that do not have the required invoices, travel claims, receipts, or other documentation supporting that they are for official County business.

4. Train all County employees who are purchasing cardholders and department heads on its policies and procedures for purchasing card expenditures. Training should address detailed instructions for how to submit documentation for review and approval and what documentation to provide. It should also address competitive purchasing procedures and advanced authorization documentation requirements 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 2020-02.

2021-03

The County's 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 generally accepted accounting principles (GAAP), the County's initial financial statements contained errors we identified and recommended the County correct so that the County's financial statements would contain accurate information. The County subsequently corrected approximately 204 transactions totaling over \$109,000 that were erroneously omitted from its financial statements that affected various funds and financial statement amounts, resulting in \$102,846, \$3,705, \$1,469, and \$980 of understatements of fund balance for the Other Governmental Fund, Public Works Fund, Landfill Fund, and General Fund, respectively. The County did not correct the following misstatements and misclassifications that the County determined to be insignificant:

- \$27,285 of credit card processing fees that were incorrectly netted against the Landfill Fund's revenues, resulting in an understatement of total revenues and expenses by nearly 2 percent.
- \$19,687, \$56,667, and \$76,354 of misstatements for the Landfill Fund's accounts receivable, revenues, and net position, respectively, for activity that had not been reconciled on the Fund's revenue and accounts receivable subsystem. The misstated revenues comprised nearly 4 percent of the Fund's total revenues.

Effect—The County delayed the issuance of the County's Annual Financial Report (AFR), which includes the financial statements, by nearly 2 months, and 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 financial 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. Although the County corrected some errors we identified, 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's Finance Department did not have written policies and procedures for reconciling various financial statement balances and activities to subsystems and other records to ensure its financial information was accurate, complete, and properly supported, and its financial statements were prepared in accordance with generally accepted accounting principles (GAAP). In addition, the Department's

management did not fully train accounting staff on how to obtain financial information from the accounting system to prepare the financial statement supporting schedules. Further, the Department's management did not require or perform detailed supervisory reviews to detect and correct misstatements in its financial statements and note disclosures before providing them for audit.

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, or by March 31, 2022. (Arizona Revised Statutes §41-1279.07[C])

Recommendations—The County should:

1. Develop and implement written policies and procedures for reconciling its financial statement balances and activities to subsystems and other records and for preparing its financial statements in accordance with GAAP including instructions for closing and compiling data from the County's accounting system, preparing common year-end financial statement adjustments, obtaining information not readily available from the accounting system but necessary for financial statement preparation, and performing a detailed supervisory review of the draft financial statements, supporting schedules, and note disclosures.
2. Dedicate resources and train accounting staff on how to obtain financial information from the accounting system to prepare the financial statement supporting schedules, assign employees specific responsibilities to complete the schedules, and establish completion dates that ensure the County issues its audited financial statements and AELR within 9 months after fiscal year-end, or by March 31, 2022.
3. Require management or an independent, knowledgeable employee to review the financial statements and related note disclosures. This review should ensure that the financial statements are accurate and complete, properly supported, and presented in accordance with GAAP, and to detect and correct misstatements in the financial statements before providing them for audit.

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 2020-03.

2021-04

The County lacked inventorying and other recordkeeping for nearly \$14.1 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 and construction-in-progress. Specifically, since 2009, the County had not performed a physical inventory of its machinery and equipment, reported at nearly \$4.4 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. In addition, the County's recordkeeping process for capital assets it constructed, which it reported as construction-in-progress totaling \$9.7 million, was not sufficiently detailed for the County to identify, classify, and value these capital assets in its financial statements once it completed construction when multiple projects were being constructed. The combined balances the County reported for these capital assets totaled \$14.1 million and comprised nearly 41 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 and construction-in-progress, reported at nearly \$4.4 million and \$9.7 million for the year, respectively, 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. Additionally, the County did not have written procedures for separately tracking construction expenditures by project.

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, including machinery and equipment and construction-in-progress, 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.²

Recommendations—To help ensure the County's capital assets are safeguarded against theft, loss, and misuse and are accurately reported in the financial statements, 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 construction in progress and 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; reconciling current-year capital asset balances to prior-year capital asset balances; and tracking construction expenditures by project, including tracking when the construction projects are to be completed, reclassified, and depreciated.

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.

² U.S. Government Accountability Office (GAO). (2014). *Standards for internal control in the federal government*. Retrieved 6/2/22 from <https://www.gao.gov/assets/gao-14-704g.pdf>.

This finding is similar to prior-year finding 2020-04.

2021-05

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.

Cause—The County did not fully develop written policies and procedures for conducting an entity-wide risk assessment that included IT risks. Although the County had risk assessment procedures related to its IT functions, these procedures did not involve a discussion with the County's administrative officials and management who, in coordination with the IT Department, are responsible for deciding how to respond to IT risks the County faces. Further, the IT Department did not develop and follow these procedures because it lacked resources and focused on its daily operations during the COVID-19 pandemic.

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. The risk assessment should determine the risks the County faces as it 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. The process should provide the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which the County might be subjected. To help ensure the County's objectives can be met, an annual risk assessment should consider IT risks. For each identified risk, the County should analyze the identified risk and develop a plan to respond within the context of the County's defined objectives and risk tolerances. The process of managing risks should also address the risk of unauthorized access and use, modification, or loss of sensitive information.

Recommendations—The County 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 2020-05.

2021-06

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 Information Technology department began developing and implementing policies and procedures over its IT systems and data; however, the Department did not have sufficient time to finalize the policies and implement procedures before fiscal year-end due to limited resources.

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 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 post-implementation 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 incident.
16. Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to ensure vendor qualifications and adherence to 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.

This finding is similar to prior-year finding 2020-06.

COUNTY SECTION

GILA 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									
WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS19-207418 CTRO43241		\$246,318	\$246,318	N/A	\$0
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561		ARIZONA COMMUNITY ACTION ASSOCIATION	NONE	\$191,833	\$197,048	\$197,048	SNAP CLUSTER FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$197,048
SCHOOLS AND ROADS - GRANTS TO STATES	10.665					\$1,078,033	\$1,078,033	N/A	\$1,078,033
LAW ENFORCEMENT AGREEMENTS	10.704					\$79,999	\$79,999	N/A	\$0
TOTAL DEPARTMENT OF AGRICULTURE					\$191,833	\$1,601,398			
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	129-20 135-21		\$1,157	\$1,157	N/A	\$0
HOME INVESTMENTS PARTNERSHIPS PROGRAM	14.239		ARIZONA DEPARTMENT OF HOUSING	310-19 309-21		\$106,542	\$106,542	N/A	\$0
CONTINUUM OF CARE PROGRAM	14.267		ARIZONA DEPARTMENT OF HOUSING	518-20 521-21		\$6,750	\$6,750	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871					\$380,371	\$380,371	HOUSING VOUCHER CLUSTER	\$380,371
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						\$494,820			
DEPARTMENT OF JUSTICE									
COVID-19 CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING PROGRAM	16.034	COVID-19	ARIZONA CRIMINAL JUSTICE COMMISSION	ACESF-21-021		\$12,774	\$12,774	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	2018-V2-GX-0012		\$77,630	\$77,630	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DC-20-004 DC-20-023		\$110,736	\$110,736	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE						\$201,140			
DEPARTMENT OF TRANSPORTATION									
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-PTS-021 2021-PTS-023		\$3,997	\$3,997	HIGHWAY SAFETY CLUSTER	\$12,662
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2020-405D-015 2021-405D-015		\$8,665	\$8,665	HIGHWAY SAFETY CLUSTER	\$12,662
TOTAL DEPARTMENT OF TRANSPORTATION						\$12,662			
DEPARTMENT OF TREASURY									
COVID-19 CORONAVIRUS RELIEF FUND	21.019	COVID-19	STATE OF ARIZONA OFFICE OF THE GOVERNOR	ERMT-20-041		\$1,240,063	\$1,263,963	N/A	\$0
COVID-19 CORONAVIRUS RELIEF FUND	21.019	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2021-052		\$23,900	\$1,263,963	N/A	\$0
TOTAL DEPARTMENT OF TREASURY						\$1,263,963			
ENVIRONMENTAL PROTECTION AGENCY									
STATE AND TRIBAL RESPONSE PROGRAM GRANTS	66.817		ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY	ADEQ19-BF1911		\$51,000	\$51,000	N/A	\$0
TOTAL ENVIRONMENTAL PROTECTION AGENCY						\$51,000			
DEPARTMENT OF ENERGY									
WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	81.042		ARIZONA DEPARTMENT OF HOUSING	216-19		\$82,271	\$82,271	N/A	\$0
TOTAL DEPARTMENT OF ENERGY						\$82,271			
DEPARTMENT OF EDUCATION									
ADULT EDUCATION - BASIC GRANTS TO STATES	84.002		ARIZONA DEPARTMENT OF EDUCATION	21FABSE-113181-01A 21FPROFL-113181-01A 21FVRTUL-113181-01 21FIELCE-113181-01A 21FFIETFE-113181-01A 21FAWIOA-113181-01		\$89,300	\$89,300	N/A	\$0
SPECIAL EDUCATION GRANTS TO STATES	84.027		ARIZONA DEPARTMENT OF EDUCATION	21FESCBG-111207-09A 21FESCBG-110805-09A		\$26,631	\$26,631	SPECIAL EDUCATION CLUSTER	\$26,631
COVID-19 EDUCATION STABILIZATION FUND	84.425	COVID-19	ARIZONA DEPARTMENT OF EDUCATION	20FERFNT-011207-01A 21FEIINT-111207-01A		\$61,000	\$61,000	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION						\$176,931			
DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION									
2018 HAVA ELECTION SECURITY GRANT	90.404		ARIZONA SECRETARY OF STATE	AZ20101001		\$4,331	\$4,331	N/A	\$0
TOTAL DELTA REGIONAL AUTHORITY or DENALI COMMISSION or ELECTION ASSISTANCE COMMISSION or JAPAN U.S. FRIENDSHIP COMMISSION						\$4,331			
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133182		\$199,279	\$386,238	N/A	\$0
COVID-19 PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS17-133182		\$186,959	\$386,238	N/A	\$0
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-110815		\$147,350	\$147,350	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177678		\$179,830	\$179,830	N/A	\$0
COVID-19 EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93.323	COVID-19	ARIZONA DEPARTMENT OF HEALTH SERVICES	IGA2021-037		\$1,007,455	\$1,007,455	N/A	\$0
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)	93.558		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES15-089113 G1604AZ4004 G1804AZ4004		\$124,752	\$124,752	N/A	\$0
CHILD SUPPORT ENFORCEMENT	93.563		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D116-002156		\$235,636	\$235,636	N/A	\$0
LOW-INCOME HOME ENERGY ASSISTANCE	93.568		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES15-089113 214-20		\$383,685	\$465,252	N/A	\$0
COVID-19 LOW-INCOME HOME ENERGY ASSISTANCE	93.568	COVID-19	ARIZONA DEPARTMENT OF HOUSING	ADES15-089113		\$81,567	\$465,252	N/A	\$0
COMMUNITY SERVICES BLOCK GRANT	93.569		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES15-089113		\$144,896	\$294,022	N/A	\$0
COVID-19 COMMUNITY SERVICES BLOCK GRANT	93.569	COVID-19	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES15-089113		\$149,126	\$294,022	N/A	\$0
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	93.597		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D116-002146		\$7,788	\$7,788	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES15-089113		\$8,048	\$8,048	N/A	\$0

HIV CARE FORMULA GRANTS	93.917	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-193949	\$231,584	\$231,584	N/A	\$0
HIV PREVENTION ACTIVITIES-HEALTH DEPARTMENT BASED	93.940	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-188825	\$4,077	\$4,077	N/A	\$0
PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	93.991	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-098369	\$49,260	\$49,260	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES					<u>\$3,141,292</u>		
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u>\$191,833</u>	<u>\$7,029,808</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 7/1/2020 - 6/30/2021

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, 2021. 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 2021 *Federal Assistance Listings* .

COUNTY RESPONSE



Gila County Finance Department

1400 E. Ash Street, Globe, Arizona 85501

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Deputy Director

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928-402-8743

July 18, 2022

Lindsey Perry,
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, Arizona 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 U.S. Office of Management and Uniform Guidance. Specifically, for each financial reporting finding we are providing you with the corrective action planned and we are providing you with the names of the contact persons responsible for corrective action and the anticipated completion date that is included in the Schedule of Findings and Questioned Costs.

Sincerely,



Mary Jane Springer
Finance Director

Financial Statement Findings

2021-01

The County awarded \$145,612 to various organizations without always 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: Mary Jane Springer, Finance Director

Anticipated Completion Date: December 31, 2022

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.

2021-02

The County did not ensure \$48,598 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: Mary Jane Springer, Finance Director

Anticipated Completion Date: June 30, 2023

Corrective Action: 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.

2021-03

The County's 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: Mary Jane Springer, Finance Director

Anticipated Completion Date: February 2, 2022

Corrective Action Plan: The initial download of financial information to the auditor included transactions out of date range due to a miscoding in the automated data transfer system between the Treasurer and finance systems software. A review of the data resulted in the software engineer revising the automated scripts to correspond to only data in the fiscal year being audited. Future corrective action includes running the download and validating information with Finance staff and financial consultants prior to sending the download to the Auditor so as not to misstate information or delay the financial audit.

2021-04

The County lacked inventorying and other recordkeeping for nearly \$14.1 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: Mary Jane Springer, Finance Director

Completion Date: December 31, 2022

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 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. The physical inventory was completed in February 2021. Capital asset reconciliation procedures will be completed by 12/31/2022. On-going training will be conducted as necessary.

2021-05

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: Mary Jane Springer, 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 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.

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.

2021-06

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: Mary Jane Springer, Finance Director
Anticipated Completion Date: June 30, 2022

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 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.



Gila County Finance Department

1400 E. Ash Street, Globe, Arizona 85501

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928-402-8516

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

July 18, 2022

Lindsey Perry
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,

Mary Jane Springer
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.: 2020-01

This finding initially occurred in fiscal year 2017.

Status: Not Corrected

In FY2021 the county continued to implement formal agreements with entities receiving economic development awards. The requests for funding were sent to the individual District Supervisors then to the Finance Director and County Manager for review prior to award. The funding is budgeted in the annual budget process. A new policy is being drafted by Gila County Attorney and has taken longer than expected due to the Covid pandemic, and workforce constraints. Anticipated policy adoption and new funding process completion December 31, 2022.

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.: 2020-02

This finding initially occurred in fiscal year 2017.

Status: Not Corrected

Contact: Mary Jane Springer, Finance Director

Anticipated Completion Date: March 31, 2022

To help ensure that County employees comply with the Credit Card Policy, staff will review and revise the policy and procedures to ensure clarity in the responsibility of the credit card holder that purchases must be for official County business and proper documentation is retained. Due to limited resources focused on catching up on prior audits corrective actions were delayed. Staff will provide additional training on revised Credit Card Policy and procedure to all Elected Offices and Departments has occurred throughout FY2022. Finance staff will audit credit card purchases for proper documentation, review and approval, and policy compliance.

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.: 2020-03

This finding initially occurred in fiscal year 2013

Status: Not Corrected

County is working with outside consultant to expedite completion of financial statements and single audits, FY2020 completed August 30, 2021. FY2021 Annual Financial Report was issued on May 18, 2022. Finance staff is revising desk manuals and procedures to conduct timely year-end close processes.

Gila County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021
Page 3

The County needs to improve controls over its capital assets.

Finding No.: 2020-04

This finding initially occurred in fiscal year 2013

Status: Partially Corrected

New capital asset policy (BOS-FIN-111) was adopted by the Board of Supervisors on November 20, 2018. 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 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. The physical inventory was completed in February 2021. Capital asset reconciliation procedures will be completed by 12/31/2022. On-going training will be conducted as necessary.

The County should improve its policies and procedures to ensure its departments accurately record revenues and safeguard cash receipts.

Finding No.: 2016-03

This finding initially occurred in fiscal year 2013

Status: Corrected

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.: 2020-05

This finding initially occurred in fiscal year 2014

Status: Partially Corrected

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 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.

Gila County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

Page 4

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.

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

Finding No.: 2020-06

This finding initially occurred in fiscal year 2014

Status: Not Corrected

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

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Director and staff will develop procedures to ensure policy compliance and document user account access permissions and deletions.

Status of Federal Award Findings and Questioned Costs

CFDA No.: NOT APPLICABLE
Finding No.: 2020-101,
This finding initially occurred in fiscal year 2010
Status: Corrected

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No.: 2018-104
This finding initially occurred in fiscal year 2017
Status: Partially Corrected

Corrective Action Plan – The annual financial data schedules were filed timely with HUD however the audit and certification of the financial data schedules have not been completed for FY2020 and FY2021 due to resource constraints and the Covid 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 time frame. Anticipated completion for FY2020 is August 2022, and FY2021 anticipated completion December 1, 2022.

CFDA No.: 10.665 – Schools and Roads—Grants to States
Finding No.: 2019-102
This finding initially occurred in fiscal year 2013
Status: Corrected

