

## Coconino County

**CONCLUSION:** Coconino County is responsible for preparing its annual financial report and a federal expenditure schedule, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of the County's financial statements and federal expenditure schedule is presented below.

Based on our audits, we issued opinions on the County's financial statements and federal expenditure schedule and issued reports on internal control and on compliance over financial reporting and major federal programs. The information in the County's fiscal year 2017 financial statements and schedule is reliable. Our Office identified internal control weaknesses over financial reporting and internal control weaknesses and instances of noncompliance over major federal programs. The most significant findings are summarized on the next page.

## Condensed financial information

**Statement of net position**—This statement reports all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in land, buildings, equipment, and infrastructure.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the remaining net position balance after allocating the net investment in capital assets and restricted balances.

**Statement of activities**—This statement reports all revenues, expenses, and other changes in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes. Net position increased by \$11 million, or 7.8 percent, in fiscal year 2017.

**Federal expenditure schedule**—During fiscal year 2017, the County expended \$10 million in federal awards. The County's federal award expenditures decreased by \$2 million, or 16.7 percent, compared to fiscal year 2016.

### Statement of net position As of June 30, 2017 (In millions)

<b>Assets and deferred outflows</b>	
Current and other assets	\$107
Capital assets, net of depreciation	169
Deferred outflows of resources	27
<b>Total assets and deferred outflows</b>	<b>303</b>
<b>Liabilities and deferred inflows</b>	
Current liabilities	9
Noncurrent liabilities:	
Net pension liability	118
Other	14
Deferred inflows of resources	10
<b>Total liabilities and deferred inflows</b>	<b>151</b>
<b>Net position</b>	
Net investment in capital assets	169
Restricted	64
Unrestricted	(81)
<b>Total net position</b>	<b>\$152</b>

### Statement of activities Year ended June 30, 2017 (In millions)

<b>Program revenues</b>	
Charges for services	\$ 15
Operating grants and contributions	30
Capital grants and contributions	1
<b>General revenues</b>	
Property taxes	21
Sales tax	40
State shared revenue	26
Other	3
<b>Total revenues</b>	<b>136</b>
<b>Expenses</b>	
General government	38
Public safety	42
Health	13
Other	32
<b>Total expenses</b>	<b>125</b>
Increase in net position	11
Net position—beginning	141
<b>Net position—ending</b>	<b>\$152</b>

### Federal expenditure schedule Year ended June 30, 2017 (In millions)

<b>Federal grantor agency</b>	
Department of Agriculture	\$ 3
Department of Health and Human Services	2
Department of Interior	2
Department of Education	1
Department of Labor	1
Other	1
<b>Total federal expenditures</b>	<b>\$10</b>

## Understanding the County's financial report

Understanding how to extract information from the County's financial report is important when reviewing financial performance and evaluating future financial decisions. As described below, our Office's financial report user guide and internal control and compliance reports user guide, available at [azauditor.gov](http://azauditor.gov), help users identify and understand important and useful information in the County's financial report and in our reports on internal control and on compliance over financial reporting and federal programs. Specifically:

- **Financial report user guide**—describes key financial information contained in county financial reports and indicates where to find this information. Key components in a financial report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements, notes to financial statements, and other required supplementary information.
- **Internal control and compliance reports user guide**—describes our internal control and compliance reports over financial reporting and federal programs. Those reports, which are included in our single audit report, provide information about whether the County has effective internal control procedures and whether it has complied with certain financial- and federal-related laws and regulations.

## Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial reporting related to capital assets and its information technology (IT) resources. For the federal compliance audit, we tested four federal programs under the major program guidelines established by the Single Audit Act and found that the County did not always have adequate internal controls and did not always comply with federal program requirements for two of its federal programs. The most significant findings and recommendations are summarized below.

**County should improve controls over its IT resources**—The County's IT resources, which include its systems, network, infrastructure, and data, are vital to its daily operations. However, the County did not have adequate policies and procedures over its IT resources to effectively identify, analyze, and respond to risks, and sufficiently manage access, including preventing, detecting, and responding to unauthorized or inappropriate access or use, manipulation, damage, or loss.

### Recommendations

To help identify, analyze, and respond to risks and prevent and detect unauthorized access or use, manipulation, damage, or loss to its IT resources, the County needs to implement a county-wide risk-assessment process and continue developing its policies and procedures for preventing and detecting unauthorized or inappropriate access to its IT resources. Our report provides guidance and best practices to help the County implement these recommendations.

**County Public Health Services District (District) should follow purchasing card policies and procedures**—A district employee used a purchasing card to charge goods and services to the County's Public Health Emergency Preparedness (PHEP) program. However, the District did not follow the County's established purchasing card policies and procedures and ensure the purchases were properly reviewed, approved, adequately supported, and in compliance with the program's requirements. As a result, the County charged \$19,364 of goods and services to the County's PHEP program that were either not adequately supported or were unallowable.

### Recommendations

To help ensure compliance with the federal program requirements, the District should follow the County's existing policies and procedures for reviewing and approving purchasing card expenditures and ensuring these approvals are documented. Additionally, the County should provide training to district employees responsible for reviewing and approving program expenditures.