

Pima County

CONCLUSION: Pima 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. It also reports revenues and expenses as either governmental activities—primarily supported by taxes and grant monies—or business-type activities—primarily supported by user fees and charges. Net position increased by \$73 million, or 4 percent, in fiscal year 2017.

Federal expenditure schedule—During fiscal year 2017, the County expended \$41 million in federal awards. The County's federal award expenditures decreased by \$11 million, or 21 percent, compared to fiscal year 2016.

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

Assets and deferred outflows	
Current and other assets	\$ 699
Capital assets, net of depreciation	3,201
Deferred outflows of resources	194
Total assets and deferred outflows	4,094
Liabilities and deferred inflows	
Current liabilities	72
Noncurrent liabilities:	
Net pension liability	783
Other	1,260
Deferred inflows of resources	76
Total liabilities and deferred inflows	2,191
Net position	
Net investment in capital assets	2,084
Restricted	248
Unrestricted	(429)
Total net position	\$1,903

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

Program revenues	
Governmental activities	\$ 235
Business-type activities	186
General revenues	
Governmental activities	632
Business-type activities	3
Total revenues	1,056
Expenses	
Governmental activities	819
Business-type activities	164
Total expenses	983
Increase in net position	73
Net position—beginning	1,830
Net position—ending	\$1,903

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

Federal grantor agency	
Department of Labor	\$ 9
Department of Health and Human Services	9
Department of Housing and Urban Development	5
Department of the Interior	4
Department of Transportation	3
Department of Homeland Security	3
Department of Justice	3
Other	5
Total federal expenditures	\$41

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, 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 its information technology (IT) resources. For the federal compliance audit, we tested six 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 three of its federal programs. Our separately issued report on internal control and on compliance and our single audit report include further details to help the County correct the internal control weaknesses and instances of noncompliance. The most significant findings and recommendations are summarized below.

County should improve controls over 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 protect sensitive information; sufficiently manage access, including preventing, detecting, and responding to unauthorized or inappropriate access or use, manipulation, damage, or loss; and to track, document, and test changes to its IT resources. The County also lacked a comprehensive up-to-date contingency plan to provide for the continuity of operations in the event of a disaster, system or equipment failure, or other interruption.

Recommendations

To help identify, analyze, and respond to risks and protect sensitive information; prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources; prevent and detect unauthorized, inappropriate, and unintended changes to its IT resources; and ensure county operations can continue in the event of a disaster, system or equipment failure, or other interruption, the County needs to update and implement policies and procedures over its IT resources to ensure they address the following:

- **County-wide risk-assessment process**—The risk-assessment process should include the identification of risk scenarios, including the scenario's likelihood and magnitude; documentation and dissemination of results; review by appropriate personnel; and prioritization of risks identified for remediation.
- **Sensitive information**—Security measures should be developed to identify, classify, and inventory sensitive information and protect it.
- **Logging and log monitoring**—Key user activity should be logged and monitored, particularly for users with administrative access privileges and remote access.
- **Change management**—Changes made to IT resources should be logged and documented, and a record should be retained of all change details.
- **Contingency planning**—The contingency plan should be updated at least annually for all critical information or when changes are made to IT resources, and updates to the plan should be communicated to key personnel.
- **IT standards and best practices**—IT policies and procedures should be reviewed against current IT standards and best practices, updated where needed, and implemented entity-wide, as appropriate.