

Apache County, Arizona
Single Audit Reporting Package
June 30, 2022

Apache County, Arizona

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**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***

Arizona Auditor General
Board of Supervisors of
Apache 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 Apache County, Arizona (the "County") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 17, 2025. Our opinion on those financial statements was qualified for the Road Fund because we did not observe inventory reported in the Road Fund.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 through 2022-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-004 through 2022-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, the auditor 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 which are described as items 2022-001 through 2022-004 in the accompanying schedule of findings and questioned costs.

Apache County's Response to Findings

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

Purpose of this Report

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

Snyder & Brown CPAs, PLLC
Tempe, Arizona
June 17, 2025

**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**

Arizona Auditor General
The Board of Supervisors of
Apache County, Arizona

Report on Compliance for Each Major Federal Program
Opinion on each major federal program

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

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for opinion on each major federal program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the U.S. Comptroller General, and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

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

Management's responsibilities for compliance

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

Auditors' responsibilities for the audit of compliance

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

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

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

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

Other matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2022-101 through 2022-103. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance

requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-101 through 2022-103 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

County response to findings

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

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

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Apache County as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 17, 2025, that contained unmodified opinions on those financial statements, except for the Road Fund, which is qualified. 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.

Snyder & Brown CPAs, PLLC
Tempe, Arizona
June 17, 2025

Apache County, Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified except for the Road Fund which is Qualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes
Non-Compliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	None reported

Identification of major programs and type of auditor's report issued on compliance for major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>	
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR 200.511(b)?	Yes
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**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section II-Financial Statement Findings

2022-001- Untimely Account Reconciliation and Financial Statement Preparation (Repeat Finding) (Material Weakness)

Criteria: Arizona Revised Statutes (A.R.S.) and Federal laws and regulations require counties to prepare annual basic financial statements in accordance with U.S. generally accepted accounting principles and issue audited financial statements no later than nine (9) months after year-end. In addition, A.R.S. §41-1279.07(C) requires that the annual expenditure limitation report be filed with the Auditor General within nine (9) months after the close of the fiscal year.

Condition and Context: As noted in prior year's finding 2021-001, several general ledger accounts were not reconciled until several months after the fiscal year ended resulting in untimely preparation and issuance of the financial statements, annual expenditure limitation report and the single audit reporting package. Furthermore, material corrections to cash and receivables resulted from our audit.

Cause: While improved from prior years, the cause is a continued lack of resources and oversight devoted to the financial reporting process by the County's finance department.

Effect: The effect is that the County did not meet its reporting obligations and County financial statement users did not have timely audited financial information necessary for decision making. Furthermore, the County has not complied with state statutes and federal regulations.

Auditor's Recommendation: We recommend that the County devote additional resources to the financial reporting and the audit process. Doing so will improve the timeliness of the County's preparation of the financial statements, expenditure limitation report and the single audit reporting package and submittal to the federal single audit clearinghouse.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section II-Financial Statement Findings (continued)

2022-002- Cash Monitoring and Treasurer Reconciliations (Repeat Finding) (Material Weakness)

Criteria: Pursuant to the Uniform Accounting Manual for Arizona Counties, Section VI-B-4 – *Reconciliation to the County Treasurer*, Counties should develop written policies to reconcile their cash balances by fund to the county treasurer's records at least monthly, and at the fiscal year-end. Policies and procedures should also be established to ensure that cash activity relating to County departments is appropriately understood as to the availability of these resources, and that these accounts are appropriately reconciled and recorded in the County's general ledger.

Condition and Context: During 2022, the following was noted with respect to cash monitoring and reconciliations:

- Cash in total was reconciled between the Treasurer's records and the County's records. However, for the County funds, there was an overall unreconciled difference between the County records and the Treasurer's records of \$184,910.
- The cash on deposit at the courts and some other county departments totaling \$1,232,424 are not recorded by the County on an ongoing basis. Rather, the activity for these accounts are only recorded when cash is deposited with the County Treasurer and any remaining cash balances are only reconciled at yearend allowing potential for unrecorded transactions. This finding is similar to prior year finding 2021-002.

Cause: The County has not established appropriate policies and procedures to monitor and reconcile all cash accounts on an ongoing basis.

Effect: By not reconciling the cash and treasurer balances accurately on a regular basis the County is at a higher risk of potential fraud and other material misstatements for error.

Auditor's Recommendation: The County should perform an analysis of all cash accounts at decentralized departments and at the County Treasurer to ensure that balances are properly recorded in the County funds and to ensure that these accounts are reconciled appropriately.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II-Financial Statement Findings (continued)

Finding 2022-003 Improve Budgetary Controls (Repeat Finding) (Material Weakness)

Criteria: Arizona Revised Statutes (A.R.S.) §42-17106(A) prohibits the expenditure of funds or the creation of liabilities in excess of the adopted budget for the fiscal year. Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Board of Supervisors' approval.

Condition and Context: During 2022, there were fourteen (14) instances in which the budgetary departments were over-expended. Sufficient procedures have not been implemented to monitor the County's departments and ensure compliance with state statute. This finding is similar to prior year finding 2021-003.

Cause: The cause is from a continued lack of resources dedicated towards the proper development, monitoring and enforcement of the annual budget.

Effect: The effect is that the several departments are over-budget which violates state statute. In addition, the contingency line items is being incorrectly used.

Recommendation: We recommend that the County implement policies and procedures such that budget requirements are enforced at all levels of the County's departments. We also recommend that the County only use the contingency line item to budget for unexpected expenditures.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

Finding 2022-004 Credit Card Controls (Significant Deficiency)

Criteria: The Uniform Accounting Manual for Arizona Counties (UAMAC), section VI-C, published by the Arizona Auditor General requires Counties to develop and adhere to written policies and procedures to safeguard assets.

Condition and Context: For 2 of 40 transactions selected for testwork the County was not able to provide adequate supporting documentation to show that the purchase had been approved or reviewed.

Cause: The County was not adequately following its credit card policies and procedures resulting in some purchases being made without adequate approval.

Effect: The County has increased risk of misuse of county funds.

Recommendation: The County should ensure that it is following its policies and procedures regarding credit card purchases to ensure that all purchases are reviewed and approved and ensure that supporting documentation is maintained.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II-Financial Statement Findings (continued)

Finding 2022-005 Information Systems Risk Management (Significant Deficiency)

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

Condition and Context: The County's process for managing and documenting its risks did not include an overall risk assessment process that included 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 systems and data. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls and evaluating and determining the business functions and IT systems that would need to be restored quickly if the County were impacted by disasters or other system interruptions.

Cause: The County relied on an informal risk-assessment process and had not documented a Countywide risk assessment that included IT security, including applicable policies and procedures.

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

Recommendation:

The County's administration and IT management should:

- Identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.
- 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.
- 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.

Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II-Financial Statement Findings (continued)

- Evaluate and determine the critical organization functions and IT systems that would need to be restored quickly given the potential impact disasters or other IT system interruptions could have on the organization's operations, such as public safety and payroll and accounting, and determine how to prioritize and plan for recovery.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

Finding 2022-006 Information Systems Oversight and Management (Significant Deficiency)

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.
- Ensure 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.

Condition and Context: 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.
- Ensuring operations continue—There was no contingency plan related to restoring operations in the event of a disaster or other system interruption.

Cause: The County's administration and IT management did not prioritize establishing written policies and procedures to establish adequate internal controls over IT systems and data.

Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section II-Financial Statement Findings (continued)

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.

Recommendation:

The County should 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. To help achieve these control objectives, the County should develop, document, and implement control procedures in each IT control area described below:

Restrict access—To restrict access to its IT systems and data, *develop, document, and implement* processes to:

- Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
- Remove terminated employees' access to IT systems and data.
- Review all other account access to ensure it remains appropriate and necessary.
- Evaluate the use and appropriateness of accounts shared by 2 or more users and manage the credentials for such accounts.
- Enhance authentication requirements for IT systems.
- Review data center physical access periodically to determine appropriateness.

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

- Establish and follow a documented change management process.
- Review proposed changes for appropriateness, justification, and security impact.
- Document changes, testing procedures and results, change approvals, and post-change review.
- Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
- Test changes prior to implementation.
- Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
- Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

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

- Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
- Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section II-Financial Statement Findings (continued)

- Provide all employees ongoing training on IT security risks and their responsibilities to ensure systems and data are protected.
- Develop an information security plan to protect the integrity of the financial reporting systems and data.
- Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to ensure vendor qualifications and adherence to the vendor contract.

Ensure operations continue—To ensure operations continue, *develop, document, and implement* processes to:

- Develop and implement a 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.
- Test the contingency plan.
- Train staff responsible for implementing the contingency plan.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section III-Federal Award Findings and Questioned Costs

Finding 2022-101 Single Audit Reporting Package Not Filed Timely (Repeat Finding) (Material Weakness, Compliance Finding)

Assistance Listing Number:	21.027
Cluster Title:	N/A
Program Titles:	Coronavirus State and Local Fiscal Recovery Fund
Federal Agency:	U.S. Department of the Treasury
Award Year:	2021
Award Number:	None
Compliance Requirement:	Reporting
Question Costs:	None

Criteria: The terms of the County's federally funded grants and contracts and the Uniform Guidance require the submission of a single audit reporting package to the Federal Audit Clearinghouse within nine months of the auditees' fiscal year-end.

Condition and context: The County's single audit reporting package for the fiscal year ended June 30, 2022, was not submitted to the Federal Audit Clearinghouse within nine months after the County's year-end. This finding is similar to prior year finding 2021-101.

Cause: The cause was a continued lack of resources devoted to the accounting and year-end closing.

Effect: The effect is the untimely submission of the single audit reporting package resulting in noncompliance with federal requirements.

Recommendation: We recommend that the County evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Doing so will improve the timeliness of the County's submittal to the Federal Audit Clearinghouse.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section III-Federal Award Findings and Questioned Costs (continued)

Finding 2021-102 Reporting (Material Weakness, Compliance Finding)

Assistance Listing Number:	21.027
Cluster Title:	N/A
Program Titles:	Coronavirus State and Local Fiscal Recovery Fund
Federal Agency:	U.S. Department of Treasury
Award Year:	2021
Award Number:	None
Compliance Requirement:	Reporting
Question Costs:	None

Criteria: The Coronavirus State and Local Fiscal Recovery Fund requires the submission of quarterly expenditure reports. The amount should agree to the underlying accounting records.

Condition and context: The cumulative expenditure amount reported on the quarterly reports did not agree to the underlying accounting records for the grant. The County reported that \$12,363,513 was spent as of yearend. However, the accounting records showed expenditures totaling \$4,597,076.

Cause: The County does not have adequate policies and procedures in place to ensure that expenditures are reported properly.

Effect: The County's reports were overreported.

Recommendation: The County should establish policies and procedures to ensure that the amounts reported are accurate and agree to the underlying accounting records.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

**Apache County Arizona
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section III-Federal Award Findings and Questioned Costs (continued)

**Finding 2022-103 Allocation of Forest Reserve Funds (Repeat Finding)
(Material Weakness, Compliance Finding)**

Assistance Listing Number:	10.665
Cluster Title:	Forest Service Schools and Roads Cluster
Program Title:	Schools and Roads – Grants to States
Federal Agency:	U.S. Department of Agriculture
Award Year:	2021
Award Number:	None
Compliance Requirements:	Special Tests and Provisions
Question Costs:	None

Criteria: Arizona Revised Statutes (A.R.S.) 11-497 requires that the counties' share of pass-through forest reserve monies from the United States be disbursed for the benefit of public schools and public roads at the direction of the board of supervisors. Further, a county may allocate a disproportionate amount of forest reserve monies between public schools and public roads as long as both categories receive a real benefit.

Condition and context: Forest reserve monies for Apache County were not properly disbursed for the benefit of public schools and public roads in accordance with A.R.S. 11-497. The County instead disbursed the entire annual allocation of \$644,597 to public school districts. This finding is similar to prior year finding 2021-103.

Cause: The cause is that the Apache County Board of Supervisors decided that the County public schools had a greater need for funding than roads projects.

Effect: The effect is that the County did not expend a portion of the grant monies on public roads and therefore knowingly continued to violate state statute.

Recommendation: We recommend that the County stop violating state statute and distribute forest reserve monies in a manner that benefits both public schools and public roads as required by A.R.S. 11-497.

County's Response: The County's responsible officials' views and planned corrective action are in its corrective action plan at the end of the report.

County's Section

Apache County Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity or Other Identifying Number	Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through the Arizona Department of Health Services</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	ADHS16-106455	\$ 12,529	\$ -
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	CTR041404	82,130	-
<i>Passed through the Arizona Department of Forestry and Fire Management</i>				
Cooperative Forestry Assistance	10.664	17-LE-11030121-008	41,993	-
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665	N/A	644,597	644,597
Law Enforcement Agreements	10.704	N/A	14,879	-
<i>Total U.S. Department of Agriculture</i>			<u>796,128</u>	<u>644,597</u>
<u>U.S. Department of Justice</u>				
<i>Passed through Arizona Department of Public Safety</i>				
Crime Victim Assistance	16.575	2018-VA-GX-0012	57,448	-
<i>Passed through Arizona Criminal Justice Commission</i>				
Coronavirus Emergency Supplemental Funding Program - COVID-19	16.034	ACESF-21-001	39,378	-
Bulletproof Vest Partnership Program	16.607	DC-19-001	7,180	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-22-001	185,050	-
<i>Total U.S. Department of Justice</i>			<u>289,056</u>	<u>-</u>
<u>U.S. Department of the Treasury</u>				
<i>Passed through Arizona Office of the Governor</i>				
Coronavirus State and Local Fiscal Recovery Fund	21.027	COVID-19 None	4,597,076	-
<i>Total U.S. Department of the Treasury</i>			<u>4,597,076</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
<i>Passed through Arizona Governor's Office of Highway Safety</i>				
State and Community Highway Safety	20.600	2022-PTS-001 2022-OP-001	20,637	-
<i>Total U.S. Department of Transportation</i>			<u>20,637</u>	<u>-</u>

See Accompanying Notes to Schedule.

Apache County Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Assistance Listing Number	Pass-Through Entity or Other Identifying Number	Expenditures	Amount Provided to Subrecipients
<u>Institute of Museum and Library Services</u>				
<i>Passed through Arizona State Library</i>				
Grants to States	45.310	NA	42,588	-
Total Institute of Museum and Library Services			42,588	-
<u>Election Assistance Commission</u>				
<i>Passed through Arizona Secretary of State's Office</i>				
2018 HAVA Election Security Grants	90.404	AZ18101001	803	-
Total Election Assistance Commission			803	-
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Arizona Department of Health Services</i>				
Public Health Emergency Preparedness PPHF Capacity Building Assistance to Strengthen Public Health	93.069	CTR064433	262,827	-
Immunization Cooperative Agreements	93.268	IGA2021-058	52,404	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	IGA2021-058	196,178	
Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	ADHS18-177674	210,147	-
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	CTR064433	32,151	
Maternal and Child Health Services Block Grant to the States	93.994	CTR055272	46,025	-
Total U.S. Department of Health and Human Services			799,732	-
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Arizona Department of Emergency and Military Affairs</i>				
Emergency Management Performance Grants	97.042	EMP-2019-SP-00010	211,643	-
Total U.S. Department of Homeland Security			211,643	-
Total expenditures of federal awards			\$ 6,757,663	\$ 644,597

See Accompanying Notes to Schedule.

Apache County Arizona
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Note 1 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes Apache County's federal grant activity for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of significant accounting policies

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.

Note 3 – Assistance listing number

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or the 2022 Federal Assistance Listings.

Note 4 - Indirect cost rate

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

Corrective Action Plan



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Corrective Action Plan

Year ended June 30, 2022

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* (Uniform Guidance). Specifically, for each finding we are providing you with the name of the contact individual responsible for corrective action, the corrective action planned, and the anticipated completion date. The findings below are consistently numbered with the finding numbers assigned in the schedule of findings and questioned costs.

Financial Statement Findings:

Finding 2022-001 – Untimely Account Reconciliation and Financial Statement Preparation (Repeat Finding) (Material Weakness)

Condition and Context: As noted in prior year's finding 2021-001, several general ledger accounts were not reconciled until several months after the fiscal year ended resulting in untimely preparation and issuance of the financial statements, annual expenditure limitation report and the single audit reporting package. Furthermore, material corrections to cash and accounts receivable resulted from our audit.

Recommendation: We recommend that the County devote additional resources to the financial reporting and the audit process. Doing so will improve the timeliness of the County's preparation of the financial statements, expenditure limitation report and the single audit reporting package and submittal to the federal single audit clearinghouse.

Contact Name: Ryan Patterson, County Manager

Corrective Action Planned: Additional resources will be devoted to the financial reporting and audit process.

Anticipated Completion Date: March 31, 2026. The County intends to submit its fiscal year 2025 Single Audit Report by the statutory deadline of March 31, 2026.

Finding 2022-002 – Cash Monitoring and Treasurer reconciliations (Repeat Finding, Material Weakness)

Condition and Context: During 2022, the following was noted with respect to cash monitoring and reconciliations:

- Cash in total was reconciled between the Treasurer's records and the County's records. However, for the County funds, there was an overall unreconciled difference between the County records and the Treasurer's records of \$184,910.
- The cash on deposit at the courts and some other county departments totaling \$1,232,424 are not recorded by the County on an ongoing basis. Rather, the activity for these accounts are only recorded when cash is deposited with the County Treasurer and any remaining cash balances are only reconciled at year end allowing potential for unrecorded transactions. This finding is similar to prior year finding 2021-002.

Recommendation: The County should perform an analysis of all cash accounts at decentralized departments and at the County Treasurer to ensure that balances are properly recorded in the County funds and to ensure that these accounts are reconciled appropriately.

Contact Name: Ryan Patterson, County Manager

Corrective Action Planned:

1. Cash on deposit, County Treasurer unreconciled difference: The County has hired a consultant to work with the County Treasurer's office to resolve the unreconciled difference, prepare and post the correcting entries.
2. Clearing bank accounts: The County implemented the suggested policies and procedures as stipulated in the *Uniform Accounting Manual for Arizona Counties* (UAMAC). As stated in the UAMAC any receipts deposited in the clearing bank accounts are remitted daily to the County Treasurer thus the receipts are recorded in the County's accounting system in a timely manner. Finally, the clearing bank accounts are reconciled on a monthly basis and are properly reflected in the County's financial statements.

Anticipated Completion Date: The County intends for these items to be completely corrected in its fiscal year 2023 Single Audit Report submission.

Finding 2022-003 – Improve Budgetary Controls (Repeat Finding) (Material Weakness)

Condition and Context: During 2022, there were fourteen (14) instances in which the budgetary departments were over-expended. Sufficient procedures have not been implemented to monitor the County's departments and ensure compliance with state statute. This finding is similar to prior year finding 2021-003.

Recommendation: We recommend that the County implement policies and procedures such that budget requirements are enforced at all levels of the County's departments. We also recommend that the County only use the contingency line item to budget for unexpected expenditures.

Contact Name: Ryan Patterson, County Manager

Corrective Action Planned: Additional procedures have been implemented to ensure budget capacity before issuing payment. This also includes ensuring that the contingency line item is only used for unexpected expenditures.

Anticipated Completion Date: The County intends for this item to be corrected in its fiscal year 2025 Single Audit Report submission.

Finding 2022-004 – Credit Card Controls (Significant Deficiency)

Condition and Context: For 2 of 40 transactions selected for testwork the County was not able to provide adequate supporting documentation to show that the purchase had been approved or reviewed.

Recommendation: The County should ensure that it is following its policies and procedures regarding credit card purchases to ensure that all purchases are reviewed and approved and ensure that supporting documentation is maintained.

Contact Name: Ryan Patterson, County Manager

Corrective Action Planned: For the two deviations noted, County staff did not follow policy requiring that review and approval be clearly notated on supporting documentation. However, the approval process in the purchasing module is a requirement for payment processing. However, the County will be more diligent in enforcing the notation of review and approval on all underlying supporting documentation.

Anticipated Completion Date: The County intends for this item to be corrected in its fiscal year 2025 Single Audit Report submission.

Finding 2022-005 – Information Systems Risk Management (Significant Deficiency)

Condition and Context: The County's process for managing and documenting its risks did not include an overall risk assessment process that included 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 systems and data. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls and evaluating and determining the business functions and IT systems that would need to be restored quickly if the County were impacted by disasters or other system interruptions.

Recommendation: The County's administration and IT management should:

- Identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data.
- 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.

- 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.

Contact Name: Steve Kizer, County IT Director

Corrective Action Planned: The County is committed to improving and strengthening IT controls. As such, the County’s current IT controls will be revised to include an overall risk assessment process, which includes evaluating and documenting risks and safeguards.

In addition, the County has already developed and implemented an IT Access Control Management Policy. This policy establishes a comprehensive access control management process that ensures secure and appropriate access to the County’s information systems and data. Currently, the County is unaware of any known incidents of “unauthorized or inappropriate” access that the County’s IT department failed to prevent and/or detect.

Anticipated Completion Date March 2026

Finding 2022-006 – Information Systems Oversight and Management (Significant Deficiency)

Condition and Context: 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.
- Ensuring operations continue—There was no contingency plan related to restoring operations in the event of a disaster or other system interruption.

Recommendation: The County should 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. To help achieve these control objectives, the County should develop, document, and implement control procedures in each IT control area described below:

Restrict access—To restrict access to its IT systems and data, develop, document, and implement processes to:

- Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
- Remove terminated employees’ access to IT systems and data.
- Review all other account access to ensure it remains appropriate and necessary.

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

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

- Establish and follow a documented change management process.
- Review proposed changes for appropriateness, justification, and security impact.
- Document changes, testing procedures and results, change approvals, and post-change review.
- Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
- Test changes prior to implementation.
- Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
- Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

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

- Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
- Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.
- Provide all employees ongoing training on IT security risks and their responsibilities to ensure systems and data are protected.
- Develop an information security plan to protect the integrity of the financial reporting systems and data.
- Ensure awarding and subsequent monitoring of IT vendor contracts is adequately conducted to ensure vendor qualifications and adherence to the vendor contract.

Ensure operations continue—To ensure operations continue, develop, document, and implement processes to:

- Develop and implement a 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.
- Test the contingency plan.
- Train staff responsible for implementing the contingency plan.

Contact Name: Steve Kizer, County IT Director

Corrective Action Planned: The County will perform a substantive review of its current IT control procedures to address restricting access, managing system configurations and changes, securing systems and data, and ensuring operations continue. In addition, please see the following for further information:

- Restricting access: the County is unaware of any known incidents of “unauthorized or inappropriate” access that the County’s IT department failed to prevent and/or detect.
- Managing system configurations and changes: The County has currently developed a “draft” Secure Configuration of Enterprise Assets and Software policy which will address that configuration settings will be securely maintained and all IT system changes were adequately maintained. This policy is in draft form and still needs to be authorized by the County’s Board of Supervisors.
- Securing Systems and data: The County contends that adopted policies and procedures do contain adequate controls to prevent unauthorized or inappropriate access. Again, the County is unaware of any known incidents of “unauthorized or inappropriate” access that the County’s IT department failed to prevent and/or detect.

Anticipated Completion Date March 2026

Federal Award Findings:

Finding 2022-101 – Single Audit Reporting Package Not Files Timely (Repeat Finding) (Material Weakness, Compliance Finding)

Assistance Listing Number:	21.027
Cluster Title:	N/A
Program Titles:	Coronavirus State and Local Fiscal Recovery Fund
Federal Agency:	U.S. Department of the Treasury
Award Year:	2021
Award Number:	None
Compliance Requirement:	Reporting
Question Costs:	None
Condition and context:	The County’s single audit reporting package for the fiscal year ended June 30, 2022, was not submitted to the Federal Audit

Clearinghouse within nine months after the County's year-end. This finding is similar to prior year finding 2021- 101.

Recommendation: We recommend that the County evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Doing so will improve the timeliness of the County's submittal to the Federal Audit Clearinghouse.

Contact Name: Ryan Patterson, County Manager

Corrective Action Planned: Additional policies and procedures will be implemented to facilitate and improve the financial reporting process.

Anticipated Completion Date: March 31, 2026. The County intends to submit its fiscal year 2025 Single Audit Report by the statutory deadline of March 31,2026.

Finding 2022-102 - Reporting (Material Weakness, Compliance Finding)

Assistance Listing Number: 21.027

Cluster Title: N/A

Program Titles: Coronavirus State and Local Fiscal Recovery Fund

Federal Agency: U.S. Department of theTreasury

Award Year: 2021

Award Number: None

Compliance Requirement: Reporting

Question Costs: None

Condition and context: The cumulative expenditure amount reported on the annual report did not agree to the underlying accounting records for the grant. The County reported that \$12,363,513 was spent as of yearend. However, the accounting records showed expenditures totaling \$4,597,076.

Recommendation: The County should establish policies and procedures to ensure that the amounts reported are accurate and agree to the underlying accounting records.

Contact Name: Ryan Patterson, County Manager

Corrective Action Planned: The identified finding was caused by miscommunication between County personnel concerning revenue replacement funds. To circumvent this situation from happening in the future, the County has developed and implemented policies and procedures which require the reconciliation or reported amounts on the federal reports to the underlying trial balances. Finally, the County did fully expend all allowable revenue replacement funds in fiscal year 2023.

Anticipated Completion Date: The County intends for these items to be completely corrected in its fiscal year 2023 Single Audit Report submission.

Finding 2022-103 - Allocation of Forest Reserve Funds (Repeat Finding) (Material Weakness, Compliance Finding)

CFDA Number: 10.665

Cluster Title: Forest Service Schools and Roads Cluster

Program Title: Schools and Roads – Grants to States

Federal Agency: U.S. Department of Agriculture

Award Year: 2021

Award Number: None

Compliance Requirement: Special Tests and Provisions

Question Costs: None

Condition and context: Forest reserve monies for Apache County were not properly disbursed for the benefit of public schools and public roads in accordance with A.R.S. 11-497. The County instead disbursed the entire annual allocation of \$644,597 to public school districts. This finding is similar to prior year finding 2021-103.

Recommendation: We recommend that the County stop violating state statute and distribute forest reserve monies in a manner that benefits both public schools and public roads as required by A.R.S. 11-497.

Contact Name: Ryan Patterson, County Manager

Corrective Action Planned: Prior to the close of fiscal year 2025, the County Manager will review the needs the County's roads and schools and make a recommendation to the board on an appropriate allocation of the forest reserve funds.

Anticipated Completion Date: The County intends for these items to be completely corrected in its fiscal year 2025 Single Audit Report submission.



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Summary Schedule of Prior Audit Findings

We have prepared the accompanying summary schedule of prior year findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs.

The findings below are numbered with the finding numbers assigned in the 2021 schedule of findings and questioned costs.

Financial Statement Findings:

Finding 2021-001 – Untimely Account Reconciliation and Financial Statement Preparation (Material Weakness)

Condition and Context: As noted in prior year's finding 2020-001, several general ledger accounts were not reconciled until several months after the fiscal year ended resulting in untimely preparation and issuance of the financial statements, annual expenditure limitation report and the single audit reporting package. Furthermore, material corrections to cash, intergovernmental receivables, unearned revenue, revenues and expenditures resulted from our audit.

Recommendation: We recommend that the County devote additional resources to the financial reporting and the audit process. Doing so will improve the timeliness of the County's preparation of the financial statements, expenditure limitation report and the single audit reporting package and submittal to the federal single audit clearinghouse.

Status: Not corrected. See current year corrective action for finding 2022-001. (Initially reported 2013)

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Summary Schedule of Prior Audit Findings (continued)

Finding 2021-002 – Cash Monitoring and Treasurer Reconciliations (Material Weakness)

Condition and Context: During 2021, the following was noted with respect to cash monitoring and reconciliations:

- Cash in total was reconciled between the Treasurer's records and the County's records. However, for the County funds, there was an overall unreconciled difference between the County records and the Treasurer's records of \$58,983.
- The cash on deposit at the courts and some other county departments totaling \$1,942,046 are not recorded by the County on an ongoing basis. Rather, the activity for these accounts are only recorded when cash is deposited with the County Treasurer and any remaining cash balances are only reconciled at yearend allowing potential for unrecorded transactions. This finding is similar to prior year finding 2020-002.

Recommendation: The County should perform an analysis of all cash accounts at decentralized departments and at the County Treasurer to ensure that balances are properly recorded in the County funds and to ensure that these accounts are reconciled appropriately.

Status: Not corrected. See current year corrective action for finding 2022-002. (Initially reported 2020)

Finding 2021-003 – Improve Budgetary Controls (Material Weakness)

Condition and Context: During 2021, there were twelve (12) instances in which the budgetary departments were over-expended. Sufficient procedures have not been implemented to monitor the County's departments and ensure compliance with state statute. This finding is similar to prior year finding 2020-003.

The County exceeded its budget for the general fund by \$2,561,366. Included in this amount was significant excess expenditures in the Sheriff department for contributions made to the PSPRS retirement plan during the year resulting in that department exceeding its budget by \$12,338,296. These excess expenditures were not included in the approved budget. The road fund was under budget by \$2,277,609 while the Junior College fund was under budget by \$294,534. The County's budget reports a total contingency line item budgets of \$5,364,499 in which only \$1,047,737 was expended. Accordingly, it appears that the contingency line item is being used primarily to cover over-expenditures in other departments.

Recommendation: We recommend that the County implement policies and procedures such that budget requirements are enforced at all levels of the County's departments. We also recommend that the County only use the contingency line item to budget for unexpected expenditures.

Status: Not corrected. See current year corrective action for finding 2022-003. (Initially reported 2013)

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Summary Schedule of Prior Audit Findings (continued)

Finding 2021-101 – Single Audit Reporting Package Not Filed Timely (Material Weakness, Compliance Finding)

Condition and Context: The County's single audit reporting package for the fiscal year ended June 30, 2021, was not submitted to the Federal Audit Clearinghouse within nine months after the County's year-end or within the extended period. This finding is similar to prior year finding 2020-101.

Recommendation: We recommend that the County evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Doing so will improve the timeliness of the County's submittal to the Federal Audit Clearinghouse

Status: Not corrected. See current year corrective action for finding 2022-101. (Initially reported 2010)

Finding 2021-102 – Preparation of Schedule of Expenditures of Federal Awards (Material Weakness, Compliance Finding)

Condition and Context: The Schedule of Expenditures of Federal Awards (SEFA) was not complete as it did not identify all federal grants and included the wrong expenditure amounts for some grants. Revisions to the SEFA were necessary that resulted in material grant expenditures that were reported improperly on originally provided SEFA. This finding is similar to prior year finding 2020-102.

Recommendation: The County should establish a grants management department to identify all federal awards received and expended, as well as the federal programs under which they were received. Also, a thorough review of the general ledger should be performed to ensure that all federal awards are identified and reported on the SEFA.

Status: Corrected.

Finding 2021-103 – Allocation of Forest Reserve Funds (Material Weakness, Compliance Finding)

Condition and Context: Forest reserve monies for Apache County were not properly disbursed for the benefit of public schools and public roads in accordance with A.R.S. 11-497. The County instead disbursed the entire annual allocation of \$558,547 to public school districts. This finding is similar to prior year finding 2020-103.

Recommendation: We recommend that the County stop violating state statute and distribute forest reserve monies in a manner that benefits both public schools and public roads as required by A.R.S. 11-497.

Status: Not corrected. See current year corrective action for finding 2022-103. (Initially reported 2011)

— TENTATIVE AND PRELIMINARY DRAFT —
FOR DISCUSSION PURPOSES ONLY

Finding 2021-104 – Allocation of Coronavirus Relief Funds (Material Weakness, Compliance Finding)

Condition and Context: The County used overall accounting data when allocating payroll and related expenses to the Coronavirus relief grant. The County first applied the grant funds to departments that met the definition of substantially dedicated employees. As there was remaining funds awarded the County applied the remaining funds to departments that would not meet the definition of substantially dedicated. These departments included the County attorney, constables, clerk of the court, probation and justice of the peace courts. The County did not maintain sufficient documentation to substantiate that employees within these departments were providing services relating to responding to the Covid-19 public health emergency. Expenses were not adequately defined by actual employee or pay period. Instead general payroll expenses were allocated from the departments identified. The total expenses allocated to the grant that did not meet the definition of substantially dedicated were \$2,460,485.

Recommendation: We recommend that the County establish policies and procedures to ensure that grant funds are used in accordance with grant agreements and other guidance. Adequate documentation should be maintained to ensure that expenses are substantiated and supported.

Status: Corrected.