

Coconino County

Single Audit Report

Year Ended June 30, 2019



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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Comprehensive Annual Financial Report



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*

Members of the Arizona State Legislature

The Board of Supervisors of
Coconino County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Coconino County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 30, 2020.

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) to determine the 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 2019-02 and 2019-03 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 2019-01, 2019-04, 2019-05, and 2019-06 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as items 2019-04, 2019-05, and 2019-06.

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 Perry, CPA, CFE
Auditor General

April 30, 2020



MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

ARIZONA AUDITOR GENERAL
LINDSEY A. PERRY

JOSEPH D. MOORE
DEPUTY AUDITOR GENERAL

**Independent auditors' report on compliance for each major federal program;
report on internal control over compliance; and report on schedule of
expenditures of federal awards required by the Uniform Guidance**

Members of the Arizona State Legislature

The Board of Supervisors of
Coconino County, Arizona

Report on compliance for each major federal program

We have audited Coconino County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. 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, 2019.

Other matters

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as item 2019-101. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-101, that we consider to be a material weakness.

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

County response to findings

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each

finding. The County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

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

We have audited the financial statements of the County's governmental activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated April 30, 2020, that contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lindsey Perry, CPA, CFE
Auditor General

July 10, 2020



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 weakness identified? Yes

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)? Yes

Identification of major programs

CFDA number	Name of federal program or cluster
10.665	Forest Service Schools and Roads Cluster
17.258, 17.259, 17.278	WIOA Cluster

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

Financial statement findings

2019-01

Managing risk

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 data and systems. 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.

Criteria—Effectively managing risk at the County includes an entity-wide risk assessment process that involves members of the County's administration and IT management to 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 and the risk of losing the continuity of business operations in the event of a disaster or system interruption.

Effect—Without correcting these deficiencies, 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 hired new IT personnel in fiscal year 2018 who are actively working on updating the County's IT policies and procedures but were unable to implement many changes as of June 30, 2019.

Recommendations—The County should identify, analyze, and reduce risks to help prevent undesirable incidents and outcomes that could impact business functions and IT systems and data. It also should plan for where to allocate resources and where to implement critical controls. To help ensure it has effective entity-wide policies and procedures to achieve these objectives, the County should follow guidance from a credible industry source, such as the National Institute of Standards and Technology. Responsible administrative officials and management over finance, IT, and other entity functions should be asked for input in the County's process for managing risk. The County should conduct the following as part of its process for managing risk:

- 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.

- 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.

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

This finding is similar to prior-year finding 2018-01.

2019-02

Information technology (IT) controls—access, change management, security, and contingency planning

Condition and context—The County's control procedures were not sufficiently designed, documented, and implemented to respond to risks associated with its IT systems and data. The County lacked adequate procedures over the following:

- **Restricting access to its IT systems and data**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access.
- **Managing system changes**—Procedures did not ensure 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.
- **Developing and documenting a contingency plan**—Plan should include steps necessary for restoring operations in the event of a disaster or other system interruption.

Criteria—The County should have effective internal controls to protect its IT systems and help ensure the integrity and accuracy of the data it maintains.

- **Logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Well-defined documented change management process**—Ensures 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.
- **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.
- **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.

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

Cause—The County hired new IT personnel in fiscal year 2018 who are actively working on updating the County’s IT policies and procedures but were unable to implement many changes as of June 30, 2019.

Recommendations—To help ensure the County has effective policies and procedures over its IT systems and data, the County should follow guidance from a credible industry source such as the National Institute of Standards and Technology. To help achieve these control objectives, the County should enhance, document, and implement control procedures in each IT control area described below:

Access

- 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.
- Enhance authentication requirements for IT systems.

Change management

- Establish and follow a documented change management process.
- Document pre-change review, testing procedures and results, change approvals, and post-change review.

Security

- 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.
- Develop, document, and follow a process for awarding and subsequent monitoring of IT vendor contracts.

Contingency planning

- 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.
- Back up and securely maintain backups of systems and data.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-02.

2019-03

The County's financial statement preparation process delayed their issuance and did not prevent or detect significant misstatements, which increases the risk that those relying on the reported financial information could be misled

Condition and context—The County did not accurately compile and thoroughly review its financial statements. As a result, the County's initially prepared financial statements contained errors that required correction, and the County issued its Comprehensive Annual Financial Report (CAFR) 10 months after fiscal year end, 1 month later than required by statute. Also, it has not yet issued its Annual Expenditure Limitation Report (AELR) that relies on information from the CAFR and was due 9 months after fiscal year end. The significant misstatements and misclassifications we identified were corrected by the County and included:

- \$18.2 million in deposits and investments note disclosure amounts—misstatement.
- \$4.3 million for restatement of beginning net position—misclassified as additions and deletions to capital assets.
- \$3.3 million in pension note disclosure amounts—misstatement.
- \$5.2 million in capital assets amounts—misstatement.
- \$1.7 million in accrued payroll and employee benefits—misclassified in wrong line item.

Criteria—The County should prepare its financial statements in accordance with U.S. generally accepted accounting principles (GAAP). Accurate financial statements provide valuable information to those charged with governance, management, and other financial statement users to make important decisions about the County's financial operations. Further, State law requires the County to issue its audited CAFR and AELR within 9 months after fiscal year-end. (Arizona Revised Statutes §41-1279.07(C))

Effect—There is an elevated risk that the County's financial statements could contain significant misstatements and mislead those relying on the information. Also, the County did not provide timely financial information to its Board of Supervisors and other financial statement users who rely on it to make important decisions about the County's operations.

Cause—The County had significant turnover in key positions responsible for compiling the CAFR and implemented a new accounting system and had not developed written comprehensive procedures for preparing its financial statements. Therefore, the County needed additional time to make all necessary adjustments to correct the information in its financial statements published in its CAFR.

Recommendations—To help ensure that the County's financial statements are accurate, prepared in accordance with GAAP, issued in a timely manner, and do not mislead those relying on the information, the County should:

- Prepare accurate and timely financial statements and related note disclosures in accordance with GAAP.
- Develop and implement written comprehensive procedures for preparing its financial statements, including instructions for closing and compiling data from the County's accounting system, preparing common year-end 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.

- Require an employee who is independent of financial statements' preparation and knowledgeable of GAAP reporting requirements to review the financial statements and related note disclosures. This review should ensure the financial statements are accurate and complete, properly supported, and presented in accordance with GAAP.

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

This finding is similar to prior-year finding 2018-03.

2019-04

The County misspent \$22,524 and may have misspent an additional \$120,000 on food and beverages, putting the County at risk of violating the Arizona Constitution's gift clause

Condition and context—The County misspent \$22,524 on food and beverage purchases, putting the County at risk of violating the Arizona Constitution, based on sample transactions we tested from fiscal year 2019. The County did not maintain documentation demonstrating or explaining how these purchases served a public purpose and benefitted the County and its citizens. For example, the County spent public monies to purchase:

- \$7,167 in meals for 5 holiday parties in 4 different departments. One department—the Public Works Department—paid \$1,206 for a holiday dinner for 21 people, \$3,000 for a holiday party for 120 people, and \$90 on lunch for party planning.
- \$2,578 for lunch at an employee meeting at the Sheriff's Department.
- \$2,106 on 810 ice cream novelties for administrative professional's day.
- \$1,903 for breakfast burritos on 3 separate dates for the Public Works Department employees, such as for an operations update meeting and the public opening of the new engineering building.

In our further analysis of the County's fiscal year 2019 records, we found over 2,000 additional transactions with food and beverage descriptions that indicated the County may have misspent an additional \$120,000.¹ Therefore, the County may have misspent an estimated total of approximately \$140,000 on food and beverage purchases. Over one-third of this total amount, specifically \$51,192, was spent on food and beverages from statutorily restricted road monies, and all of those purchases likely violated those statutorily restricted uses.² Other County departments spent \$89,000 in food and beverage purchases using other public monies, such as property and sales taxes.

Criteria—The Arizona Constitution, Art. IX, Sec. 7, bans gifts of public monies by public entities, including counties, to individuals or organizations. Consequently, if the County determines that it is appropriate to

¹ We calculated approximately \$120,000 in monies that the County may have misspent by identifying additional transactions that had similar descriptions to those sample transactions we tested and identified as monies the County misspent. Due to the large number of transactions—over 2,000—we did not request documentation from the County to support its public purpose for each of them. However, the County did not have sufficient documentation for the \$22,524 it misspent on food and beverage purchases in our sample and, as discussed in the Cause section, the County's policies and procedures do not explain appropriate public purpose or require such documentation to be maintained. Therefore, we concluded that it is likely that the County may have misspent the \$120,000 on the additional transactions as well.

² Restricted road monies include highway user revenue fees, transportation excise taxes, and vehicle license taxes. Our sample transactions indicated the County misspent \$12,864, and our further analysis indicated the County may have misspent an additional \$38,328 using these restricted road monies.

purchase food and beverages using public monies, it must document the public purpose for each of its food and beverage purchases, including how those purchases benefit the County and its citizens. Further, pursuant to A.R.S. §§28-5808, 28-6392, and 28-6533, road monies are restricted to highway and street purposes, such as highway and street improvements and related administrative expenses.

Effect—Public monies misspent on food and beverage purchases result in less money available for uses that benefit the County and its citizens, such as public safety and highway and street improvements. Further, pursuant to A.R.S. §28-6392(B)(2), the State Treasurer can withhold future transportation excise tax revenues, which are part of the road monies, if the County does not repay the misspent road monies in a timely manner. Finally, the County’s monies are at continued risk of misuse in violation of the Arizona Constitution and State laws until it implements and follows policies and procedures for food and beverage purchases.

Cause—The County’s policies did not explain the appropriate use of public monies, including whether public monies can be used for food and beverages. Further, the County did not have procedures that require its employees to provide documentation to demonstrate or explain purchases’ public purpose and benefit. Finally, the County’s policies did not define the allowable uses of restricted road monies.

Recommendations—To help ensure the County uses public monies appropriately and does not risk violating the Arizona Constitution as well as laws restricting the use of road monies, it should:

1. Determine if it is appropriate to purchase food and beverages using public monies. If the County determines it is appropriate to purchase food and beverages using public monies, it should strengthen and clarify its purchasing policies and procedures to:
 - a. Explain the appropriate use of public monies, including whether public monies can be used for food and beverages.
 - b. Require employees to maintain documentation, including detailed receipts, that demonstrates and explains the public purpose and benefit of those purchases.
 - c. Prohibit food and beverage purchases without an adequate, documented public purpose and benefit to the County and its citizens and require timely reimbursement from the individual that made the unallowed purchases.
 - d. Define the allowable uses of road monies.
 - e. Train all applicable employees on the revised purchasing policies and procedures.
2. Examine all past and current uses of restricted road monies and repay any misspent monies with other available County public monies.

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

2019-05

The County Treasurer put the County’s and other County governmental entities’ monies at risk by not ensuring that all deposits were properly collateralized

Condition and context—The County Treasurer did not ensure proper collateralization of cash held in 1 investment account valued at approximately \$5.3 million at June 30, 2019, and held for the County Treasurer’s investment pool. In total at June 30, 2019, the County Treasurer’s investment pool was valued at \$253 million and included monies and investments held for the County and other County governmental entities, including school districts and the community college district.

Criteria—The County Treasurer should ensure that all public monies on deposit with a financial institution are secured with collateral of 102 percent of the public deposits less any applicable deposit insurance. (A.R.S. §35-1207)

Effect—The County and other County governmental entities whose monies are held by the County Treasurer may not be able to recover monies if a financial institution fails and deposits are not federally insured or properly secured with collateral.

Cause—The County Treasurer did not have adequate policies and procedures in place to ensure that it and its financial institutions were monitoring all public deposits to ensure they were properly collateralized.

Recommendations—To help ensure that public deposits belonging to the County and other County governmental entities are protected, the County Treasurer should ensure that all deposits are federally insured and, for any deposits in excess of federally insured amounts, properly collateralized at 102 percent as State laws require by:

- Developing policies and procedures for monitoring monthly and year-end reports of all County Treasurer deposits, ensuring they are included in the State Treasurer’s collateral pool program so they are properly collateralized.
- Notifying the State Treasurer’s collateral pool program’s administrator timely of any County Treasurer deposits that are not included in the program so that the administrator can ensure that the deposits are included in the program and properly collateralized.

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

2019-06

The County’s inadequate procedures for managing conflicts of interest increases risk of public officers’ and employees’ nondisclosure, putting them at risk of violating State conflict-of-interest laws

Condition and context—The County did not have procedures in place to ensure its public officers and employees disclosed substantial interests that might influence or affect their official conduct in making decisions, such as for the County’s purchases and contracts for goods and services. Although the County has conflict-of-interest policies, it does not have adequate procedures to inform public officers and employees of State laws and to require them to report substantial interests on an annual disclosure form. Also, the County did not maintain a special disclosure file that includes all disclosed conflicts of interest for public inspection.

Criteria—State laws and County policies require all public officers and employees to avoid conflicts of interest that might influence or affect their official conduct. If public officers and employees or their relatives have a substantial interest in either (1) any contract, sale, purchase, or service to the public agency or (2) any decision of the public agency, the public officer and employee is required to fully disclose the interest and refrain from voting upon or otherwise participating in the contract, sale, purchase, service, or decision in any way as a public officer and employee. Additionally, State law requires the County to maintain for public inspection all documents necessary to memorialize all disclosures of substantial conflicts of interest. (A.R.S. §§38-501 through 511)

Effect—The County could not ensure that public officers and employees refrained from participating in manners related to their substantial interests. Additionally, the County is at an elevated risk of inappropriately giving, or appearing to give, preference to an entity or person it conducts business with when one of its public officers or employees has a substantial interest in that entity or person and that official does not follow State laws to avoid conflicts of interest.

Cause—The County did not have adequate procedures in place to inform public officers and employees of State laws and to require them to report substantial interests.

Recommendation—The County should develop and implement conflict-of-interest procedures that include:

- Developing an annual disclosure form that explains the County’s conflict-of-interest policies so that public officers and employees acknowledge they have received and understood those policies.
- Ensuring all public officers and employees complete and sign an annual disclosure form. These forms should allow for full disclosure of all substantial interests as outlined in A.R.S. §§38-501 through 511 and should require a deliberate indication of “none” if no such interest exists.
- Ensuring that completed annual disclosure forms are maintained in a special disclosure file for public inspection.
- Monitoring and managing any disclosed substantial interests to help deter self-dealing by public officers and employees and ensuring they do not participate in any manner that involves conducting business with an entity or person with whom the public officer or employee has a substantial interest.

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

Federal award findings and questioned costs

2019-101

Cluster name:	Forest Service Schools and Roads Cluster
CFDA number and name:	10.665 Schools and Roads—Grants to States
Award numbers and years:	N/A
Federal agency:	U.S. Department of Agriculture
Compliance requirement:	Special Tests and Provisions
Questioned costs:	N/A

Condition and context—The County did not submit to its resource advisory committee the required proposal for spending its \$188,075 awarded Title III monies for search and rescue and patrol activities, as authorized by its Board of Supervisors, prior to spending the monies.

Criteria—Federal laws require the County to submit its Title III proposal to its resource advisory committee at least 45 days prior to spending the monies. (16 U.S.C. §7142(b)) Also, the County must establish and maintain effective internal control over its federal awards that provides reasonable assurance that it is managing them in compliance with all applicable laws, regulations, and award terms. (2 CFR §200.303)

Effect—There is an increased risk the County may use Title III monies for activities the Board of Supervisors or the federal grantor has not authorized, and if misspent, it may have to return those monies to the federal grantor.

Cause—The County did not have written policies and procedures to ensure compliance with the federal requirement.

Recommendation—To help ensure that the County uses Title III monies only as authorized, the County should:

- Follow federal laws governing Title III expenditures.
- Establish policies and procedures to help ensure that its Title III proposal is accurately prepared and submitted to its resource advisory committee at least 45 days prior to spending the monies.

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

This finding is similar to prior-year finding 2018-104.

COUNTY SECTION

COCONINO COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Federal Awarding Agency/Program Title	Federal CFDA Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number Assigned By Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE									
TRANSPORTATION SERVICES	10.167		BUREAU OF INDIAN AFFAIRS NAVAJO REGIONAL OFFICE	A19AC00022		\$83,710	\$83,710	N/A	\$0
SCHOOL BREAKFAST PROGRAM	10.553		ARIZONA DEPARTMENT OF EDUCATION	21-10-13		\$8,994	\$8,994	CHILD NUTRITION CLUSTER	\$32,721
NATIONAL SCHOOL LUNCH PROGRAM	10.555		ARIZONA DEPARTMENT OF EDUCATION	21-10-13		\$23,727	\$23,727	CHILD NUTRITION CLUSTER	\$32,721
WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS19-207419 CTR040359 (#2 AND #3)		\$526,613	\$526,613	N/A	\$0
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-106171		\$345,543	\$345,543	SNAP CLUSTER	\$345,543
WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	10.572		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS14-053061		\$1,100	\$1,100	N/A	\$0
CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	10.579		ARIZONA DEPARTMENT OF EDUCATION	7A2300AZ7		\$24,062	\$24,062	N/A	\$0
COOPERATIVE FORESTRY ASSISTANCE	10.664		ARIZONA STATE FORESTRY DIVISION	IPG 16-701		\$4,078	\$4,078	N/A	\$0
SCHOOLS AND ROADS - GRANTS TO STATES	10.665					\$2,554,606	\$2,554,606	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$2,554,606
TOTAL DEPARTMENT OF AGRICULTURE						\$3,572,433			
DEPARTMENT OF COMMERCE									
ECONOMIC ADJUSTMENT ASSISTANCE	11.307					\$89,321	\$89,321	ECONOMIC DEVELOPMENT CLUSTER	\$89,321
TOTAL DEPARTMENT OF COMMERCE						\$89,321			
DEPARTMENT OF DEFENSE									
COMMUNITY ECONOMIC ADJUSTMENT ASSISTANCE FOR COMPATIBLE USE AND JOINT LAND USE STUDIES	12.610					\$159,760	\$159,760	N/A	\$0
TOTAL DEPARTMENT OF DEFENSE						\$159,760			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218		CITY OF FLAGSTAFF	88C-18		\$39,099	\$39,099	CDBG - ENTITLEMENT GRANTS CLUSTER	\$39,099
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239		ARIZONA DEPARTMENT OF HOUSING	HOME 302-18	\$92,637	\$98,451	\$98,451	N/A	\$0
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					\$92,637	\$137,550			
DEPARTMENT OF THE INTERIOR									
PARTNERS FOR FISH AND WILDLIFE	15.631					\$9,435	\$9,435	N/A	\$0
OUTDOOR RECREATION, ACQUISITION, DEVELOPMENT AND PLANNING	15.916		ARIZONA STATE PARKS AND TRAILS	04-00754	\$56,769	\$56,770	\$56,770	N/A	\$0
TOTAL DEPARTMENT OF THE INTERIOR					\$56,769	\$66,205			
DEPARTMENT OF JUSTICE									
NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	16.554		ARIZONA CRIMINAL JUSTICE COMMISSION	NCP 15-16-008 NCP 18-20-009		\$82,489	\$82,489	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY	FED GRANT #2016-VA-GX-0046 DPS GRANT #2018-266	\$148,890	\$148,890	\$148,890	N/A	\$0
RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	16.593		ARIZONA CRIMINAL JUSTICE COMMISSION	RSAT-19-002 RSAT-18-002	\$107,645	\$107,645	\$107,645	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		CITY OF FLAGSTAFF	2017-DJ-BX-0742 2018-H3280-AZ-DJ	\$12,122	\$56,016	\$56,016	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DGVC-19-022	\$43,894	\$56,016	\$56,016	N/A	\$0
SECOND CHANCE ACT REENTRY INITIATIVE	16.812				\$14,027	\$29,304	\$29,304	N/A	\$0
TOTAL DEPARTMENT OF JUSTICE					\$14,027	\$424,344			
DEPARTMENT OF LABOR									
WIOA ADULT PROGRAM	17.258		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002119 DI19-002201	\$287,271	\$287,271	\$287,271	WIOA CLUSTER	\$951,353
WIOA YOUTH ACTIVITIES	17.259		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002119 DI19-002201	\$305,573	\$305,573	\$305,573	WIOA CLUSTER	\$951,353
WIOA DISLOCATED WORKER FORMULA GRANTS	17.278		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002119 DI19-002201	\$358,509	\$358,509	\$358,509	WIOA CLUSTER	\$951,353
TOTAL DEPARTMENT OF LABOR						\$951,353			
DEPARTMENT OF TRANSPORTATION									
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2018-405H0002 2019-405H-003 2018-OP-003 2019-OP-004	\$9,043	\$9,043	\$9,043	HIGHWAY SAFETY CLUSTER	\$9,043
INTERAGENCY HAZARDOUS MATERIALS PUBLIC SECTOR TRAINING AND PLANNING GRANTS	20.703		ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY	HM-HMP-0583-16-01-00	\$594	\$594	\$594	N/A	\$0
TOTAL DEPARTMENT OF TRANSPORTATION						\$9,637			
FEDERAL COMMUNICATIONS COMMISSION									
SCHOOLS AND LIBRARIES (E-RATE)	32.U00	VARIOUS				\$28,869	\$28,869	N/A	\$0
TOTAL FEDERAL COMMUNICATIONS COMMISSION						\$28,869			
DEPARTMENT OF EDUCATION									
SPECIAL EDUCATION GRANTS TO STATES	84.027		ARIZONA DEPARTMENT OF EDUCATION	H027A180007	\$15,883	\$15,883	\$15,883	SPECIAL EDUCATION CLUSTER (IDEA)	\$15,883
ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365		ARIZONA DEPARTMENT OF EDUCATION	17FELENG-713173-66A	\$13,337	\$13,337	\$13,337	N/A	\$0
MATHEMATICS AND SCIENCE PARTNERSHIPS	84.366		ARIZONA DEPARTMENT OF EDUCATION	S366B160003	\$168,849	\$168,849	\$168,849	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION					\$13,337	\$198,069			

DEPARTMENT OF HEALTH AND HUMAN SERVICES							
NUTRITION SERVICES INCENTIVE PROGRAM	93.053	NORTHERN ARIZONA COUNCIL OF GOVERNMENTS	866000441DC	\$182,691	\$182,691	AGING CLUSTER	\$182,691
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93.069	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043131	\$276,812	\$276,812	N/A	\$0
PROJECT GRANTS AND COOPERATIVE AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93.116	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS19-206653	\$10,392	\$10,392	N/A	\$0
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93.136	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18 - 180470 AMENDMENT 1	\$100,000	\$100,000	N/A	\$0
GRANTS TO STATES TO SUPPORT ORAL HEALTH WORKFORCE ACTIVITIES	93.236	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS14-058987:6	\$4,340	\$4,340	N/A	\$0
IMMUNIZATION COOPERATIVE AGREEMENTS	93.268	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-177677:1	\$3,532	\$3,532	N/A	\$0
PPHF CAPACITY BUILDING ASSISTANCE TO STRENGTHEN PUBLIC HEALTH IMMUNIZATION INFRASTRUCTURE AND PERFORMANCE FINANCED IN PART BY PREVENTION AND PUBLIC HEALTH FUNDS	93.539	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043250	\$114,381	\$114,381	N/A	\$0
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES	93.558	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES15-089142	\$150,000	\$150,000	TANF CLUSTER	\$150,000
CHILD SUPPORT ENFORCEMENT	93.563	ARIZONA DEPARTMENT OF HEALTH SERVICES	DI16-002141	\$37,461	\$37,461	N/A	\$0
LOW-INCOME HOME ENERGY ASSISTANCE	93.568	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	G1604AZ4004	\$476,889	\$476,889	N/A	\$0
COMMUNITY SERVICES BLOCK GRANT	93.569	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES15-089142	\$168,311	\$168,311	N/A	\$0
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	93.597	ARIZONA DEPARTMENT OF HEALTH SERVICES	DI16-002155 186600479-E8 1601AZSAVP	\$11,084	\$11,084	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667	NORTHERN ARIZONA COUNCIL OF GOVERNMENTS	866000441DCT	\$8,927	\$24,696	N/A	\$0
SOCIAL SERVICES BLOCK GRANT	93.667	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	ADES15-089142	\$15,769	\$24,696	N/A	\$0
PREVENTATIVE HEALTH AND HEALTH SERVICES BLOCK GRANT FUNDED SOLELY WITH PREVENTION AND PUBLIC HEALTH FUNDS (PPHF)	93.758	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-099160, AMENDMENTS #6, #7, #8	\$54,704	\$54,704	N/A	\$0
HIV CARE FORMULA GRANTS	93.917	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-193951	\$251,544	\$251,544	N/A	\$0
HIV PREVENTION ACTIVITIES HEALTH DEPARTMENT BASED SEXUALLY TRANSMITTED DISEASES (STD) PREVENTION AND CONTROL GRANTS	93.940	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-188829	\$19,101	\$19,101	N/A	\$0
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93.977	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR040474	\$41,664	\$41,664	N/A	\$0
	93.994	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS16-099160, AMENDMENTS #6, #7	\$164,084	\$164,084	N/A	\$0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>\$2,091,686</u>			
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE							
AMERICORPS	94.006	ADMINISTRATIVE OFFICE OF THE COURTS	602-452-3177	\$6,718	\$6,718	N/A	\$0
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				<u>\$6,718</u>			
DEPARTMENT OF HOMELAND SECURITY							
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2018-EP-00012-S01	\$204,247	\$204,247	N/A	\$0
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	180100-01 180100-02	\$12,264	\$12,264	N/A	\$0
TOTAL DEPARTMENT OF HOMELAND SECURITY				<u>\$216,511</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS				<u>\$176,770</u>			<u>\$7,952,456</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.

COCONINO COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2018 - 6/30/2019

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reported on the schedule are reported on the modified accrual basis of accounting, except for Schools and Roads - Grants to States (10.665). For this program, revenues received pursuant to Title I and III during the fiscal year are considered earned and are reported as expenditures. All remaining 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 auditee did not use the de minimis cost rate.

Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Coconino County's federal grant activity for the year ended June 30, 2019. 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).

Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance.

COUNTY RESPONSE



FINANCE

July 8, 2020

Siri Mullaney, CPA, MBA
CFO/Director

Megan Cunningham, CPM
Assistant Finance Director

Scott Richardson, CPPO
Purchasing Manager

Lindsey Perry
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Perry:

219 E. Cherry Ave.
Flagstaff, AZ 86001
928-679-7199

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Siri Mullaney
Chief Fiscal Officer

Coconino County
Corrective Action Plan
Year Ended June 30, 2019

Financial Statement Findings

2019-01

Managing risk

Contact Persons: Matt Fowler, IT Director/CIO

Anticipated completion date: June 30, 2020

Corrective Action: Concur. Coconino County has successfully implemented NIST 800-53 rev4 best practices to identify risks and safeguards. This includes financial data and system changes that could adversely impact or disrupt system operations. The County will continue formalizing policies to capture these governance enhancements in addition to classifying all systems.

2019-02

Information technology (IT) controls—access, configuration and change management, security, and contingency planning

Contact Persons: Matt Fowler, IT Director/CIO

Anticipated completion date: June 30, 2020

Corrective Action: Concur. Coconino County has successfully implemented NIST 800-53 rev4 best practices, further securing access control, change management, security, and contingency planning. The County will continue formalizing policies to capture these governance enhancements.

2019-03

The County's financial statement preparation process delayed their issuance and did not prevent or detect significant misstatements, which increases the risk that those relying on the reported financial information could be misled

Contact Persons: Siri Mullaney, Finance Director

Anticipated completion date: March 31, 2021

Corrective Action: Concur. Coconino County has had significant turnover in key positions and is currently recruiting for an Audit Manager position who will lead the development of accurate, timely financial statements that are prepared in accordance with GAAP. The County will develop

Coconino County
Corrective Action Plan
Year Ended June 30, 2019

and implement written comprehensive procedures for preparing its financial statements, including instructions for closing and compiling data from the County's accounting system, preparing common year-end 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 note disclosures. The County will also require an employee who is independent of financial statement's preparation and knowledgeable of GAAP reporting requirements to review the financial statements and related note disclosures.

2019-04

The County misspent \$22,524 and may have misspent an additional \$120,000 on food and beverages, putting the County at risk of violating the Arizona Constitution's gift clause

Contact Persons: Siri Mullaney, Finance Director

Anticipated completion date: July 1, 2020

Corrective Action: Concur. Coconino County did not have adequate policies and procedures in place to document the public purpose for food and beverage purchases and purchase details. As a result of this finding, the County has adopted a Food and Beverage Policy outlining criteria for evaluating purchases of food and beverages to determine whether public monies can be used. This policy also establishes documentation and reporting requirements for food and beverage purchases, including maintaining detailed receipts and demonstrating the public purpose and benefit of those purchases. In addition, the County has established an intranet resource site for employees and various flowcharts that can be used by employees to determine if a purchase is allowable, and what authorization is required for the purchase. Coconino County has also repaid the road fund for all food and beverage purchases made during FY2019 using any road monies.

2019-05

The County Treasurer put the County's and other County governmental entities' monies at risk by not ensuring that all deposits were properly collateralized

Contact Persons: Sarah Benatar, Treasurer

Anticipated completion date: June 30, 2020

Corrective Action: Concur. All of the monies held with Comerica were managed by Morgan Stanley. Morgan Stanley was notified in FY15 of the statutory changes to collateralization in Arizona and that they were not to have any bank deposit that was not collateralized with the

Coconino County
Corrective Action Plan
Year Ended June 30, 2019

State. Morgan Stanley failed to meet this requirement. As such, a termination letter was issued to Morgan Stanley in March of 2020 for breach of contract. All funds have been moved out of the Comerica Trust and Custody account to Wells Fargo Trust and Custody, and the County has engaged PFM for review, audit and management of these funds. Coconino County terminated all contracts and services with Comerica and Morgan Stanley on March 13, 2020.

2019-06

The County's inadequate procedures for managing conflicts of interest increases risk of public officers' and employees' nondisclosure, putting them at risk of violating State conflict-of-interest laws

Contact Persons: Erika Philpot, Human Resources Director

Anticipated completion date: June 30, 2020

Corrective Action: Concur. During FY 2019 the County had existing processes for managing conflicts of interest. Coconino County Personnel Policy 4.1, Code of Ethics, served as the guideline for Public Officers and employees. All Elected Officials received training on conflict-of-interest laws and completed annual financial disclosure statements as required by State Law. In addition, The Board of Supervisors had a specific process for disclosing a conflict of interest at Board meetings, excusing themselves from voting when conflicts exist, documenting stated conflicts, and maintaining a special disclosure file for public inspection (reflected in the minutes) when a conflict led to a Board member excusing themselves from a vote.

The County will develop and implement additional procedures that include an annual disclosure form for all Public Officers and employees that explains the County's conflict-of-interest policies for employees to use to acknowledge they have received and understand those policies. The County will ensure all Public Officers and employees complete and sign this annual disclosure forms, and the forms will allow for full disclosure of all substantial interests as outline in A.R.S §§38-501 through 511 and will require a deliberate indication of "none" if no such interest exists. The County will develop and implement procedures to ensure all completed forms are maintained in a special disclosure file for public inspection, and will develop procedures to monitor and manage any disclosed substantial interests to help deter self-dealing by public officers and employees and ensuring they do not participate in any manner that involves conducting business with an entity or person whom the public officer or employee has a substantial interest. Conflict of Interest in Section E of Coconino County Personnel Policy 4.1, Code of Ethics. Policy 4.1 will be revised to incorporate the procedures described above.

Coconino County
Corrective Action Plan
Year Ended June 30, 2019

Federal Award Findings and Questioned Costs

2019-101

Cluster Name: Forest Service Schools and Roads Cluster

CFDA No. and Name: 10.665 Schools and Roads – Grants to States

Responsible Persons: Siri Mullaney, Finance Director

Anticipated completion date: June 30, 2020

Corrective Action: Concur. The County will follow Federal laws governing Title III expenditures and establish policies and procedures to help ensure that its Title III proposal is accurately prepared and submitted to its resource advisory committee at least 45 days prior to spending the monies.



FINANCE

July 8, 2020

Siri Mullaney, CPA, MBA
CFO/Director

Megan Cunningham, CPM
Assistant Finance Director

Scott Richardson, CPPO
Purchasing Manager

Lindsey Perry
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements 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.

219 E. Cherry Ave.
Flagstaff, AZ 86001
928-679-7199

Sincerely,

Siri Mullaney
Chief Fiscal Officer

Coconino County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Status of Financial Statement Findings

Managing Risk

Finding No: 2018-01 and 2017-03 Partially Corrected

Explanation: A target completion date of June 30, 2020 was established to fully correct these findings. Work was done during FY19 and is still on track to be completed by the target completion date but the findings were not completely corrected by the end of FY2019. To ensure adequate policies and procedures to identify, analyze, and respond to risks that may impact IT resources, the County CIO is implementing NIST 800-53 rev4 best practices to properly identify/classify assets and prevent disruption to system operations. This will include but not limited to performing internal and external risk assessments annually, implementing stronger technical controls, testing cyber liability policies, and routinely restore services from backup. The County's goal is to have 100% corrected by the anticipated completion date of June 30, 2020.

Information technology (IT) controls—access, change management, security, and contingency planning

Finding No: 2018-02; 2017-04 (access controls), 2017-05 (change management); 2017-06(security) and 2017-07 (contingency planning)

Status: Partially Corrected

Explanation: A target completion date of June 30, 2020 was established to fully correct these findings. Work was done during FY19 and is still on track to be completed by the target completion date but the findings were not completely corrected by the end of FY2019. To help ensure the County has effective policies and procedures over its IT systems and data, the County CIO is implementing NIST 800-53 rev4 best practices to improve the security posture regarding Access, Configuration Management, Security, and Contingency Planning. The County's goal is to have 100% corrected by the anticipated completion date of June 30, 2020.

Separation of financial system responsibilities

Finding No: 2018-03 and 2017-02

Status: Fully Corrected

Coconino County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

Annual financial report preparation

Finding No: 2018-04

Status: Not Corrected

Explanation: Coconino County has had significant turnover in key positions and is currently recruiting for an Audit Manager position who will lead the development of accurate, timely financial statements that are prepared in accordance with GAAP. The County will develop and implement written comprehensive procedures for preparing its financial statements, including instructions for closing and compiling data from the County's accounting system, preparing common year-end 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 note disclosures. The County will also require an employee who is independent of financial statement's preparation and knowledgeable of GAAP reporting requirements to review the financial statements and related note disclosures.

Status of Federal Award Findings and Questioned Costs

CFDA No: 17.258 **WIOA Adult Program**
17.259 **WIOA Youth Activities**
17.278 **WIOA Dislocated Worker Formula Grants**

Finding No: 2018-101

Status: Fully corrected.

CFDA No: 10.665 **Schools and Roads-Grants to States**

Finding No: 2018-102

Status: Fully corrected.

CFDA No: 10.665 **Schools and Roads-Grants to States**

Finding No: 2018-103 and 2017-102

Status: Fully corrected.

CFDA No: 10.665 **Schools and Roads-Grants to States**

Finding No: 2018-104

Status: Partially corrected.

Explanation: Coconino County has had significant turnover in key positions and did not create the procedures necessary to ensure Title III monies were properly administered. The County will follow Federal laws governing Title III expenditures and establish policies and procedures to help ensure that its Title III proposal is accurately prepared and submitted to its resource advisory committee at least 45 days prior to spending the monies.

