

Yavapai County

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

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

Condensed financial information

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

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

Statement of activities—This statement reports all revenues, expenses, and other changes in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes. Net position decreased by nearly \$11.3 million, or 7 percent, in fiscal year 2017.

Federal expenditure schedule—During fiscal year 2017, the County expended approximately \$13.9 million in federal awards. The County's federal award expenditures increased by \$0.1 million, or 0.5 percent, compared to fiscal year 2016.

Statement of net position

As of June 30, 2017 (In thousands)

Assets and deferred outflows	
Current and other assets	\$ 72,508
Capital assets, net of depreciation	267,867
Deferred outflows of resources	37,713
Total assets and deferred outflows	378,088
Liabilities and deferred inflows	
Current liabilities	14,080
Noncurrent liabilities:	
Net pension liability	170,081
Other	29,532
Deferred inflows of resources	15,280
Total liabilities and deferred inflows	228,973
Net position	
Net investment in capital assets	247,931
Restricted	24,758
Unrestricted	(123,574)
Total net position	\$ 149,115

Statement of activities

Year ended June 30, 2017 (In thousands)

Program revenues	
Charges for services	\$ 23,092
Operating grants and contributions	36,868
Capital grants and contributions	823
General revenues	
Property taxes	54,686
Sales tax	62,356
Other	7,261
Total revenues	185,086
Expenses	
General government	73,276
Public safety	64,261
Other	58,840
Total expenses	196,377
Decrease in net position	(11,291)
Net position—beginning	160,406
Net position—ending	\$149,115

Federal expenditure schedule

Year ended June 30, 2017 (In thousands)

Federal grantor agency	
Department of Health and Human Services	\$ 3,492
Department of Interior	3,351
Department of Agriculture	3,148
Department of Labor	1,386
Other	2,538
Total federal expenditures	\$13,915

Understanding the County's financial report

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

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

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial reporting related to its information technology (IT) resources. For the federal compliance audit, we tested four federal programs under the major program guidelines established by the Single Audit Act and reported no weaknesses in internal control or instances of noncompliance over federal programs. Our single audit report includes a schedule of findings and questioned costs that contains further details to help the County correct the internal control weaknesses summarized below.

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

Recommendations

To help identify, analyze, and respond to risks and protect sensitive information; prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources; and ensure IT resources are configured securely, the County needs to update and implement policies and procedures over its IT resources to ensure they address the following:

- **County-wide risk-assessment process**—The risk-assessment process should include the identification of risk scenarios, including the scenario's likelihood and magnitude; documentation and dissemination of results; review by appropriate personnel; and prioritization of risks identified for remediation.
- **Sensitive information**—Security measures should be developed to identify, classify, and inventory sensitive information and protect it.
- **User access**—A periodic, comprehensive review should be performed of all existing employee accounts to help ensure that network access granted is needed and compatible with employee job responsibilities.
- **Logging and monitoring**—Key user activity should be logged and monitored, particularly for users with elevated access privileges.
- **Configuration management**—A change management process should be established for each type of change, and all changes should be documented.
- **IT standards and best practices**—IT policies and procedures should be reviewed against current IT standards and best practices, updated where needed, and implemented county-wide, as appropriate.