



Cochise County

Board of Supervisors Meeting
May 24, 2022

Audit requirements



- **U.S. Generally Accepted Auditing Standards**
 - **American Institute of Certified Public Accountants (AICPA)**—These are the same auditing standards CPA firms follow when conducting many financial statement audits.
- **U.S. Government Auditing Standards**
 - **U.S. Comptroller General of the United States/Government Accountability Office**—These adopt the AICPA standards but add other specific requirements for governmental entities.
- **U.S. Single Audit Act/Uniform Guidance Regulations**
 - **U.S. Office of Management and Budget (OMB)**—The Act gives the OMB Director authority to develop government-wide regulations to comply with the Act, referred to as Uniform Guidance.

Annual audit reports



- **Annual Financial Report (AFR)**

- **Financial statement audit report**—Included in the County’s AFR and provides our auditors’ opinions as to whether the County’s financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

- **Single Audit Report**

- **Financial statement internal control and compliance audit report**—Presents any deficiencies in internal control; fraud/abuse; noncompliance with laws/regulations or contracts/agreements that we identify as part of our financial statement audit and are required to report.
- **Federal program internal control and compliance audit report**—Presents our auditors’ opinion on County’s federal award schedule and our opinions and findings on federal program compliance and any control deficiencies.

Report highlights

- Links to audit reports
- Primary revenue sources and how they were spent
- Year's financial highlights and their effect on financial position
- Audit findings and recommendations
- Links to resources and prior year audit reports

www.azauditor.gov



Board communications



Reports & Correspondence

- Board members receive emails from us each time a report is issued.
- Audit initiation email with required audit terms and conditions.
- Audit completion email and letter that summarizes our audits and explains if we encountered any difficulties/misstatements and County management representations.

Resources

- **We provide resources on our website, such as:**
 - Guidance for financial statement and expenditure limitation reporting.
 - User guides for understanding information in financial reports and reports on internal control/compliance.
 - Fraud prevention alerts.
 - Budget forms.
 - Frequently asked questions, webinars, and guidance on various topics.

Audit findings



- **Financial Statement finding #2021-01**
 - The County did not appropriately limit and restrict employee access to payroll processing records, increasing the risk of fraud and potential misuse of public monies.
 - We recommend that the County:
 - Limit incompatible roles being assigned to employees in the payroll system to the extent possible, such as eliminating the ability for employees to change their own pay rates without an independent review and approval.
 - Require that continual monitoring of employees' activities be performed, especially when incompatible role assignments cannot be avoided, to help protect County monies and reduce the risk of fraud and the potential misuse of public monies.

Audit findings (continued)



- **Financial Statement finding #2021-02**
 - The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data.
 - We recommend that the County:
 - Make it a priority to develop and implement comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.
 - Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
 - Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.