

Pinal County, Arizona
Single Audit Reporting Package

Year ended June 30, 2016

Pinal County, Arizona
Single Audit Reporting Package
Year ended June 30, 2016

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Report Issued Separately

Comprehensive Annual Financial Report

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

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Pinal County, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America 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, business-type activities, each major fund, and the aggregate remaining fund information of Pinal County, Arizona (the County), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 5, 2017. Our report includes a reference to other auditors who audited the financial statements of the Housing and Community Development Fund and the Employee Benefit Trust Fund, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, our report, insofar as it relates to the results of the other auditors, is based solely on the reports of other auditors. In addition, our report included an emphasis of a matter paragraph for the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and certain restatements of beginning net position/fund balances of the County's financial statements for the year ended June 30, 2016.

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.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses which are listed as findings 2016-001 through 2016-004.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County Responses to Findings

The County's responses to the findings identified in our audit are presented on pages 20 through 23. The County's responses 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.

Walker & Armstrong, LLP

Phoenix, Arizona
October 5, 2017

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance and Report on the Schedule of Expenditures
of Federal Awards Required by the Uniform Guidance**

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Pinal County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Pinal County's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2016, except for the U.S. Housing and Urban Development, Public and Indian Housing Program (CFDA No. 14.850) and the Section 8 Housing Choice Vouchers Program (CFDA No. 14.871). Those major programs were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those major programs' compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, is based solely on the report of the other auditors. The County's major federal programs are identified in the summary of audit 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 auditing standards generally accepted in the United States of America; 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 and the report of the other auditors provide 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 of the Other Major Federal Programs

In our opinion, based on our audit and the report of the other auditors, 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 other major federal programs identified in the summary of audit results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-101 through 2016-104. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the findings identified in our audit are presented on pages 20 through 23. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and others that are significant deficiencies.

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 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 2016-101 and 2016-104 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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-102 and 2016-103 to be significant deficiencies.

The County's responses to the findings identified in our audit are presented on pages 20 through 23. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Purpose of this Report

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We, and the other auditors, have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2016, and the related notes to the financial statement, which collectively comprise the County's basic financial statements. We issued our report thereon dated October 5, 2017, that contained unmodified opinions on those financial statements. Our report included a reference to our reliance on other auditors and an emphasis of a matter paragraph for the implementation of GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain provisions of GASB Statements 67 and 68*; and GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and certain restatements of beginning net position/fund balances of the County's financial statements for the year ended June 30, 2016.

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, by us and the other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the report of the other auditors, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Walker & Armstrong, LLP

Phoenix, Arizona
October 5, 2017

Pinal County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2016

Summary of Audit Results

Financial Statements

Type of auditors' report issued:

Unmodified	
Yes	No

Internal control over financial reporting:

Material weaknesses identified

X	
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Significant deficiencies identified

None reported	
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Noncompliance material to the financial statements noted?

	X
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Federal Awards

Internal control over major programs:

Material weaknesses identified

X	
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Significant deficiencies identified

X	
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Type of auditor's report issued on compliance for major programs:

Unmodified	
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X	
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Identification of major programs:

CFDA No.	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
15.226	Payments in Lieu of Taxes
	<i>WIA/WIOA Cluster:</i>
17.258	WIA/WIOA Adult Program
17.259	WIA/WIOA Youth Activities
17.278	WIA/WIOA Dislocated Worker Formula Grants
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as a low risk auditee?

	X
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Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with 2 CFR 200.511(b)?

X	
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Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings

Finding 2016-001 Former Sheriff Remains as Signer on Bank Account

Criteria: To reduce the risk of unauthorized cash transactions, former County employees should not be included as authorized signers on bank accounts.

Condition and Context: As of June 23, 2017, the former sheriff, who no longer held that position as of January 2017, had not been removed as an authorized signer on the inmate bank account.

Effect: The effect is the risk that former County employees initiate unauthorized cash transactions and that the transactions go undetected.

Cause: The cause is a lack of County policies and procedures to remove former employees as authorized signers immediately upon termination of employment.

Recommendation: We recommend that the Treasurer's office have the former sheriff removed as an authorized signer from all bank accounts.

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 2016-002 Eloy Justice Court Bank Account Not Properly Reconciled

Criteria: Section VI-C-1 of the Uniform Accounting Manual for Arizona Counties (UMAC) requires monthly account reconciliations for all County bank accounts. The UMAC establishes detailed procedures for accounting for reconciling items.

Condition and Context: The Eloy Justice Court bank account was not properly reconciled as of the year-end and incorrectly included both deposits-in-transit and outstanding checks that occurred after the year-end and should not have been recognized as reconciling items as of June 30, 2016.

Effect: The effect is that differences between the accounting records and the bank records are not accounted for accurately or timely.

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.

Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings - Continued

- Cause:** The cause is a lack of policies and procedures and training necessary for the timely and accurate completion of bank reconciliations.
- Recommendation:** We recommend that bank reconciliations include deposits-in-transits and outstanding checks representing transactions recorded in the accounting records not yet been recognized by the bank.
- 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 2016-003 Untimely Account Reconciliation and Financial Statements Preparation

- Criteria:** Counties are required by Arizona Revised Statutes (A.R.S.) and Federal laws and regulations to prepare annual basic financial statements in accordance with U.S. generally accepted accounting principles and issue audited financial statements no later than 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 4 months after the close of the fiscal year.
- Condition and Context:** Various general ledger accounts were not reconciled timely resulting in untimely preparation and issuance of the financial statements and single audit reporting.
- 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.
- Cause:** The cause is turnover within the finance department and a lack of sufficient resources devoted to the financial reporting process.

Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings - Continued

Recommendation: We recommend that the County evaluate its resources necessary to complete the timely reconciliation of general ledger accounts and financial reporting including consideration in devoting additional resources to both general ledger account reconciliation and financial statement preparation. Doing so will improve the timeliness of the County's preparation of the financial statements and 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.

Finding 2016-004 – Improve Internal Controls over Reporting of Capital Assets

Criteria: U.S. generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties require that all assets meeting the criteria for capitalization be recorded in the County's accounting records.

Condition and context: During 2016 and consistent with prior years, restatements were made to beginning net assets to correct for errors made in the recording of capital assets and the related depreciation expense.

Effect: The effect is that corrections to the prior and current period were necessary to correctly record capital assets.

Cause: The cause is from the County not having a capital asset inventory system sufficient to properly identify and record all County assets meeting the criteria for capitalization.

Recommendation: We recommend that the County improve its process for identifying and recording of capital assets. Doing so will reduce the risk that material corrections are necessary to the reported amount of capital assets.

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Findings

Finding 2016-101 – Missing Participant Signatures

CFDA Number:	10.557
Program Title:	Special Supplemental Nutrition Program for Women, Infants and Children
Federal Agency:	U.S. Department of Agriculture
Pass-through Entity:	Arizona Department of Health Services
Award Years:	2014 - 2018
Award Number:	ADHS14-053057
Compliance Requirements:	Eligibility
Question Costs:	None
Criteria:	7 CFR sections 246.7(c), (d), (e), (g), and (l))
Condition and context:	Five files out of 40 did not have signed rights and obligation forms while one file out of 40 had a signed rights form for December but not for June; and two files out of 40 were missing consent forms for blood work.
Effect:	An Increased risk that participants lack knowledge and acceptance of their rights and obligations under the program; and accepting blood work without the written consent of the participant.
Cause:	The cause is that the County does not have sufficient policies and procedures in place necessary to monitor whether the required documentation has been completed and retained in the participant files
Recommendation:	We recommend the County prepare monitoring checklists for program eligibility requirements and provide training to staff in the use of such checklist. In addition, we recommend another staff or supervisor independently review all files as to the completion and documentation of all eligibility requirements.
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.

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Findings - Continued

Finding 2016-102 – October 2016 Report Missed Filing Deadline

CFDA Number: 10.557
Program Title: Special Supplemental Nutrition Program for Women, Infants and Children
Pass-through Entity: Arizona Department of Health Services
Federal Agency: U.S. Department of Agriculture
Award Year: 2016
Award Number: ADHS14-053057
Compliance Requirements: Reporting

Question Costs: None
Criteria: Contract provisions 6.14.1.13.5 and 8.17 of the contract with Arizona Department of Health Services.
Condition and context: One month (October 2015) out of 12 of the contractor's expenditure reports was not issued within 30 days of the month-end.
Cause: The cause was insufficient monitoring of the reporting deadline.
Effect: Untimely reporting of programmatic expenditures.
Recommendation: We recommend that the County establish a supervisory monitoring system that provides independent review of the preparation and timely submission of the monthly reporting to the grantor agency.
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.

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Findings - Continued

Finding 2016-103 – No Verification of Subrecipient Eligibility Compliance

CFDA Number: 17.258, 17.259 and 17.278
Program Title: WIA/WIOA Cluster
Federal Agency: U.S. Department of Labor
Pass-through Entity: Arizona Department of Economic Security

Award Year: 2016
Award Number: DI16-002115
Compliance Requirements: Eligibility, sub-recipient monitoring

Question Costs: None
Criteria: 2 CFR Part 200; §200.331 (d)

Condition and context: The County passed-through federal funding of the program to two subrecipients that manage all participants in the program. At the time of our audit compliance procedure, the County had not performed any subrecipient monitoring. In response to our observed compliance deficiency, the County immediately performed subrecipient monitoring on November 16, 2016.

Cause: The program was unaware of subrecipient monitoring requirement.

Effect: Increased risk for acceptance of ineligible participation in the program.

Recommendation: We recommend the County familiarize program personnel with the subrecipient monitoring requirements and perform such monitoring on a regular basis to determine whether subrecipients comply with the requirements of the program as delegated to the subrecipient.

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.

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Findings - Continued

Finding 2016-104 – Single Audit Reporting Package Not Filed Timely

CFDA Number: All major federal programs

Program Title: All major federal programs

Federal Agency: All major federal programs

Award Year: 2016

Award Number: Various

Compliance Requirements: 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, 2016 was not submitted to the Federal Audit Clearinghouse within nine months after the County's year-end.

Cause: The cause was due to the lack of resources to complete the accounting and related account reconciliation.

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.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through Arizona Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	ED09-0001	\$ 27,961	\$ -
National School Lunch Program	10.555	ED09-0001	107,697	-
Summer Food Service Program for Children	10.559	ED09-0001	1,928	-
Total Child Nutrition Cluster			137,586	-
<i>Passed through Arizona Department of Health Services</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS14-053057	1,344,189	-
Commodity Supplemental Food Program	10.565	ADHS12-010886	41,856	-
Schools and Roads—Grants to States	10.665		174,552	13,544
Law Enforcement Agreement—Tonto National Forest	10.11-LE- 11031200- 003		9,213	-
Law Enforcement Agreement—Tonto National Forest	10.16-LE- 11031200- 003		1,316	-
<i>Total U.S. Department of Agriculture</i>			1,708,712	13,544
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through the Arizona Department of Housing</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	116-15, 120-16	132,016	-
Public and Indian Housing	14.850		545,897	- *
Residential Opportunity and Supportive Services - Service Coordinators	14.870		41,450	-
Section 8 Housing Choice Vouchers	14.871		3,686,385	- *
Public Housing Capital Fund	14.872		168,861	-
<i>Total U.S. Department of Housing and Urban Development</i>			4,574,609	-
<u>U.S. Department of the Interior</u>				
Bureau of Land Management - Payments in Lieu of Taxes	15.226		1,360,613	-
<u>U.S. Department of Justice</u>				
<i>Passed through the Phoenix Federal Bureau of Investigation</i>				
FBI Phoenix Child Exploitation Task Force Agreement	16.unknown	31E-PX-C2475025	15,002	-
<i>Passed through the City of Phoenix Police Department</i>				
Missing Children's Assistance	16.543	2015-MC-FX-K027	9,055	-
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>				
National Criminal History Improvement Program (NCHIP)	16.554	NCP-14-15-005, NCP-14-15-006	89,570	-
<i>Passed through the Arizona Department of Public Safety</i>				
Crime Victim Assistance	16.575	2015-262, 2015-264	62,910	-
<i>Passed through the National Association of VOCA Assistance Administrators</i>				
Crime Victim Assistance/Discretionary Grants	16.582	16-097	3,307	-
Justice Assistance Grant Program Cluster: State Criminal Alien Assistance Program	16.606		64,543	-

* Audited by other auditors.

The accompanying notes are an integral
part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Justice - Continued</u>				
<i>Passed through Arizona Criminal Justice Commission</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-16-010, DC-16-031, 2015-dj-bx-0579	\$ 182,075	\$ -
Total Justice Assistance Grant Program Cluster			246,618	-
<i>Passed through Western Regional Children's Advocacy Center</i>				
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	None	7,677	-
<i>Passed through Arizona Child and Family Advocacy Network</i>				
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	1-ELOY-SA-AZ15	9,000	-
Total 16.758			16,677	-
Equitable Sharing Program	16.922	None	63,078	28,770
Total U.S. Department of Justice			506,217	28,770
<u>U.S. Department of Labor</u>				
<i>Passed through Arizona Department of Economic Security</i>				
WIA/WIOA Cluster				
WIA/WIOA Adult Program	17.258	DI16-002115	771,489	646,237
WIA/WIOA Youth Activities	17.259	DI16-002115	554,257	412,888
WIA/WIOA Dislocated Worker Formula Grants	17.278	DI16-002115	578,337	468,116
Total WIA/WIOA Cluster			1,904,083	1,527,241
Total U.S. Department of Labor			1,904,083	1,527,241
<u>U.S. Department of Transportation</u>				
<i>Passed through Arizona Department of Transportation</i>				
Highway Planning and Construction Federal-Aid Hwy Program, Federal Lands Highway Program	20.205	JPA 14-0005023-1	694,778	-
Highway Safety Cluster:				
<i>Passed through Arizona Governor's Office of Highway Safety</i>				
State and Community Highway Safety	20.600	2016-AL-030 2015-PT-030 2016-PT-028	92,778	-
National Priority Safety Programs	20.616	2015-AI-009 215-405d-015	29,867	-
Total Highway Safety Cluster			122,645	-
<i>Passed through Arizona Emergency Response Commission</i>				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0454-14-01-00	5,724	-
Total U.S. Department of Transportation			823,147	-
<u>Institute of Museum and Library Services</u>				
<i>Passed through Arizona State Library, Archives and Public Records</i>				
Grants to States	45.310	2015-35017-23, 2015-35017-24	44,537	-
<u>Environmental Protection Agency</u>				
<i>Passed through Arizona Department of Environmental Quality</i>				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Related to the Clean Air Act	66.034	ADEQ-13-033141	197,441	-

The accompanying notes are an integral
part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Education</u>				
<i>Passed through Arizona Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	16FT1TTI-611475-01A	\$ 91,664	\$ -
Special Education __ Grants to States	84.027	16FESCBG-611475-09A	33,959	-
<i>Passed through Arizona Board of Regents, University of Arizona</i>				
ARRA - Federal Work-Study Program	84.033	None	4,060	-
<i>Passed through Arizona Department of Education</i>				
Safe and Drug-Free Schools and Communities - National Programs	84.184	15-06-EDSG	19,770	-
<i>Passed through Arizona Department of Education</i>				
Improving Teacher Quality State Grants	84.367	16FT1TII-611475-03A	11,281	-
<i>Total U.S. Department of Education</i>			160,734	-
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Arizona Department of Health Services</i>				
Public Health Emergency Preparedness	93.069	ADHS 12-007895	393,213	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	ADHS13-049259	60,130	-
<i>Passed through Arizona Family Planning Council</i>				
Family Planning __ Services	93.217	None	352,742	-
<i>Passed through Arizona Department of Health Services</i>				
Immunization Cooperative Agreements	93.268	ADHS 13-041546	272,224	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	ADHS14-053780	101,309	-
<i>Passed through Arizona Department of Economic Security</i>				
Child Support Enforcement	93.563	G1604AZ4004	310,215	-
Grants to States for Access and Visitation Programs	93.597	G1101AZSAVP & 1601AZSAVP	20,683	-
Services to Victims of a Severe Form of Trafficking	93.598		88,063	-
<i>Passed through the Arizona Governor's Office for Children, Youth, and Families</i>				
Children's Justice Grants to States	93.643	CJ-CSG-15-010115-05	17,537	-
<i>Passed through the Arizona Department of Health Services</i>				
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	ADHS14-00003240	169,529	-
HIV Prevention Activities_Health Department Based	93.940	ADHS13-031180	31,642	-
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	ADHS14-071221	28,140	-
Preventive Health and Health Services Block Grant	93.991	ADHS 15-081264 & ADHS 15-094988	146,706	-
Maternal and Child Health Services Block Grant to the States - MCH Block Grants	93.994	ADHS15-094988	14,472	-
<i>Total U.S. Department of Health and Human Services</i>			2,006,605	-
<u>Executive Office of the President</u>				
<i>Passed through the City of Tucson Police Department</i>				
High Intensity Drug Trafficking Areas Program	95.001	HT-14-2337, HT-15-2523 HT-14-2305, HT-15-2533, HT-14-2346, HT-16-2622, HT-16-2634	90,058	-

The accompanying notes are an integral
part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Program Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>				
Emergency Management Performance Grants	97.042	EMW-2015-EP-00048	\$ 247,187	\$ -
Cooperating Technical Partners	97.045		25,969	-
<i>Passed through the Arizona Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	15-AZDOHS-HSGP-150305-01 14-AZDOHS-HSGP-140307-01 14-AZDOHS-OPSG-140307-02 14-AZDOHS-HSGP-140307-04 14-AZDOHS-OPSG-140307-05 15-AZDOHS-OPSG-150312-01	886,308	-
<i>Total U.S. Department of Homeland Security</i>			<u>1,159,464</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 14,536,220</u>	<u>\$ 1,569,555</u>

The accompanying notes are an integral
part of this schedule.

Pinal County, Arizona
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2016

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards (schedule) includes the federal grant activity of Pinal County, Arizona for the year ended June 30, 2016. The information on 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).

Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word “unknown” were used.

Note 4 - Indirect Cost Rate

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

Corrective Action Plan



PINAL COUNTY
WIDE OPEN OPPORTUNITY

October 5, 2017

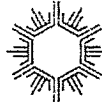
Walker & Armstrong LLP
400 North Central Avenue, #1100
Phoenix, AZ 85012-1989

Dear Sirs:

The accompanying responses to the financial statement findings and to the federal award findings have been prepared 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)*. Included for each finding are the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's financial statement findings and Schedule of Findings and Questioned Costs. Responses have been prepared by the responsible departments or office(s) of elected officials, as identified in the respective findings.

Sincerely,

Levi D. Gibson, CPA, M.Acc., CFIP
Pinal County Finance Director



PINAL COUNTY

WIDE OPEN OPPORTUNITY

Responses to Financial Statement Findings

Responses are shown by department/elected official

Department: Sheriff

2016-001

Former Sheriff Remains as Signer on Bank Account

Contact person: Deanne Brewer, Finance Manager Sheriff Office

Anticipated completion date: October 10, 2017

The Sheriff's Office is committed to protecting the resources of the county. The signers of this bank account were not updated in a timely manner due to the change in elected officials as well as changes in administrative personnel at the beginning of 2017. Once notified that the former sheriff remained on the account steps were taken with the bank to delete the former sheriff and add the newly elected sheriff as a signer on the account. In addition steps will be taken to annually review the signers on the account to ensure any changes are updated in a timely manner.

Department: Courts

2016-002

Eloy Justice Court Bank Account Not Properly Reconciled

Contact person: Katrina Solis

Anticipated completion date: October 31, 2017

The Pinal County Bank Account Reconciliation form dated 07/14/2016 was reconciled as of the date on the form 07/14/2016 when the account should have been balanced as of June 30, 2016. Due to a new case management system, the court had issues balancing in a timely manner. The Judicial Office Supervisor at the Eloy Justice Court will ensure all future end of fiscal year accounting will commence on June 30th of the reporting year and has familiarized herself with the new CMS to include proper and timely bank account reconciliation.

Department: Finance

2016-003

Untimely Account Reconciliation and Financial Statement Preparation

Contact person: Levi D. Gibson, Finance Director

Anticipated completion date: 12/31/2017

Staff turnover within the finance department caused delays in both the reconciliation and financial statement preparation. Finance has created an Accounting and Reporting Manager position that was staffed in August 2017 to assist in management of the financial statement process. In addition we have budgeted for and are in the process of creating an Accounting Supervisor position to assist in the reconciliation of the funds in a timelier manner. Additionally, finance is requesting permission to create a grant administrator position to assist with grant related items.

2016-004

Improve Internal Controls over Reporting of Capital Assets

Contact person: Levi D. Gibson, Finance Director

Anticipated completion date: 12/31/2017



PINAL COUNTY

WIDE OPEN OPPORTUNITY

The Finance Department is committed to safeguarding the capital assets of Pinal County. In order to ensure that capital assets are safeguarded against loss and to ensure proper recording of those assets on the financial statements the Finance Department is in the process of reviewing and streamlining how capital assets are captured and included in the annual financial statements. This review should identify additional procedures and provide the basis for any updates to current policy to resolve this audit finding.

Responses to Federal Award Findings

Responses are shown by department/elected official

Department: Public Health

2016-101

Missing Participant Signatures

CFDA Number: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children

Contact person: Rosanna T. Ringer, Assistant Director of Public Health Nutrition, Education, & Outreach

Anticipated completion date: 12/31/2017

The Pinal County WIC Program will provide refresher training at the October 25, 2017 staff meeting on the importance of collection of signatures for rights and obligations and consent for blood work. In addition since May 2, 2017 Pinal County WIC has changed its auditing procedures. One Nutrition Program Manager continuously audits WIC files to see that all parts are completed. Signatures are something they check on routinely. They also do staff observations to monitor the WIC appointment from beginning to end. Signatures is something they watch for and they document any problems. The Nutrition Program Manager shares this information with the staff so that problems can be corrected.

Department: Public Health

2016-102

October 2016 Report Missed Filing Deadline

CFDA Number: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children

Contact person: Rosanna T. Ringer, Assistant Director of Public Health Nutrition, Education, & Outreach

Anticipated completion date: 12/31/2017

The Pinal County WIC program disagrees with the cause outlined by the auditors that the report was late due to insufficient monitoring related to the reporting deadline. The Arizona Department of Health Services who administers the grant on the state level did not provide the Contractor's Expenditure Report (CER) to the WIC program until December 10, 2015. Once the CER was received the reports were filed as required by the grant. The Pinal County WIC program will continue to communicate with the state agency regarding reporting requirements.

Department: Housing

2016-103

No Verification of Sub-recipient Eligibility Compliance

CFDA Number: 17.258, 17.29 and 17.278 WIA/WIOA Cluster

Contact person: Adeline Allen, Housing and Workforce Director

Anticipated completion date: 12/31/2017



PINAL COUNTY

WIDE OPEN OPPORTUNITY

Program staff were aware of the monitoring requirement. Program compliance monitoring was planned for but had not been conducted at the time of the audit. As stated, monitoring was conducted in November 2016.

Program staff has worked closely with the Pass-through entity in order to identify required documents for program eligibility determination. The Pass-through entity has encouraged sub recipients and their providers to upload program participant documentation into the statewide case management and reporting system and to move as much as possible toward paperless records.

In July 2017 a new service provider was selected to provide WIOA Adult and Dislocated Worker Program services. During the transition between service providers, a thorough review was conducted of files of participants who were exited during the past two program years (2015 and 2016).

Program staff will take the following steps on an annual basis to ensure program compliance:

- Re-assess the monitoring tools utilized during monitoring of Program Year 2015. Revise the monitoring tools as necessary.
- Meet with contracted service providers to assess progress in uploading program documents to the statewide case management and reporting system
- Conduct bi-annual monitoring of program participant records for each Program Year (July – June). Monitoring will target five percent (5%) of program caseload each monitoring period.
- Provide preliminary findings to the service providers within 30 days of the conclusion of each monitoring period. Provide technical assistance as necessary.
- Document areas of deficiency and provide an annual report to Pinal County Local Workforce Development Board.

Department: Finance

2016-104

Single Audit Reporting Package Not Filed Timely

CFDA Number: All major federal programs

Contact person: Levi D. Gibson, Finance Director

Anticipated completion date: 12/31/2017

Staff turnover within the finance department caused delays in both the reconciliation and financial statement preparation. Finance has created an Accounting and Reporting Manager position that was staffed in August 2017 to assist in management of the financial statement process. In addition we have budgeted for and are in the process of creating an Accounting Supervisor position to assist in the reconciliation of the funds in a timelier manner. Additionally, finance is requesting permission to create a grant administrator position to assist with grant related items and to ensure that the Single Audit Reporting package is filed by the March 31, 2018 due date.

Pinal County, Arizona
Summary Schedule of Prior Year Findings
Year ended June 30, 2016

Status of Financial Statement Findings

2015-001 – Improve Internal Controls over Reporting of Capital Assets

Condition: During 2015, restatements were made to beginning net assets to correct for infrastructure assets not previously recorded. Such restatements resulted from assets that were purchased or contributed several years ago. In addition, an error was made in the recording of the purchase of an aircraft that required an adjustment as part of the audit.

Criteria, Cause and Effect: U.S. generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties require that all assets meeting the criteria for capitalization be recorded in the County's accounting records. The cause is from the County not having a capital asset inventory system sufficient to properly identify and record all County assets meeting the criteria for capitalization. The effect is that material corrections to the prior and current period were necessary to correctly record capital assets.

Recommendation: We recommend that the County improve its process for identifying and recording of capital assets. Doing so will reduce the risk that material corrections are necessary to the reported amount of capital assets.

Status: Finding still exists (see finding 2016-004 and corresponding corrective action plan)

2015-002 – Improve Monitoring Procedures over Bank Reconciliations

Condition: Consistent with prior year, the County's finance department did not obtain, review and record in a timely manner cash in bank based on the book balances reported by certain outside departments and courts. As a result, certain accounts with reconciling items were not being reviewed for reasonableness prior to recording the year-end balances.

Criteria, Cause and Effect: U.S. generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties requires that all County bank accounts be recorded in the County's accounting records. The cause is from the County not receiving completed bank account information from outside departments in a timely manner. The effect is an increased risk of errors and misappropriation on County cash that are not detected in a timely manner.

Recommendation: To reduce the risk of material errors in cash, we recommend that the County's finance department implement procedures to obtain, at least on a quarterly basis, bank reconciliations for all accounts held in the County's name. Implementing this procedure will reduce the risk of undetected errors and misappropriation of cash.

Status: Similar finding still exists (see finding 2016-002 and corresponding corrective action plan).

Summary Schedule of Prior Year Findings - Continued

Status of Federal Award Findings

2015-101 - Improve the Timeliness of the Submittal of the Single Audit Reporting Package

CFDA Numbers:	All federal programs
Program Titles and Federal Agencies:	All federal programs
Award Years:	Various
Award Numbers:	Various
Compliance Requirements Affected:	Reporting
Questioned Costs:	None

Condition: The County's single audit reporting package was not submitted within nine months after the County's year-end.

Criteria, Cause and Effect: The terms of the County's federally funded grants and contracts and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* require the submission of a single audit reporting package within nine months of the auditees' fiscal year end. The cause is primarily a lack of resources in the finance department.

The effect is the untimely submission of the single audit reporting package and related noncompliance with federal requirements.

Recommendation: We recommend that the County evaluate its staffing in light of its workload and consider the need to devote additional resources to the financial reporting process.

Status: This condition was not corrected in the current fiscal year since the County did not meet the 9-month filing deadline requirement as noted in federal award finding 2016-104. Also, see the corrective action plan for the corresponding current year finding 2016-104.

Summary Schedule of Prior Year Findings - Continued

Status of Federal Award Findings – Continued

2015-102 – Improve the Tenant Files and Administration of the Waiting List (Other Auditors)

CFDA Numbers:	14.871
Program Titles and Federal Agencies:	Section 8 Housing Choice Vouchers Program – U.S. Department of Housing and Urban Development
Award Years:	2015
Award Numbers:	Various
Compliance Requirements Affected:	Allowable/Unallowable Activities, Eligibility, Reporting, and Special Tests and Provisions
Questioned Costs:	None

Condition: There were numerous errors in the Housing Choice Vouchers (HCV) tenant files and in the administration of the waiting list.

Criteria, Cause and Effect: The County is required by regulation and their own administrative policies to perform certain procedures to ensure that the program is administered in accordance with U.S. Department of Housing and Urban Development (HUD) regulations (24 CFR sections 5.410, 982.54(d), 982.201 through 982.207 and 24 CFR Section 982.517).

Tenant Files

Several instances were noted in which the County did not comply with their policies or HUD regulations in maintaining the following documentation:

- One (1) utility allowance verification was not completed
- Two (2) files were missing the fair market rent to gross rent comparison
- Two (2) files were missing the rent reasonableness verification
- Two (2) social security cards not verified
- One (1) Form HUD 9886 not completed
- Two (2) lead based paint notifications were not obtained
- One (1) Section 214 citizenship status was not completed
- Seven (7) criminal history checks were not documented
- One (1) income was not verified

Summary Schedule of Prior Year Findings - Continued

Status of Federal Award Findings – Continued

2015-102 – Improve the Tenant Files and Administration of the Waiting List (Other Auditors) - Continued

Waiting List

The County's policy is that the waiting list only provides for a local preference, not additional preferences such as for working families, disabled persons, victims of domestic violence, etc. Furthermore, personnel did not understand how their system pertaining to the waiting list functioned. However, they did know that their system included preferences not allowed by their policy and took no steps to correct the error.

In addition, selections from the waiting list must be in order of the date and time of the application. However, the other auditors noted tenants whose date and time indicated that they should have been removed from the waiting list but were not, while others who completed the application at a later date and time were removed from the waiting list.

Utility Allowance

HUD regulations (24 CFR Section 982.517) require PHAs to maintain up-to-date utility allowances. PHAs must review utility rates each year and, if there has been a rate change of 10 percent or more for a utility category, must adjust its utility allowance schedule accordingly. The County could not provide evidence that a utility allowance was performed during the fiscal year ended June 30, 2015.

The cause was inadequate internal controls to comply with federal regulations. The effect was several deficiencies noted by the other auditors in which the County did not comply with the program's documentation requirements and required selection criteria.

Recommendation: The other auditor recommend that the County correct its waiting list, perform the required utility study and establish and enforce a monitoring program to ensure that personnel are complying with County policy and HUD regulations. They also recommend that the individual appointed to monitor the HCV program not be an individual working in the HCV program.

Status: This finding was corrected.

Summary Schedule of Prior Year Findings - Continued

Status of Federal Award Findings - Continued

2015-103 – Maintain a General Depository Agreement Covering all Housing Department Accounts

CFDA Numbers:	14.850, 14.871
Program Titles and Federal Agencies:	Public and Indian Housing and the Section 8 Housing Choice Voucher Program - U.S. Department of Housing and Urban Development
Award Years:	2015
Award Numbers:	Various
Compliance Requirements Affected:	Special Tests and Provisions
Questioned Costs:	None

Condition: The County's Housing Department is required to maintain a general depository agreement with financial institutions in which it maintains its bank accounts. The agreement is a standard form created by the U.S. Department of Housing and Urban Development (HUD) that prescribes specific requirements related to collateral, withdrawals and other provisions necessary to safeguard HUD monies.

Criteria, Cause and Effect: 24 CFR Section 982.156 and Section 19, Part A of the Annual Contributions Contract (ACC) requires that public housing authorities enter into depository agreements with their financial institution using HUD-51999 Form, *General Depository Agreement*, (OMB No. 2577-0270) or a form required by HUD in the ACC. The cause was an account with one financial institution in which the County's Housing Department did not realize that a general depository agreement was not in place. The effect is that one bank account was not covered by this agreement which potentially exposes the HUD monies to increased risk of loss.

Recommendation: We recommend that the County's Housing Department maintain general depository agreements covering its bank accounts.

Status: This finding was corrected.