

**Pinal County, Arizona**  
**Single Audit Reporting Package**

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**Year ended June 30, 2014**

**Pinal County, Arizona  
Single Audit Reporting Package  
Year ended June 30, 2014**

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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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 14, 2015. 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 opinion was modified for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

**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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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 2014-002 through 2014-006 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-101.

### **County Responses to Findings**

The County's responses to the findings identified in our audit are presented on pages 19 through 21. 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.



Phoenix, Arizona  
May 14, 2015



**Independent Auditor's 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 OMB Circular A-133**

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 U.S. Office of Management and Budget (OMB) *Circular A-133 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, 2014, except for the following programs:

14.218	Community Development Block Grants / Entitlement Grants
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers

Those major programs were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the compliance of that entity with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, is based solely on the report of the other auditors. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Major Federal Program***

In our opinion, based on our audit and the report of 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 major federal programs for the year ended June 30, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-101. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is presented on page 21. 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 OMB Circular A-133, 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 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. We and the report of the other auditors did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-101 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is presented on page 21. The County's response was not subjected to the auditing procedures applied in our 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards**

We 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, 2014, and the related notes to the financial statement, which collectively comprise the County's basic financial statements. We issued our report thereon dated May 14, 2015, that contained unmodified opinions on those financial statements. Our report was modified to include a reference to our reliance on other auditors and for the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

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 OMB Circular A-133 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  
May 14, 2015



**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>			
<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	112,288
Summer Food Service Program for Children	10.559	ED09-0001	1,928
Total Child Nutrition Cluster			<u>142,177</u>
<i>Passed through Arizona Department of Health Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS11-004679	1,282,532
Commodity Supplemental Food Program	10.565	ADHS12-010886	48,805
Schools and Roads—Grants to States	10.665		188,206
Law Enforcement Agreement—Tonto National Forest	10.11-LE- 11031200-003		<u>10,484</u>
<i>Total U.S. Department of Agriculture</i>			1,672,204
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Community Development Block Grants/Entitlement Grants	14.218		788,170 *
<i>Passed through the Arizona Department of Housing</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	137-12, 103-12, 104-14	170,579
Home Investment Partnerships Program (HOME)	14.239	307-12	218,414
<i>Passed through the Community Action Human Resources Agency</i>			
Supportive Housing Program	14.235	None	112,547
Public and Indian Housing	14.850		516,760 *
Residential Opportunity and Supportive Services - Service Coordinators	14.870		57,400
Section 8 Housing Choice Vouchers	14.871		3,109,359 *
Public Housing Capital Fund	14.872		<u>141,384</u>
<i>Total U.S. Department of Housing and Urban Development</i>			5,114,613
<b><u>U.S. Department of the Interior</u></b>			
Payments in Lieu of Taxes	15.226		1,223,747
<i>Passed through the Bureau of Land Management, Arizona State Office</i>			
Bureau of Land Management Law Enforcement Assistance	15.unknown	L13PX00218	<u>5,828</u>
<i>Total U.S. Department of the Interior</i>			1,229,575
<b><u>U.S. Department of Justice</u></b>			
FBI Joint Terrorist Task Force Agreement	16.unknown		998
<i>Passed through the Drug Enforcement Agency</i>			
DEA Task Force Agreement	16.unknown		7,158
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
Juvenile Accountability Block Grants	16.523	JB-CSG-13-3365-07 JB-CSG-14-1365-08	32,590

\* 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, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>U.S. Department of Justice - Continued</u></b>			
<i>Passed through the City of Phoenix Police Department</i>			
Missing Children's Assistance	16.543	2012-MC-FX-K008	\$ 7,200
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
ARRA - Violence Against Women Formula Grants	16.588	ST-WSG-12-2366-02Y2 ST-WSG-12-2366-02Y3 ST-WSG-12-2366-06Y2 ST-WSG-12-2366-06Y3	210,097
Justice Assistance Grant Program Cluster:			
State Criminal Alien Assistance Program	16.606		99,032
Edward Byrne Memorial Justice Assistance Grant Program	16.738		19,624
<i>Passed through Arizona Criminal Justice Commission</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-14-019, DC-14-004	150,195
Total Justice Assistance Grant Program Cluster			268,851
Equitable Sharing Program	16.922		75,180
<i>Total U.S. Department of Justice</i>			602,074
<b><u>U.S. Department of Transportation</u></b>			
Airport Improvement Program	20.106	3-04-0080-005-2012 3-04-0080-004-2013	115,059
<i>Passed through Arizona Department of Transportation</i>			
Highway Planning and Construction	20.205	JPA-10-133-I	1,868
<i>Passed through Arizona Governor's Office of Highway Safety</i>			
State and Community Highway Safety	20.600	2013-PT-020 2014-PT-009	35,644
Highway Safety Cluster:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	2014-410-007	59,982
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2013-164-067, 2014-164-067	51,379
Total Highway Safety Cluster			111,361
<i>Passed through Arizona Emergency Response Commission</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		14,950
<i>Total U.S. Department of Transportation</i>			278,882
<b><u>U.S. Department of Treasury</u></b>			
<i>Passed through Immigration and Customs Enforcement Agency</i>			
Joint Operations - ICE and PCSO for Treasury Forfeiture Fund	21.Unknown		7,112
<b><u>Environmental Protection Agency</u></b>			
<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	68,665
<b><u>U.S. Department of Education</u></b>			
<i>Passed through Arizona Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	14FT1TTI-460979-01A	128,130

The accompanying notes are an integral  
part of this schedule.

Pinal County, Arizona  
Schedule of Expenditures of Federal Awards - Continued  
Year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>U.S. Department of Education - Continued</u></b>			
Special Education__Grants to States	84.027	14FESCBG-460979-09A 14FESMSG-460979-49A	\$ 30,743
<i>Passed through University of Arizona</i>			
ARRA - Federal Work-Study Program	84.033	None	6,927
<i>Passed through Arizona Department of Education</i>			
Improving Teacher Quality State Grants	84.367	14FT1II-460979-03A	11,449
<i>Total U.S. Department of Education</i>			177,249
<b><u>Election Assistance Committee</u></b>			
<i>Passed through Arizona Secretary of State</i>			
Help America Vote Act Requirements Payments	90.401	None	709
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Passed through Arizona Department of Health Services</i>			
Public Health Emergency Preparedness	93.069	ADHS 12-007895	548,303
<i>Passed through Arizona Family Planning Council</i>			
Family Planning_Services	93.217	None	284,974
<i>Passed through Arizona Department of Health Services</i>			
Immunization Cooperative Agreements	93.268	ADHS 13-041546	192,002
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	ADHS14-053780	31,653
<i>Passed through Arizona Department of Economic Security</i>			
Child Support Enforcement	93.563	DE111173001 AZ1104AZ4004	291,477
Grants to States for Access and Visitation Programs	93.597	DE111151001	8,103
<i>Passed through the Arizona Governor's Office for Children, Youth, and Families</i>			
Children's Justice Grants to States	93.643	CJ-CSG-13-3365-06Y1 CJ-CSG-13-3365-06Y2	22,143
<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	ADHS13-027694, ADHS14-00003240	159,109
HIV Prevention Activities_Health Department Based	93.940	ADHS13-031180	32,542
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	ADHS13-049618	4,232
Maternal and Child Health Services Block Grant to the States - MCH Block Grants	93.994	ADHS12-022141	19,796
<i>Total U.S. Department of Health and Human Services</i>			1,594,334
<b><u>Executive Office of the President</u></b>			
<i>Passed through the City of Tucson Police Department</i>			
High Intensity Drug Trafficking Areas Program	95.001	HT-13-2327, HT-12-2205, HT-12-2250, HT-12-2227, HT-13-2305	126,841
<i>Passed through Maricopa County Sheriff's Office</i>			
High Intensity Drug Trafficking Areas Program	95.001	C-50-13-025-G-01	15,007
<i>Total Executive Office of the President</i>			141,848

The accompanying notes are an integral  
part of this schedule.

Pinal County, Arizona  
Schedule of Expenditures of Federal Awards - Continued  
Year ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>			
Emergency Management Performance Grants	97.042	EMW-2013-EP-000024	\$ 182,153
<i>Passed through the Arizona Department of Homeland Security</i>			
Homeland Security Grant Program	97.067	12-AZDOHS-OPSG-999315-01 13-AZDOHS-OPSG-130305-02 13-AZDOHS-OPSG-130305-03 12-AZDOHS-OPSG-999315-03 12-AZDOHS-OPSG-999315-04	596,145
<i>Total U.S. Department of Homeland Security</i>			<u>778,298</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 11,665,563</u></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, 2014**

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**Note 1 - Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pinal County, Arizona and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2014 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

**Note 3 - Subrecipient**

The County did not award any federal funds to subrecipients during fiscal year 2014.

**Pinal County, Arizona**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2014**

**Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:

Unmodified

**Internal control over financial reporting:**

Material weaknesses identified

Yes

No

X

Significant deficiencies identified

X

Noncompliance material to the financial statements noted?

None  
reported

**Federal Awards**

**Internal control over major programs:**

Material weaknesses identified

X

Significant deficiencies

X

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?

X

Identification of major programs:

CFDA No.	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.218	Community Development Block Grants / Entitlement Grants
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
93.069	Public Health Emergency Preparedness
93.217	Family Planning Services
97.067	Homeland Security Grant Program

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

\$349,967

Auditee qualified as a low risk auditee?

X

**Other Matters:**

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?

X

## Schedule of Findings and Questioned Costs - Continued

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### **B. Financial Statement Findings**

#### **2014-001 – Improve Internal Controls over Year-end Cutoff Procedures**

**Condition:** During our testing of the year-end accounts payable cutoff procedures, we noted several instances totaling approximately \$1.07 million in which goods or services were received or provided during the fiscal year ended June 30, 2014 that were not recorded as accounts payable balance at year-end.

**Recommendation:** We recommend that the County improve the process for reviewing invoices to better identify those goods or services that were received by year-end. The County should then record expenditures in the correct fiscal period based on the determination of when the goods or services are provided. Implementing these procedures will improve the accuracy and completeness of the County's reported amount of expenditures which will in turn improve the financial reporting process.

**Management Views and Corrective Action:** See corrective action plan.

#### **2014-002 – Improve Internal Controls over Employee Health Benefit Rates**

**Condition:** During our audit, we noted that the County does not review the employee health benefit rates charged by the County's third party benefits administrator. These rates are used as a basis for amounts deducted through employee payroll withholdings. As a result, there is an increased risk that the rates charged are inconsistent with the contractual rates approved by the County.

**Recommendation:** We recommend that the County implement procedures to review the invoices received from the third party benefits administrator to the approved rates per the County's contractual agreement. We also recommend that the County review the rates recorded in the payroll system for accuracy. Implementing these procedures will reduce the risk that incorrect rates are being charged.

**Management Views and Corrective Action:** See corrective action plan.

#### **2014-003 – Improve Internal Controls over Reporting Capital Assets**

**Condition:** During 2014, a road project with a cost totaling \$266,269 was completed and a certificate of completion issued, however, the project costs remained incorrectly recorded as uncompleted construction in progress at June 30, 2014.

**Recommendation:** To improve the accuracy of the classification of capital assets at year-end, we recommend that the County improve its process for identifying completed construction projects and reclassifying costs to the appropriate classification.

**Management Views and Corrective Action:** See corrective action plan.

## Schedule of Findings and Questioned Costs - Continued

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### **B. Financial Statement Findings – Continued**

#### **2014-004 – Improve Internal Controls over Reporting Development Impact Fees**

**Condition:** The County charges residential and non-residential developers fees (impact fees) to compensate for the effect of development and the resulting need for additional County resources. During our testing of impact fees, we noted instances in which the inputs used to calculate the fee was inconsistent with the information reported on the underlying applications and other supporting documentation. We also noted that a number of County personnel have access to the system used to calculate the impact fees and generate invoices. As a result, there is an increased risk that impact fees charged are inconsistent with the rates approved by the Board of Supervisors.

**Recommendation:** We recommend that the County implement procedures to improve the segregation of duties over the calculation of impact fees, including implementing a review process for fees charged. We also recommend that an individual, other than the person(s) inputting the information used to calculate the impact fees, review the input and the calculated fee to determine the accuracy of the fee charged.

In addition, we recommend that the County limit access to the software used to calculate the impact fees to those with a logical need for such access. Also, the County's software should provide log reports and County personnel should review these reports to determine whether access and changes made are reasonable.

**Management Views and Corrective Action:** See corrective action plan.

#### **2014-005 – Improve Fiscal Oversight of the Pinal County Housing & Community Development Department**

**Condition:** The County's Housing and Community Development Department (Department) maintains separate accounting records and is audited separately from the County. However, the audited financial statements are included in the County's comprehensive annual financial report (CAFR) at year-end. The Department has accounting, reporting and compliance matters that materially affect the County's CAFR, however, such matters are not always addressed prior to the issuance of the Department's final financial statements.

**Recommendation:** To improve the County's financial reporting process, we recommend that the County's finance department implement procedures to review a draft of the Department's financial statements prior to final issuance. Doing so will assist the County's ability to identify matters that may materially affect the County's CAFR or single audit reports.

**Management Views and Corrective Action:** See corrective action plan.



## Schedule of Findings and Questioned Costs - Continued

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### B. Financial Statement Findings – Continued

#### 2014-006 – Improve Monitoring Procedures over Bank Reconciliations

**Condition:** The County’s finance department did not obtain, review and record 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.

**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.

### C. Federal Award Findings

#### 2014-101 - 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 for the fiscal year ended June 30, 2014 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, particularly due to the constraints caused from the implementation of a new financial reporting system which ultimately affected the timeliness of the financial reporting process.

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.

**Pinal County, Arizona  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014**

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**2013-101 - 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 for the fiscal year ended June 30, 2013 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 turnover at various levels within the organization that ultimately affected the timeliness of the financial reporting process.

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 finding still exists (see 2014-004).

**2013-102 - Improve Documentation Supporting Programmatic Compliance**

**CFDA Number:** 10.557

**Program Title:** Special Supplemental Nutritional Program for Women, Infants, and Children

**Federal Agency:** U.S. Department of Agriculture Passed through the State of Arizona, Department of Health Services

**Award Number:** ADHS11-004679, ADHS11-004680

**Award Period:** N/A

**Compliance Requirements Affected:** Eligibility

**Questioned Costs:** None

## Summary Schedule of Prior Audit Findings - Continued

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**Condition:** Four of 40 participant files tested did not contain signed consent forms for blood work or rights and obligations forms.

**Criteria, Cause and Effect:** The terms of the grant requires that certain approvals be obtained and maintained. The cause was a flood that occurred at one location resulting in the records being inaccessible during the performance of our audit. The effect was that we were unable to verify whether certain approvals were obtained by inspecting the original documentation.

**Recommendation:** We recommend that the County develop a contingency plan for document retention. Development of a comprehensive plan will reduce the risk of displacement and loss of documentation in the event of a disaster.

**Status:** This finding was corrected.

### 2013-103 - Improve the Process for Identifying and Reporting Federal Awards

**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:** In January 2014, the County's finance department determined through the review of board of supervisor agendas that federal monies had been received by the Pinal County Sheriff's Office during the 2013 fiscal year that had not been reported as a federal program on the preliminary schedule of expenditures of federal awards (SEFA). After researching the agreement and contacting the funding agency, it was determined that the monies were indeed federal monies and should be reported on the SEFA. Expenditures for this program totaled \$232,129 during the 2013 fiscal year.

In addition, we noted an error in Catalog of Federal Domestic Assistance (CFDA) number assigned to a federal award.

**Criteria, Cause and Effect:** The provisions of OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* require that the auditee prepare a complete and accurate SEFA for inclusion in its annual single audit reporting package. The cause is primarily a lack of understanding at the program level of the reporting requirements and the need to improve the review of program information submitted to the County's finance department. The effect is the increased risk of an incomplete or inaccurate SEFA.

## Summary Schedule of Prior Audit Findings - Continued

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**Recommendation:** We recommend that the County establish policies and procedures to review all agreements with grantor agencies and identify the correct source of funding. If the funding is federal, then the correct CFDA should be researched and assigned.

**Management Views and Corrective Action:** See corrective action plan.

**Status:** This finding was corrected.

### 2013-104 – Improve Internal Controls over Maintaining Property Records.

**CFDA Number:** 95.001

**Federal Agency:** Executive Office of the President, Office of National Drug Control Policy

**Program Title:** High Intensity Drug Trafficking Area Program

**Pass-through Grantor:** City of Tucson Police Department and Maricopa County Sheriff's Office

**Pass-through Grantor Number:** Various

**Award Number:** Various

**Award Period:** Various

**Compliance Requirement Affected:** Equipment and Real Property Management

**Questioned Costs:** None

**Condition:** As noted in finding 2013-02, the program responsible for administering this grant did not include a \$52K equipment purchase on its asset listing.

**Criteria, Cause and Effect:** Federal regulations applicable to this grant and the grant agreement itself require that the County maintain records for all property and equipment purchased with grant funding. The cause was a misunderstanding regarding the need to include this particular asset on the equipment listing. The effect is an increased risk that assets purchased with federal monies are not being properly tracked and monitored.

**Recommendation:** We recommend that the County improve its method for identifying property and equipment purchased with federal monies and include such purchases on the equipment and property listing.

**Status:** Similar finding exists. See current year finding 2014-003.



PINAL • COUNTY  
*wide open opportunity*

June 10, 2015

Walker & Armstrong LLP  
4000 North Central Avenue, #1100  
Phoenix, AZ, 85012-1989

Dear Sirs:

The accompanying responses to the financial statement findings and to the federal award finding have been prepared as required by U.S. Office of Management and Budget Circular A-133 and are providing you with 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



## **Responses to Financial Statement Findings**

### **2014-001**

Improve Internal Controls over Year-end Cutoff Procedures accounts

Responses are shown by department/elected official below.

#### Department: Finance

Contact person: Levi D. Gibson, Finance Director

Anticipated Completion date: 6/30/15

The Finance Department will develop policies and procedure to ensure that all invoices are accounted for in the proper year. The Accounts Payable Department will conduct fiscal year end invoice recognition training to clearly define the steps involved in identifying the correct fiscal year that each invoice should be processed. In addition the Account Clerk, Senior and the Accounting Manager will review all invoices processed between 7/1/15 and 9/30/15 to ensure that they are recorded within the appropriate accounting period.

### **2014-002**

Improve Internal Controls over Employee Health Benefit Rates

Contact person: Justin Cook, Compensation and Benefits Manager

Levi D. Gibson, Finance Director

Anticipated Completion date: 09/01/2015

The County is currently in the process of transitioning from the Pinal County Employee Benefit Trust to membership in the Arizona Metropolitan Trust in order to provide benefits to employees. All benefits will transition from the Pinal County Benefit Trust as of 7/01/2015. This transition will allow Human Resource and Finance Staff the ability to manage benefits proactively and to establish controls over benefit rates and to conduct reasonability tests throughout the year. We anticipate that these controls will be established within the first quarter of FY 2015-16.

### **2014-003**

Improve Internal Controls over Reporting of Capital Assets

Contact person: Jacque Armstrong, Public

Anticipated Completion date: 09/01/2015

The Public Works Department is responsible for maintaining the Infrastructure Assets pertaining to roadways. A close out process will be created and implemented for all capital projects the department administers. This process will include various sections of the department to validate the completion of the project reported. It is anticipated that the process will be created and fully implemented by 9/01/2015.



#### **2014-004**

Improve Internal Controls Over Reporting of Development Impact Fees

Contact person: Himanshu Patel, Community Development Director or Kathleen Ball, Budget Analyst

Anticipated Completion date: Ongoing

The finding regarding Internal Controls over Reporting Development Impact Fees is the result of the County's budget and permitting system limitations. Due to budget constraints, additional personnel for segregation of duties within the Community Development Department is not available for FY 2015-2016. The department has a cooperative partnership with the Public Works Department for Impact Fee Program assistance with a split-time employee which will alleviate some of the segregation of duties issues. The additional finding on limiting access to the software used to calculate the Development Impact Fees is an Accela Software program limitation. The departments involved with the permitting process have implemented some internal controls and checks and balances to ensure the proper development impact fees are calculated and collected.

#### **2014-005**

Improve Fiscal Oversight of the Pinal County Housing & Community Development Department

Contact person: Levi D. Gibson, Finance Director

Anticipated Completion date: 9/01/2015

The County's finance department will work in conjunction with the County Housing & Community Development Department to create a process and procedures to review a draft of the Department's financial statements prior to final issuance. In addition, the Finance department will attend the Department's opening and closing audit conference to ensure that we are aware of all relevant issues facing the department and that may have an effect on the County's financial statements.

#### **2014-006**

Improve Monitoring Procedures over Bank Reconciliations

Contact person: Levi D. Gibson, Finance Director

Anticipated Completion date: 9/01/2015

The County finance department will implement procedures to obtain, on a quarterly basis the bank reconciliations and bank statements for all accounts held in the County's name. This will be reviewed by an accountant within the Finance Department for reasonableness and any issues addressed with the Department in charge of the outside bank account.

### **Responses to Federal Award Findings**

#### **2014-101**

The County should improve the Timeliness of the Submittal of the Single Audit Reporting Package

CFDA No: All major federal programs

Contact Person: Levi D. Gibson, Finance Director

Anticipated Completion Date: 12/31/2015

Corrective Action: The County experienced turnover in various levels of the organization that affected the timeliness of the financial reporting process. The County will evaluate the staffing levels within the Finance Department to determine if additional resources can be dedicated to the financial reporting process.