



STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

June 30, 2008

Board of Supervisors
Pinal County
P.O. Box 827
Florence, AZ 85232

Members of the Board:

Our Office has recently completed a 12-month followup of the Pinal County's implementation status for the 24 recommendations presented in the Richard M. Romley administrative report to Pinal County dated May 16, 2007. As the enclosed grid indicates, the County has implemented all recommendations.

This report concludes our follow-up work on the County's efforts to implement the recommendations resulting from the Richard M. Romley administrative report dated May 16, 2007.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

cc: Terry Doolittle, Pinal County Manager
Victoria L. Prins, Chief Financial Officer, CPA, CFE, CGFM, MPA

Pinal County
12-Month Follow-Up Report To
Richard M. Romley Administrative Report Issued May 16, 2007
As of June 30, 2008

SECTION 1: Weapons

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>1. The Pinal County Board of Supervisors should consider hiring an Internal Auditor for the county. This person should not be under the supervision of the county manager but should report directly to the Board of Supervisors. This independence would allow the Board of Supervisors to randomly audit the different departments in county government and investigate allegations of misconduct.</p> <p>The Internal Auditor's Office should also provide an Ombudsman so that a county employee can report, both openly and/or anonymously, any abuse by a county employee, official and/or vendors doing business with the county.</p>	<p>Implemented</p>	<p>The Board of Supervisors hired an Internal Auditor who started on January 2, 2008 and reports directly to the Board. The County has contracted with a third party to provide an Ombudsman service for the County. Also, the County has established the Public Integrity Committee and has selected its members to review, evaluate, and investigate alleged instances of employee corruption, fraud, waste, and abuse reported to the Ombudsman service. The committee will issue quarterly reports summarizing the number and status of complaints and corrective action taken. The first report was issued May 2008.</p>
<p>2. Have the county manager regularly report to the Board of Supervisors and the County Attorney his/her outside activities/memberships/affiliations. A careful review should be conducted in order to ensure that an activity would not conflict with their duties as county manager.</p>	<p>Implemented</p>	<p>The County Manager has regularly reported his outside activities/memberships/affiliations to the Board of Supervisors and the County Attorney. In addition, the County revised the job description for County Manager to require such reporting. The Internal Auditor has reviewed the County Manager's activities/memberships/affiliations for any conflicts and issued a report stating that his outside activities/memberships/affiliations appeared to be appropriately related to the conduct of his official duties and did not interfere with his ability to act in the County's best interest.</p>

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SECTION 1: Weapons (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
3. Ensure that training opportunities are directly related to current and future governmental responsibilities.	Implemented at 6 months	
4. Review, evaluate and determine the protocols that should be followed before County Manager's funds may be expended for county business.	Implemented at 6 months	
5. Policies should be reviewed, updated, enhanced and implemented to ensure that inventory controls are adequate. All county property must be properly delivered and accounted for by the appropriate Pinal County Department.	Implemented at 6 months	
6. Policies should be reviewed, updated, enhanced and implemented to ensure that procurement protocols are followed.	Implemented at 6 months	

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SECTION 2: Superstition Valley Transportation Project Income Tax

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Determine whether or not Pinal County has opened any other private bank accounts. If so, Pinal County should consider closing those accounts. In most instances, State law provides that public monies shall be deposited with the County Treasurer.	Implemented at 6 months	

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SECTION 2: Superstition Valley Transportation Project Income Tax (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>2. All policies should be reviewed, updated, clarified and implemented so as to ensure that the flow of funds and disbursements are reported, tracked, monitored and reconciled by the finance department of Pinal County.</p>	<p>Implemented</p>	<p>The County adopted cash receipt policies for use by all county departments on October 5, 2005, that the County still considers to be adequate. However, the County's Finance department staff cannot track the flow of receipts for all county departments because of the volume of activities and relegates this responsibility to the individual departments receiving cash. Substantially all receipts are deposited with the County Treasurer's Office. The Finance department currently reconciles cash between the Treasurer's records and its accounting system. The Finance department will not implement any additional procedures for this recommendation because it would not be cost-effective to track receipts at each individual department. However, as an alternative, the County's Internal Auditor has performed random cash counts at three departments and has included random or risk-based audits of departmental cash receipts in its preliminary fiscal year 2009 audit plan. Further, to enhance controls over disbursements, the Finance department has taken additional measures to monitor disbursements and has hired a purchasing manager to perform an ongoing review of disbursements including checking for proper authorization and public purpose.</p>

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SECTION 2: Superstition Valley Transportation Project Income Tax (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
3. Consider assigning the Internal Auditor the responsibility of conducting random audits of all accounts relating to major construction projects.	Implemented	The Board of Supervisors hired an Internal Auditor who started on January 2, 2008, and reports directly to the Board. The Internal Auditor recently performed a limited review of one of the County's major construction projects and has planned for a more detailed audit in its preliminary fiscal year 2009 audit plan.

SECTION 3: State Retirement Pension Income Tax

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Separate the Pinal County Manager and the Pinal County Clerk of the Board positions into two separate and independent functionalities. The Pinal County Clerk of the Board is the official record keeper of the business conducted by the Board of Supervisors. The Pinal County Clerk of the Board should report directly to the Pinal County Board of Supervisors.	Implemented at 6 months	
2. The Board of Supervisors should ensure that strict controls exist for any changes, additions and deletions to payroll codes for all employees; including contract employees.	Implemented at 6 months	
3. Ensure that the County Manager's employment contract is publicly disclosed and placed within his/her personnel file held by Human Resources.	Implemented at 6 months	

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SECTION 4: Deferred Compensation Income Tax

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Ensure that legal counsel is available to answer any legal questions regarding tax and/or financial issues.	Implemented at 6 months	
2. The Pinal County Board of Supervisors should consider random audits of the deferred compensation program by participating management level employees.	Implemented	An internal audit was performed for all management level employees participating in the deferred compensation program and the results were included in a report submitted to the Board of Supervisors. Based on the report, the Internal Auditor recommended that an annual review of the deferred compensation program be conducted by the Human Resources Director.

SECTION 5: Vacation/Sick Leave

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Develop a procedure to ensure that the County Manager accurately accounts for his/her sick and vacation leave taken.	Implemented at 6 months	

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SECTION 6: Credit Card/Travel

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>1. Policies should be created, updated, clarified and implemented for proper credit card use. These policies should include a requirement that the public purpose of purchases be appropriate, documented and approved.</p>	<p>Implemented</p>	<p>The County has created, updated, clarified, and implemented policies for credit card use. The County's policies include a requirement for pre-approval of travel and food purchases that include documenting the public purpose. In addition, as part of its monitoring process, the Finance department reviews credit card statements and required documentation for any credit card usage that appears to violate the County's new policy. Violations are reported to the employee and the employee's supervisor. Further, the Finance department prepares a list documenting their follow-up.</p>
<p>2. Policies should be updated, clarified and implemented for travel activities. These policies should include clear guidelines for reconciling travel forms with supporting documentation and receipts.</p>	<p>Implemented at 6 months</p>	
<p>3. Consideration should be given to segregate among several employees the various activities related to credit cards and travel; including but not limited to:</p> <ul style="list-style-type: none"> • Approving the appropriateness of the travel request. • Recording travel expenditures. • Reconciling original receipts to travel forms. • Authorizing credit card issuance. • Receiving credit card statements. • Reconciling credit card statements to receipts and invoices. • Reviewing credit card usage to ensure that it is for an appropriate county purpose. • Authorizing payment. 	<p>Implemented at 6 months</p>	

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SECTION 7: Carpentry

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Obtain a legal opinion from the Pinal County Attorney's Office regarding what is an appropriate gift under state law and the Arizona Constitution. All departments should be advised of the opinion and be required to comply with its provisions.	Implemented at 6 months	
2. Consideration should be given to prohibiting the County Manager from providing personal services to any county department or county employee.	Implemented	The County's Outside Employment and Code of Ethics policies were recently revised. Although they do not specifically prohibit, they do severely limit the circumstances and conditions in which the County Manager may provide personal services to county departments. In addition, the Board of Supervisors adopted a recommendation to prohibit the County Manager from providing personal services to any department or county employee.
3. Policies should be reviewed, updated, enhanced and implemented to ensure that inventory controls are adequate. All county property must be properly delivered and accounted for by the appropriate Pinal County Department.	Implemented at 6 months	
4. Policies should be reviewed, updated, enhanced and implemented to ensure that procurement protocols are followed.	Implemented at 6 months	

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SECTION 8: Home Improvements

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Policies should be reviewed, updated, enhanced and implemented to ensure that employees seeking to “moonlight” outside of Pinal County government be required to disclose these activities to their appropriate department manager for approval.	Implemented	The County has adopted an Outside Employment Policy that requires employees to complete an Outside Employment Declaration and submit it for supervisory review and approval.

SECTION 9: Maricopa Road Public Improvement Project—No Recommendations

SECTION 10: Michelle Milton, Née Griffis

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Pinal County should consider adopting a Code of Ethics for all county employees.	Implemented	The County has adopted a Code of Ethics for County employees. Also, the County has provided ethics training to its employees.