



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Management Letter

Pinal County

Year Ended June 30, 2006



Debra K. Davenport
Auditor General

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**STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL**

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

November 29, 2007

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

Members of the Board:

In planning and conducting our single audit of Pinal County for the year ended June 30, 2006, we performed the following as required by *Government Auditing Standards* (GAS) and Office of Management and Budget (OMB) Circular A-133:

- Considered the County's internal controls over financial reporting,
- Tested its internal controls over major federal programs, and
- Tested its compliance with laws and regulations that could have a direct and material effect on its financial statements and major federal programs.

All audit findings that are required to be reported in the GAS and OMB Circular A-133 reports have been included in the County's Single Audit Reporting Package for the year ended June 30, 2006. In addition, our audit disclosed internal control weaknesses and instances of noncompliance with laws and regulations that do not meet the reporting criteria. Management should correct these deficiencies to ensure that it fulfills its responsibility to establish and maintain adequate internal controls and comply with laws and regulations. Our recommendation is described below.

The County needs to implement previously reported recommendations

We have previously reported to the County specific recommendations to correct certain deficiencies noted during our previous years' audits to improve county operations. However, the County has not implemented all of our recommendations pertaining to budget preparation and monitoring and information system disaster recovery. The County has not implemented the following recommendations reported in our Management Letter for the year ended June 30, 2005:

Budget preparation and monitoring process—The county budget is used to set public policy, to control taxing and spending, and to serve as a financial planning tool. Good stewardship over public monies and Arizona Revised Statutes require that the County includes all accounts and funds that it administers in the County's adopted budget; that the County includes transfers in and out as part of the Board of Supervisors' approved budget; that changes to the budget are approved in a timely manner; and that the County ensures that its actual expenditures, obligations, and liabilities do not exceed the amounts budgeted. However, the County did not follow these procedures. Therefore, it is important that the County ensure that its adopted budget is accurate, complete, properly monitored, approved, and in accordance with statutes.

Disaster recovery plan—The County has an information system that provides general ledger, accounts payable, payroll, personnel, and capital assets subsystems for the finance department, and general ledger and property tax management subsystems for the County Treasurer. These systems are critical to the County's operations. However, the County did not have a disaster recovery plan or a negotiated written backup agreement for its financial computer system. Such a plan will help ensure that electronic data files are not lost and transactions can be processed in the event of a disaster or other interruption. Therefore, it is important that the County prepares a disaster recovery plan and negotiate a written backup agreement as soon as possible to help maintain system integrity and security.

This letter is intended solely for the information of the Pinal County Board of Supervisors and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA
Financial Audit Director



Victoria L. Prins
Pinal County Chief Financial Officer

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November 9, 2007

Debbie Davenport
Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

Pinal County Management has chosen to respond to the Management Letter for the fiscal year ended June 30, 2006. Our responses to the Management Letter are attached.

If you have any questions, please contact me at (520) 866-6255.

Sincerely,

Yiannis Kalaitzidis, CPA
Finance Deputy Director

Pinal County
Response to Management Letter
Year Ended June 30, 2006

The County needs to implement previously reported recommendations

Budget preparation and monitoring process

Response: Concur. The County is in the process of implementing policies and procedures to help strengthen controls over budget preparation and monitoring. The County currently monitors actual expense to adopted budget. The County's annually adopted Budget Resolution has guidelines for expenditure limits. Should a department(s) exceed these limits, the department(s) is placed on a budget hold status and all expenses must be approved by the Budget Office.

In order to account for unforeseen revenue/expenses, the Budget Office makes recommendations to the County Manager for budget appropriation transfers throughout the year. These recommendations are then forwarded to the Board of Supervisors for approval. These budget appropriation transfers, or budget amendments, ensure that the department's actual expenditures do not exceed the adopted budget.

Disaster recovery plan

Response: Concur. The County has taken steps to move forward on our disaster recovery plan; monies have been allocated for equipment and software purchases. We have moved one of our AS400 Systems to our other campus approximately 1 mile from Administration Building A. in a secured computer room at the Adult Detention facility. This system is currently on line and is used as our development system. Due to a lack of power in Administration Building A. we have been unable to plug in any new equipment. We are currently working on this situation and have contracted with an Electrical Engineer and Architect to rectify the power and air conditioning problems in the main computer room. Once we are able to have sufficient power and air conditioning, we will purchase the equipment and software necessary to implement the final stage of the project.

We have started the documentation of our disaster recovery policy. This document will continue to be updated as hardware and software changes.