



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pinal County

Year Ended June 30, 2008



Debra K. Davenport
Auditor General

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Pinal County
Single Audit Reporting Package
Year Ended June 30, 2008

Table of Contents	Page
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	1
Schedule of Expenditures of Federal Awards	4
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	11
Federal Award Findings and Questioned Costs	13
County Responses	
Corrective Action Plan	25
Summary Schedule of Prior Audit Findings	31
Reports Issued Separately	
Comprehensive Annual Financial Report	
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 <i>Government Auditing Standards</i>	



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Board of Supervisors of
Pinal County, Arizona

Compliance

We have audited the compliance of Pinal County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in the following table, the County did not comply with certain compliance requirements that are applicable to the following major federal programs. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Program Title (CFDA Number)	Compliance Requirement	Finding Number
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228)	Davis-Bacon Act	08-103
Public and Indian Housing (14.850)	Activities allowed or unallowed, allowable costs/cost principles, and reporting	08-104, 08-106, and 08-107
Section 8 Housing Choice Vouchers (14.871)	Activities allowed or unallowed, allowable costs/cost principles, and reporting	08-104, 08-106, and 08-110

In our opinion, because of the effects of the noncompliance described in the preceding table for the Public and Indian Housing program and Section 8 Housing Choice Vouchers program, Pinal County did not comply in all material respects, with the requirements referred to above that are applicable to those programs. Also, in our opinion, except for the noncompliance described in the preceding table for the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii program, Pinal County complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 08-108, 08-109, and 08-111 through 08-115.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in the County's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 08-101 through 08-115 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 08-102 through 08-107, 08-110, and 08-111 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2008, and have issued our report thereon dated January 28, 2009. Our report was modified to include a reference to our reliance on other auditors and as to consistency because of the implementation of Governmental Accounting Standards Board Statements Nos. 45, 48, and 50. Our audit was performed 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pinal County's responses to the findings identified in our audit are presented on pages 25 through 30. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Jay Zsorey, CPA
Financial Audit Director

May 27, 2009, except for the
Schedule of Expenditures of Federal
Awards, for which the date is January 28, 2009

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas, passed through Arizona Criminal Justice Commission	07.I6PSAP501Z	HT16-06-1815, HT17-07-1815	\$ <u>93,103</u>
U.S. Department of Agriculture			
Child Nutrition Cluster:			
School Breakfast Program, passed through the Arizona Department of Education	10.553	ED05-0001	23,206
National School Lunch Program, passed through the Arizona Department of Education	10.555	ED05-0001	<u>52,449</u>
Total Child Nutrition Cluster			<u>75,655</u>
Special Supplemental Nutrition Program for Women, Infants, and Children, passed through the Arizona Department of Health Services	10.557	HG361078, HG861086	940,960
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	KR02-1170-ALS	5,787
State Administrative Matching Grants for Food Stamp Program, passed through the Arizona Department of Health Services	10.561	HG661040	6,569
Commodity Supplemental Food Program, passed through the Arizona Department of Health Services	10.565	HG361104, HG861138	47,505
WIC Farmers' Market Nutrition Program (FMNP), passed through the Arizona Department of Health Services	10.572	HG361336, HG861328	1,604
Rural Business Enterprise Grants	10.769		21,619
Law Enforcement Agreement—Tonto National Forest	10.06-LE-11031200-005		<u>14,087</u>
Total U.S. Department of Agriculture			<u>1,113,786</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, passed through the Arizona Department of Housing	14.228	135-07, 159-07, 172-06	488,997
Supportive Housing Program, passed through the Community Action Human Resources Agency	14.235	522-06	89,376
Home Investments Partnerships Program, passed through the Arizona Department of Housing	14.239	330-05	155,516
Housing Opportunities for Persons with AIDS, passed through the City of Phoenix	14.241	72838-006	28,341
Economic Development Initiative—Special Project, Neighborhood Initiative and Misc Grants	14.251		247,500
Public and Indian Housing	14.850		418,432
Section 8 Housing Choice Vouchers	14.871		3,070,587

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Public Housing Capital Fund	14.872		\$ 351,261
Total U.S. Department of Housing and Urban Development			<u>4,850,010</u>
U.S. Department of the Interior			
Bureau of Land Management—Law Enforcement, passed through the Bureau of Land Management, Arizona State Office	15.DAU	AAA04006	23,472
Payments in Lieu of Taxes	15.226		855,274
Distribution of Receipts to State and Local Governments	15.227		<u>49,542</u>
Total U.S. Department of the Interior			<u>928,288</u>
U.S. Department of Justice			
DEA—Domestic Cannabis Eradication and Suppression Program	16.unknown		2,681
Juvenile Accountability Block Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.523	JB-CSG 07-8274-10, JB-IGA-05-7273-02	15,377
Juvenile Justice and Delinquency Prevention—Allocation to States, passed through Phoenix Police Department Arizona ICAC Task Force	16.540	2005-MC-CS-K009	24,640
Missing Children's Assistance, passed through National Children's Alliance	16.543	ARIZ-AR-AMPD08	32,110
National Criminal History Improvement Program (NCHIP), passed through the Arizona Criminal Justice Commission	16.554	NCP06-07-113, NCP07-08-116	105,056
Crime Victim Assistance, passed through the National Sheriffs' Association	16.575	2002-VF-GX-K003	11,783
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-08-060	15,249
Drug Court Discretionary Grant Program	16.585		150,217
Violence Against Women Formula Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.588	ST-WSG-07-7365-11, ST-WSG-07-7365-11Y2, ST-WSG-07-7365-22, ST-WSG-07-7365-22Y2	141,387
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		22,103
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590		293,470

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
State Criminal Alien Assistance Program	16.606		\$ 203,450
Public Safety Partnership and Community Policing Grants	16.710		80,097
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	AC-08-100, PC-08-070	138,661
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Supreme Courts	16.738	None	56,459
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>13,707</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>208,827</u>
Total U.S. Department of Justice			<u>1,306,447</u>
 U.S. Department of Transportation			
National Motor Carrier Safety, passed through the Arizona Department of Public Safety	20.218	2005-213	505,498
State and Community Highway Safety, passed through the Governor's Office of Highway Safety	20.600	2007-PT-004	<u>34,834</u>
Total U.S. Department of Transportation			<u>540,332</u>
 Institute of Museum and Library Services			
Grants to States, passed through Arizona State Library, Archives, and Public Records	45.310	261-7-1-(06), 271-6-1-(08)	<u>11,704</u>
 Environmental Protection Agency			
Air Pollution Control Program Support, passed through the Arizona Department of Environmental Quality	66.001	EV05-0016	<u>51,000</u>
 U.S. Department of Education			
Title I Grants to Local Educational Agencies, passed through the Arizona Department of Education	84.010	08FAATND-860979-12A, 08FAASYO-860979-13A, 08FAATTI-860979-08A	89,544
Title I Program for Neglected and Delinquent Children, passed through the Arizona Supreme Court	84.013	KR08-0063	35,741
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	07FESSCG-770734-03A 08FESCBG-860979-05A 08FESMSG-860979-11A 08-FESSCG-870734-02A	40,363
Special Education—Grants to States, passed through the Arizona Supreme Court	84.027	KRO8-0063	<u>17,976</u>
Total Special Education—Grants to States			<u>58,339</u>

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Federal Work Study Program, passed through the University of Arizona	84.033	None	\$ 1,643
Safe and Drug-Free Schools and Communities— State Grants, passed through the Arizona Department of Education	84.186	08FSDIVB-870733-03A	55,154
Tech-Prep Education, passed through the Arizona Department of Education	84.243	08FCTDTP-870734-01A, 07FCTDTP-770734-01A	158,090
State Grants for Innovative Programs, passed through Arizona Supreme Court	84.298	KRO8-0063	142
Education Technology State Grants, passed through the Arizona Department of Education	84.318	08-FSEETF-860979-07A	625
Reading First State Grants, passed through the Arizona Department of Education	84.357	08FSARFP-860979-03A 08FSARS2-86979-06A	1,173,165
English Language Acquisition Grants, passed through the Arizona Department of Education	84.365	08FAAENG-870733-05A	55,265
Mathematics and Science Partnerships, passed through the Arizona Department of Education	84.366	08FSDMPC-870733-02A	261,582
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	08FAATII-860979-09A 08-FAAAZE-870733-01A	149,487
Improving Teacher Quality State Grants, passed through the Arizona Supreme Court	84.367	KRO8-0063	<u>10,960</u>
Total Improving Teacher Quality State Grants			<u>160,447</u>
Total U.S. Department of Education			<u>2,049,737</u>
Election Assistance Committee			
Help America Vote Act Requirements Payments, passed through the Secretary of State's Office	90.401	None	<u>1,670</u>
U.S. Department of Health and Human Services			
Family Planning—Services, passed through the Arizona Family Planning Council	93.217	None	204,143
Abstinence Education Program, passed through the Arizona Department of Health Services	93.235	HP361258-002	109,327
Immunization Grants, passed through the Arizona Department of Health Services	93.268	HG352197, HG854292	80,616
Centers for Disease Control and Prevention— Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	252035, HG754203	478,074

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Temporary Assistance for Needy Families, passed through the Arizona Department of Economic Security	93.558	E4374138	\$ 175,332
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	G-04-04-AZ-4004	1,978,777
Community-Based Child Abuse Prevention Grants, passed through the Arizona Department of Economic Security	93.590	E4374138	142
Grants to States for Access and Visitation Programs, passed through the Arizona Department of Economic Security	93.597	DES060680-01	13,792
Voting Access for Individuals with Disabilities—Grants to States, passed through Arizona Secretary of State	93.617	HHS-2005-ACF-ADD-VOTE-0135	7,050
Children's Justice—Grants to State, passed through Arizona Governor's Office for Children, Youth and Families	93.643	CJ-WSG-07-7273-06, CJ-CSG-08-8244-04	11,882
Social Services Block Grant, passed through the Pinal/Gila Council for Senior Citizens	93.667	0006-00556	163,311
HIV Emergency Relief Project Grants, passed through the Area Agency on Aging, Region One	93.914	2008-01-PIN, A2009-11-PIN	9,836
HIV Emergency Relief Project Grants, passed through the Maricopa County Department of Public Health	93.914	2007-CM-PG-001, 2008-FHI-PLTG-001	<u>136,331</u>
Total HIV Emergency Relief Project Grants			<u>146,167</u>
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs, passed through the Arizona Department of Health Services	93.919	HG761268	119,458
HIV Prevention Activities—Health Department Based, passed through the Arizona Department of Health Services	93.940	HG352262, HG852273	25,601
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Family Planning Council	93.977	None	2,141
Preventive Health and Health Services Block Grant, passed through the Arizona Department of Health Services	93.991	HG354185, HG854375	72,202
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	HP461413-013	<u>1,925</u>
Total U.S. Department of Health and Human Services			<u>3,589,940</u>

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
Disaster Grants—Public Assistance (Presidentially Declared Disasters), passed through the Arizona Department of Emergency and Military Affairs	97.036	ADEM/FEMA-1586-DR-AZ-021-99021-00, ADEM/FEMA-1660-DR-AZ-021-99021-00	\$ 379,316
Emergency Management Performance Grants, passed through the Arizona Department of Emergency and Military Affairs	97.042	AD07-021	164,277
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	2005-GE-T5-0030, 07-AZDOHS-HSGP-333301-01	452,487
Homeland Security Grant Program, passed through the Eloy Police Department	97.067	2006-GE-T6-0007	<u>31,250</u>
Total Homeland Security Grant Program			<u>483,737</u>
Total U.S. Department of Homeland Security			<u>1,027,330</u>
 Total Expenditures of Federal Awards			 <u>\$ 15,563,347</u>

See accompanying notes to schedule.

Pinal County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pinal County and is presented on the modified accrual basis of accounting. The information in 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 Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2008 *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 - Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients:

Program Title	CFDA Number	Amount
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	\$ 23,159
Tech-Prep Education	84.243	69,190
Reading First State Grants	84.357	898,952

Pinal County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2008

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
Material weaknesses identified in internal control over financial reporting?	<u> X </u>	___
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u>	___
Noncompliance material to the financial statements noted?	___	<u> X </u>

Federal Awards

Material weaknesses identified in internal control over major programs?	<u> X </u>	___
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u>	___

Type of auditors' report issued on compliance for major programs:
 Unqualified for all major programs except for Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228), which was qualified and Public and Indian Housing (14.850) and Section 8 Housing Choice Vouchers (14.871), which were adverse.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u> X </u>	___
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
15.226	Payments in Lieu of Taxes
20.218	National Motor Carrier Safety
84.357	Reading First State Grants
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance
93.563	Child Support Enforcement
97.067	Homeland Security Grant Program

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Dollar threshold used to distinguish between Type A and Type B programs: \$466,900

	Yes	No
Auditee qualified as low-risk auditee?	___	<u>X</u>

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u>	___
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Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Financial Statement Findings

Financial statement findings were reported in the separately issued Report on Internal Control over Financial Reporting and on Compliance and Other Matters Performed in Accordance with *Government Auditing Standards*.

Federal Award Findings and Questioned Costs

08-101 CFDA No.: 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii U.S. Department of Housing and Urban Development, passed through the Arizona Department of Housing Award Year: August 23, 2005 through August 22, 2007, March 26, 2007 through September 30, 2008, and March 26, 2007 through February 28, 2009 Award Numbers: 172-06, 159-07, 135-07 Cash Management and Reporting <p style="text-align: right;">Questioned Cost: None</p>

The County is required by 24 Code of Federal Regulations (CFR) §85.20(b)(1) to establish effective internal controls to ensure accurate, current, and complete disclosure of the financial activities in accordance with the financial reporting requirements. However, the County did not have adequate controls to ensure that it provided complete and accurate information in its cash management reports submitted to the Arizona Department of Housing as one employee was responsible for compiling, approving, and submitting the required reports without supervisory review. Auditors performed certain limited procedures to verify that the amounts on the reports agreed to account records and noted no discrepancies in the amounts reported.

This finding is considered a significant deficiency in internal control over compliance with the program's cash management and reporting requirements.

To ensure compliance with 24 CFR §85.20(b)(1), the County should assign a second employee to review reports for accuracy before they are submitted to the grantor agencies.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-102

CFDA No.: 14.228 **Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

U.S. Department of Housing and Urban Development, passed through the Arizona Department of Housing

Award Year: August 23, 2005 through August 22, 2007, March 26, 2007 through September 30, 2008, and March 26, 2007 through February 28, 2009

Award Numbers: 172-06, 159-07, 135-07

CFDA No: 97.067 **Homeland Security Grant Program**

U.S. Department of Homeland Security, passed through the Arizona Department of Homeland Security

Award Year: October 1, 2004 through November 30, 2007 and July 1, 2007 through July 31, 2009

Award Numbers: 2005-GE-T5-0030 and 07-AZDOHS-HSGP-333301-01

CFDA No: 97.067 **Homeland Security Grant Program**

U.S. Department of Homeland Security, passed through the Eloy Police Department

Award Year: November 1, 2006 through June 1, 2008

Award Number: 2006-GE-T6-0007

Suspension and Debarment

Questioned Cost: None

In accordance with 24 CFR §84.13 and 44 CFR §17.200, the County must verify that vendors and subrecipients are not suspended or debarred before entering into covered transactions with them to be paid with federal monies. The County has established procedures to suspend or debar vendors who have been suspended or debarred by other governmental entities. However, the County did not document or verify that the vendors who were paid over \$25,000 in federal monies were not suspended or debarred. Auditors performed additional audit procedures and noted no instances of payments made to suspended or debarred vendors. This finding has the potential to affect other federal programs the County administers.

This finding is considered a material weakness in internal control over compliance with the program's suspension and debarment compliance requirements. This finding is similar to a prior-year finding.

To comply with 24 CFR §84.13 and 44 CFR §17.200, the County should document its determination that vendors being paid over \$25,000 in federal monies have not been suspended or debarred from doing business with governmental entities. This verification may be accomplished by checking the Excluded Parties List maintained by the U.S. General Services Administration, obtaining a certification from the vendor or subrecipient, or adding a clause or condition to the contract with that entity.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-103

CFDA No.: 14.228 Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii

U.S. Department of Housing and Urban Development, passed through the Arizona Department of Housing

Award Year: August 23, 2005 through August 22, 2007, March 26, 2007 through September 30, 2008, and March 26, 2007 through February 28, 2009

Award Numbers: 172-06, 159-07, 135-07

Davis-Bacon Act

Questioned Cost: Unknown

The Davis-Bacon Act requires all laborers employed by contractors or subcontractors that are funded with federal monies to be paid prevailing wage rates established by the U.S. Department of Labor. However, the County did not have adequate internal controls to ensure that it complied with Davis-Bacon Act requirements for the Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii program (CDBG). Under the provisions of the Davis-Bacon Act and CDBG requirements, contractors must submit a copy of their payroll and a statement of compliance each week to the County in which any contract work was performed. However, the County did not consistently review or require a certification report from each contractor on a weekly basis to determine that the prevailing wage rates were paid. Auditors tested ten payroll certification periods and noted two instances where the County did not request contractors to submit missing certification reports. Further, the County did not provide evidence that a review for mathematical accuracy or compliance with the Davis-Bacon Act was performed for nine of the certification periods. As a result, one of the contractors was not in accordance with prevailing wage rates and underpaid three employees by \$485, and two of the certifications were not signed by the contractors verifying the payroll amounts were correct.

It was not practical to extend our auditing procedures to determine the amount of questioned costs, if any, that may have resulted from this finding. This finding is considered a material weakness in internal control over compliance and material noncompliance with the program's Davis-Bacon Act requirements.

To comply with 40 U.S. Code §3141 through §3144 and 29 CFR §5.5, the County should strengthen its internal control policies and procedures by reviewing each contractor payroll certification report for mathematical accuracy and compliance with the Davis-Bacon Act. Additionally, the County should ensure that all contractors submit weekly certified payroll records. Further, if the County determines that the contractors did not pay employees the prevailing wage rates or does not receive payroll certification reports, the County should withhold payment until the contractors are in compliance with the requirements.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-104

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2007 through June 30, 2008
Award Number: AZ01000108J

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2007 through June 30, 2008
Award Number: AZ01000108D

Activities allowed or unallowed and allowable costs/cost principles

Questioned Cost: \$51,521

The Pinal County Housing Department is required by 2 CFR Appendix A, Part 225 §§(C)(3)(a) and (C)(1)(j) to maintain adequate supporting documentation for costs that are assignable to cost objectives in accordance with the relative benefits received. However, the Department did not have adequate internal control policies and procedures over its cost allocation of administrative expenditures between the two programs. Specifically, the Department paid all administrative expenditures from the Public and Indian Housing program and then allocated 50 percent of those expenditures to the Section 8 Housing Choice Vouchers program without documentation to support that allocation. At June 30, 2008, the Public and Indian Housing program owed \$51,521 to the Section 8 Housing Choice Vouchers because the Section 8 Housing Choice Vouchers program reimbursed the Public and Indian Housing program for undocumented administrative cost allocations. The \$51,521 was recorded as a receivable balance in the Department's accounting records for the Section 8 Housing Choice Vouchers program. However, it was not practical to extend our auditing procedures to determine the amount of additional questioned costs, if any, that may have resulted from this finding.

This finding is considered a material weakness in internal control over compliance and material noncompliance with the programs' activities allowed or unallowed and allowable costs/cost principles compliance requirements. This finding is similar to a prior-year finding.

To comply with 2 CFR Appendix A, Part 225 §§(C)(3)(a) and (C)(1)(j), the Department should allocate administrative expenditures between the Section 8 Housing Choice Vouchers and Public and Indian Housing programs based on a cost allocation plan and supporting documents. In addition, the Department should review prior-year allocated costs to determine if the receivable recorded is valid, and then promptly transfer cash to pay the balance.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-105

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2007 through June 30, 2008
Award Number: AZ01000108J

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2007 through June 30, 2008
Award Number: AZ01000108D

Activities allowed or unallowed and allowable costs/cost principles

Questioned Cost: None

The Pinal County Housing Department used a separate computer system to account for these programs' financial transactions. 24 CFR §85.20(b)(1) requires that effective internal control be maintained for all financial management systems to ensure accurate, current, and complete disclosure of financial activities in accordance with the financial reporting requirements. Therefore, it is critical that the County establishes adequate internal controls to ensure the integrity of information processed through this system. Auditors noted the following internal control weaknesses:

- System security—The Department did not maintain the computer hardware in a secure location and access was not limited to essential employees. In addition, backup tapes were not encrypted and no disaster recovery plan was established. These deficiencies put the Department's system and information at risk of potential loss, theft, manipulation, or misuse.
- Account management—The Department did not develop written policies and procedures to ensure that access privileges granted to department employees were appropriate in relation to their job responsibilities. For example, the same employee could prepare, approve, and post journal entries to the system. Also, the Department did not have a master list that showed access privileges for each user.
- System documentation—The Department did not document program changes to the system. While the Department made all manufacturer-recommended changes to the system, it did not maintain documentation of the systems program changes. In addition, the Department did not have documented policies and standards for system maintenance or processing.

This finding is considered a material weakness in internal control over compliance with the programs' activities allowed or unallowed, and allowable costs/cost principles compliance requirements. Auditors tested information processed by the system for compliance and noted no instances of noncompliance related to system generated information. This finding is similar to a prior-year finding.

To ensure that the County complies with 24 CFR §85.20(b)(1), the Department, with assistance from the County's Information Technology Department, should implement the following policies and procedures to properly protect and control the system and the sensitive information recorded on it:

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

- Safeguard the server housing the software and data. This includes limiting physical access to the hardware to essential employees through the use of locks and keycards. In addition, the server should be physically located in a secure location that protects the server from not only unauthorized access, but also from the elements.
- Develop and test a comprehensive disaster recovery plan. Communicate the plan to appropriate employees to ensure that potential delays for critical processes is limited. As part of a comprehensive disaster recovery plan, backup tapes should be tested periodically to ensure that the data can be recovered and restored in a reasonable amount of time.
- Develop and implement written policies and procedures describing the level of account access needed by each employee. Also, develop and maintain an access rights form for each employee listing that specific employee's access rights and documenting that those rights have been approved by a supervisor.
- Develop policies and procedures to document the history of system changes.

08-106

CFDA No.: 14.850 **Public and Indian Housing**

U.S. Department of Housing and Urban Development

Award Year: July 1, 2007 through June 30, 2008

Award Number: AZ01000108J

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**

U.S. Department of Housing and Urban Development

Award Year: July 1, 2007 through June 30, 2008

Award Number: AZ01000108D

Reporting

Questioned Cost: None

The Financial Data Schedule is an integral part of the Public and Indian Housing and Section 8 Housing Choice Vouchers programs. The U.S. Department of Housing and Urban Development (HUD) uses the schedule to compare housing authorities across the country, to estimate future funding needs, and to evaluate the overall effectiveness of the federal dollars spent for the programs. In accordance with 24 CFR §5.801, the Department is required to prepare and submit financial information electronically, in a form as prescribed by HUD, on an annual basis. However, the Pinal County Housing Department did not have adequate internal controls in place to ensure timely preparation and submission of the final Financial Data Schedule. As a result, the Department submitted the final fiscal year 2007 Financial Data Schedule over 12 months late and has yet to submit the final fiscal year 2008 Financial Data Schedule as of the date of this report.

This finding is considered a material weakness in internal control over compliance and material noncompliance with the program's reporting compliance requirements.

To comply with 24 CFR §5.801, the Department should strengthen internal controls over its reporting process to ensure timely completion and submission of its financial statements and supporting schedules prescribed by HUD.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-107

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2007 through June 30, 2008
Award Number: AZ01000108J
Reporting

Questioned Cost: Unknown

In accordance with 24 CFR §85.20(b)(6), the Pinal County Housing Department is required to ensure its accounting records are supported by source documentation. However, the Department did not have adequate internal control policies and procedures in place. As a result, it did not retain appropriate supporting documentation for formula expense and total unit months amounts included in the Operating Fund Calculation of Operating Subsidy and Calculation of Allowable Utilities Expense Level reports which could affect the amount of operating subsidy received from HUD. In addition, while these reports were reviewed and approved, the review did not include a mathematical accuracy check, and information was determined to be inaccurate for the sewerage and water consumption amounts and utilities expense level. It was not practical to extend our auditing procedures sufficiently to determine the extent of these errors.

This finding is considered a material weakness in internal control over compliance and material noncompliance with the program's reporting compliance requirements. This finding is similar to a prior-year finding.

To comply with 24 CFR §85.20(b)(6), the Department should maintain supporting documentation for all information included in its federal reports. In addition, to strengthen internal controls and help ensure that the reports are prepared accurately, all reports should be reviewed for accuracy prior to approval.

08-108

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2007 through June 30, 2008
Award Number: AZ01000108J
Equipment and Real Property Management

Questioned Cost: None

The Pinal County Housing Department is required by 24 CFR §85.20, to maintain effective control and accountability for all assets; however, the Department did not enforce its internal control policies and procedures to ensure it maintained an accurate capital asset listing. Specifically, for one of seven assets tested, auditors determined that the County included land in the amount of \$4,000 on the capital asset listing that it did not have title to. However, it was not practical to extend our auditing procedures sufficiently to determine if additional errors existed on the capital asset listing.

This finding is considered a significant deficiency in internal control over compliance and noncompliance with the program's equipment and real property management compliance requirement.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

To comply with 24 CFR §85.20, the Department should ensure the capital asset listing is accurate and reflects only assets owned by the County.

08-109

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**

U.S. Department of Housing and Urban Development

Award Year: July 1, 2007 through June 30, 2008

Award Number: AZ01000108D

Cash Management

Questioned Cost: None

The Pinal County Housing Department is required to maximize the housing assistance it provides to families. One way this can be accomplished is by depositing excess monies in an interest-bearing checking account. However, the Department did not implement policies and procedures to ensure this. At June 30, 2008, the Section 8 Housing Choice Vouchers program had a cash balance of more than \$280,000, which was not deposited in an interest-bearing account. In addition, the average monthly balance for fiscal year 2008 was approximately \$550,000. As a result, the Department did not earn interest to be spent on other approved program expenditures.

This finding is considered a significant deficiency in internal control over compliance and noncompliance with the program's cash management compliance requirement. This finding is similar to a prior-year finding.

To ensure the Department maximizes its cash to provide assistance to the families, the Department should invest excess cash balances in an interest-bearing account. Any interest earned should be reinvested in the program.

08-110

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**

U.S. Department of Housing and Urban Development

Award Year: July 1, 2007 through June 30, 2008

Award Number: AZ01000108D

Reporting

Questioned Cost: None

In accordance with 24 CFR §982.158, the Pinal County Housing Department must maintain complete and accurate accounts and other records for the program. However, the Department did not adequately enforce its internal control policies and procedures to ensure information is accurate on the HUD Family Report Form 50058. Specifically, for 8 of 64 recipient files tested, the Department did not correctly report the birth date on the HUD Family Report Form 50058. In addition, for 1 of 64 recipient files tested, the recipient's last name on the HUD Family Report Form 50058 did not agree to the recipient's birth certificate.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

This finding is considered a material weakness in internal control over compliance and material noncompliance with the program's reporting compliance requirements. This finding is similar to a prior-year finding.

To comply with 24 CFR §982.158, the Department should ensure all information is valid and accurately reported for the HUD Family Report Form 50058. A second employee should ensure that identified key line items are accurately reported on the HUD Family Report Form 50058.

08-111

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**

U.S. Department of Housing and Urban Development

Award Year: July 1, 2007 through June 30, 2008

Award Number: AZ01000108D

Reporting

Questioned Cost: None

In accordance with 24 CFR §85.20(b)(6), the Pinal County Housing Department is required to ensure accounting records are supported by source documentation. The Department maintains a separate general ledger system to record and account for its federal programs. However, the Department did not ensure that financial information was accurately reported to ensure compliance with the Section 8 Housing Choice Vouchers program reporting requirements. Specifically, for two reports tested, the Department did not accurately report federal expenditures for 5 of 24 line items tested on the Voucher for Payment of Annual Contributions and Operating Statement quarterly report and could not provide documentation for the FSS coordinator expense and number of hard-to-house families leased amount included on the reports. Further, the Voucher for Payment of Annual Contributions and Operating Statement quarterly reports were not being reviewed or approved by a second employee to ensure the information was accurate until April 2008 when a change in personnel occurred.

This finding is considered a material weakness in internal control over compliance and noncompliance with the program's reporting requirements. This finding is similar to a prior-year finding.

To comply with 24 CFR §85.20(b)(6), the Department should maintain supporting documentation for all information included in federal reports. In addition, to strengthen internal controls and ensure the reports are prepared accurately, a second employee should review and approve all federal reports prior to submission.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-112

CFDA No.: 93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**
U.S. Department of Health and Human Services, passed through the Arizona Department of Health Services

Award Year: April 1, 2002 through November 15, 2007 and April 1, 2007 through August 30, 2011

Award Numbers: 252035 and HG754203

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, and Reporting

Questioned Cost: \$25,463

The County is required by 45 CFR §92.20 to establish effective internal controls to ensure accurate, current, and complete disclosure of the financial activities in accordance with the financial reporting requirements. Further, 45 CFR §92.23 requires the County to only charge expenditures resulting from obligations of the funding period to the program. However, the County's Public Health Department did not have adequate internal control policies and procedures to ensure that the Contractor's Expenditure Reports (CER) submitted to the Arizona Department of Health Services (ADHS) were accurate. The County should only report federal expenditures paid under the program to the ADHS, and these reports should be reviewed and approved by a supervisor to verify amounts reported are accurate. However, the same employee prepared, reviewed, and approved the reports. As a result, the Department incorrectly reported federal expenditures of \$135,486 on the August 2007 report for award number 252035 for expenditures that were accrued but not yet paid. Auditors performed additional test work and determined that the Department did not maintain excess cash balances during the audit period. However, of the total expenditures reported for grant award number 252035, the Department was unable to identify \$25,003 in expenditures claimed in its accounting records. As a result, auditors were unable to determine that the expenditures occurred within the proper period of availability. In addition, the Department did not complete the July 2007 CER correctly, and requested and received reimbursement for \$460 in payroll related expenditures that were not program expenditures. These findings resulted in \$25,463 in questionable costs.

This finding is considered a significant deficiency in internal control over compliance and noncompliance with the program's activities allowed or unallowed, allowable costs/cost principles, cash management, period of availability, and reporting compliance requirements. This finding is similar to a prior-year finding.

To comply with 45 CFR §§92.20 and 92.23, the Department should separate the responsibilities of preparing, reviewing, and approving the expenditure reports in its accounting records. Also, the Department should record expenditures in a manner that they can be specifically identified by program. This will help ensure that federal expenditures are accurately reported to the Arizona Department of Health Services. In addition, the Department should only request reimbursement for true expenditures.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-113

CFDA No.: 93.563 **Child Support Enforcement**

U.S. Department of Health and Human Services, passed through the Arizona Department of Economic Security

Award Year: October 1, 2005 through September 30, 2010

Award Number: G-04-04-AZ-4004

Reporting

Questioned Cost: \$90

The County did not have adequate internal control policies and procedures to ensure that Child Support Enforcement expenditure reports submitted to the Arizona Department of Economic Security (ADES) were accurate because the reports were not reconciled to the County's accounting records. The County should reconcile federal expenditures to the accounting records to ensure that all amounts are properly reported and the correct amount is reimbursed from ADES. However, for three of eight reports tested, expenditures claimed did not reconcile to the County's accounting records resulting in expenditures being both under- and over-reported to the ADES. Auditors noted that, expenditures were overstated by \$90 in the reports tested. Also, during the fiscal year, the Family Law Commissioner's Office used an incorrect indirect cost rate for the period October 1, 2007 through June 30, 2008. As a result, auditors noted that the County did not report and receive reimbursement for \$4,674 in indirect cost expenditures.

This finding is considered a significant deficiency in internal control over compliance and noncompliance with the program's reporting compliance requirements. This finding is similar to a prior-year finding.

The County should ensure that all of its departments administering the Child Support Enforcement program prepare and reconcile its reports to the accounting records. In addition, the proper indirect costs rates should be used to calculate the proper amount of reimbursement for eligible expenditures.

08-114

CFDA No.: 93.563 **Child Support Enforcement**

U.S. Department of Health and Human Services, passed through the Arizona Department of Economic Security

Award Year: October 1, 2005 through September 30, 2010

Award Number: G-04-04-AZ-4004

Matching

Questioned Cost: Unknown

In order to be eligible to receive federal funding for the Child Support Enforcement program, the County is required to match 34 percent of the program's expenditures with county and other local funds. Therefore, it is essential that the County monitor the program's expenditures to ensure that it matches the proper amount. The County did not monitor the federal program to ensure that expenditures incurred by the three county departments administering the program were properly matched in accordance with the programs requirements. As a result, auditors noted that the County Attorney's Office did not match \$31,233. However, the County appears to have met their matching requirement, in total, as the Office of the Clerk of the Court and Family Law Commissioner's Office matched additional funds and reported less in eligible indirect cost expenditures.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

This finding is considered a significant deficiency in internal control over compliance and noncompliance with the program's matching compliance requirements. This finding is similar to a prior-year finding.

The County should establish controls that adequately monitor federal programs to ensure that each department is properly matching federal program expenditures in accordance with the program's requirements. These controls should require monthly reconciliations of amounts reported on the County's accounting records to amounts reported on the federal reimbursement claims.

08-115

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2007 through June 30, 2008
Award Number: AZ01000108J

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2007 through June 30, 2008
Award Number: AZ01000108D

Questioned Costs: None

Pinal County did not submit its Single Audit Reporting package within 9 months after the end of the audit period, which would have been March 31, 2009, as required by OMB Circular A-133, Subpart C, §.320. The County will submit its Single Audit Reporting Package 2 months late. The Pinal County Housing Department's internal control deficiencies over the Public and Indian Housing and Section 8 Housing Choice Vouchers programs contributed to the late issuance of its Single Audit Reporting Package. See findings 08-104 through 08-111 for additional information regarding these deficiencies.

This finding is considered a significant deficiency in internal controls over compliance and noncompliance with OMB Circular A-133 report submission requirements. This finding is similar to a prior-year finding.

To comply with OMB Circular A-133, Subpart C, §.320, the County should submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after the period subject to audit. Additionally, the County should ensure that all departments are prepared for the audit and have complied with applicable federal requirements.

Manuel González
Assistant County
Manager

Administrative
Services



Terry Doolittle
County Manager

May 27, 2009

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

Dear Ms. Davenport:

The accompanying responses to the financial statement findings and Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we 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.

Sincerely,

Yiannis Kalaitzidis, CPA
Finance Deputy Director

Pinal County
Corrective Action Plan
Year Ended June 30, 2008

Federal Award Findings and Questioned Costs

08-101

CFDA No.: 14.228 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Contact persons: Adeline Allen, Housing Director

Anticipated completion date: 5/29/09

We concur. The Housing Department will update internal procedures that will segregate the responsibilities for reviewing and approving all future cash management reports.

08-102

CFDA No.: 14.228 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

CFDA No.: 97.067 Homeland Security Grant Program

Contact person: Sharon Seekins, Purchasing Manager

Anticipated completion date: 9/30/08

After receiving the FY 2007 audit, Pinal County Purchasing buyers amended internal procedures to document the review of the GSA Excluded Parties List System (EPLS) website for purchases over \$25,000. Since September 2008, Pinal County Purchasing buyers have been attaching a printed copy of the EPLS inquiry for the awarded vendor. This documentation is attached with the purchase order. In February 2009, we also added a clause to the Uniform Terms and Conditions found in all formal solicitations, as follows:

4-7 GOVERNMENT DEBARMENT & SUSPENSION CERTIFICATION:
Responder certifies that it and any of its principals are not presently debarred, suspended, proposed for debarment or declared ineligible for the award of contracts by any Federal agency. Responder agrees that it complies with all requirements of Executive Order 12549 related to Government Debarment and Suspension (49CFR Part 29).

In addition to the above clause, formal solicitations also include a place for respondents to sign and reaffirm that they are not on the EPLS list.

08-103

CFDA No.: 14.228 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Contact person: Adeline Allen, Housing Director

Anticipated completion date: 6/30/09

The Housing Department has existing procedures for complying with 40 U.S. Code §3141 through §3144 and 29 CFR §5.5. Internal procedures will be updated to ensure

Pinal County
Corrective Action Plan
Year Ended June 30, 2008

that these procedures are communicated to all employees of the Department and properly used on all applicable programs. The Department will ensure that each contractor payroll certification report is reviewed for mathematical accuracy and compliance with the Davis-Bacon Act. In addition, the Department will ensure that all contractor submitted weekly payroll records are properly certified, or otherwise will withhold payment until the contractor comes in compliance with the Department's requirements.

08-104

CFDA No.: 14.850 Public and Indian Housing
14.871 Section 8 Housing Choice Vouchers
Contact person: Adeline Allen, Housing Director
Anticipated completion date: 7/15/08

The Housing Department has implemented procedures to ensure better controls over payroll expenditures between Section 8 and Public and Indian Housing programs. Currently, each employee completes a timesheet that allocates their hours by job description. In addition, receivables are no longer recorded for payroll. Finally, the Housing Department has implemented procedures to ensure that supporting documentation is maintained for the allocation of administrative costs.

08-105

CFDA No.: 14.850 Public and Indian Housing
14.871 Section 8 Housing Choice Vouchers
Contact person: Adeline Allen, Housing Director
Anticipated completion date: 6/30/09

The Housing Department is currently working with the IT Department to properly protect and control sensitive information recorded on the Lindsey Software System. Meetings with Lindsey, County IT, and the Housing Department continue in order to address the safeguarding of the server, a disaster recovery plan, policies and procedures detailing the level of account access needed by each employee, and system upgrades. Space where the server is located is now adequately cooled and the door can be closed and locked at all times. Back up tapes have been moved to a secured, fire proof location.

08-106

CFDA No.: 14.850 Public and Indian Housing
14.871 Section 8 Housing Choice Vouchers
Contact person: Adeline Allen, Housing Director
Anticipated completion date: 6/30/09

The Housing Department has hired an external auditor to audit and submit both the 2007 and 2008 Financial Data Schedule as soon as possible. As of the date of this report, the audited 2007 Financial Data Schedule has been submitted. Further, the Department will

Pinal County
Corrective Action Plan
Year Ended June 30, 2008

design and implement new internal procedures to ensure that all future reports and schedules are completed and submitted in a timely manner.

08-107

CFDA No.: 14.850 Public and Indian Housing
Contact person: Adeline Allen, Housing Director
Anticipated completion date: 8/1/08

The Housing Department has updated internal procedures and has been maintaining supporting documentation for all information included in its federal reports since August 2008. Further, the Department is strengthening internal controls and utilizing Excel spreadsheets as additional supporting documents and reviewing them to ensure accurate calculations.

08-108

CFDA No.: 14.850 Public and Indian Housing
Contact person: Adeline Allen, Housing Director
Anticipated completion date: 6/30/09

The Housing Department is planning to review all assets to ensure the accuracy of the capital asset listing.

08-109

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact person: Adeline Allen, Housing Director
Anticipated completion date: 6/30/09

The Housing Department will maximize its cash to provide assistance to families by investing excess cash balances in an interest-bearing account. Interest earned will be reinvested in the program.

08-110

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact person: Adeline Allen, Housing Director
Anticipated completion date: 9/1/08

The Housing Department is maintaining supporting documentation for all information included in federal reports. To ensure accuracy of the reports and strengthen internal controls, a supervisory review is being conducted prior to submission of reports.

08-111

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact person: Adeline Allen, Housing Director
Anticipated completion date: 9/1/08

Pinal County
Corrective Action Plan
Year Ended June 30, 2008

Section 8 Voucher for Payment quarterly reports will be reviewed and approved by a second employee to ensure the information is accurate. The Housing Department will maintain supporting documentation for all information included in federal reports.

08-112

CFDA No.: 93.283 Centers for Disease Control and Prevention – Investigations and Technical Assistance

Contact person: Kandi Harris, Administrative Manager

Anticipated completion date: 9/1/08

Public Health will separate the duties of preparing, reviewing, and approving the expenditure reports. The Administrative Clerk III prepares, the Accountant reviews, and the Assistant Director for Public Health for Central Support and Accounting approves the reports. In addition, the general ledger from the AS400 system is submitted to the Arizona Department of Health Services (ADHS) along with the expenditure report (CER) for their review prior to payment.

Public Health will not do an accrual against this grant for funds encumbered, but not yet paid. Public Health will send in expenditure reports only for actual expenditures. Public Health will send a list of items encumbered by the end of the funding cycle to ADHS. As these encumbered expenditures become actual expenditures, an expenditure report (CER) will be submitted to ADHS for payment.

08-113

CFDA No.: 93.563 Child Support Enforcement

Contact person: County Attorney: Michelle Krstyeen, Bureau Chief

Clerk of the Superior Court: Casimiro Hernandez, Finance Manager

Superior Court: Stephanie Jordan, Deputy Court Administrator

Anticipated completion date: 6/30/09

The County departments administering the Child Support Enforcement program will coordinate with each other, as necessary, and obtain technical and consulting advice from the Finance Department, to ensure all reports are reconciled properly to the accounting system and all such support is maintained to provide an appropriate audit trail.

Further, Court Administration has instituted a quarterly requirement to request, from the Finance Department in Pinal County, written verification (e-mail or memorandum) of the current “indirect cost” rate. Said rate will be used to correctly calculate the applicable indirect cost contained in the Certified Public Expenditures Report (CPER) submitted by Court Administration for the Family Law Commissioner.

Pinal County
Corrective Action Plan
Year Ended June 30, 2008

Additionally, Court Administration has created a check list that is used to verify that all information reported in the CPER is accurate by cross-checking salary information, hours worked, equipment costs, etc.

08-114

CFDA No.: 93.563 Child Support Enforcement

Contact person: County Attorney: Michelle Krstyen, Bureau Chief

Clerk of the Superior Court: Casimiro Hernandez, Finance Manager

Superior Court: Stephanie Jordan, Deputy Court Administrator

Anticipated completion date: 6/30/09

The three county departments that administer the Child Support Enforcement grant use multiple funding sources to provide matching funds for the Child Support enforcement program. The three county departments will coordinate with, and obtain advice from the Finance Department, as necessary, monitor the program, and reconcile all activity between the Child Support Enforcement reports and the financial accounting system, in order to ensure that all matching requirements are met at least annually by implementing internal reconciliation and review procedures.

08-115

CFDA No.: 14.850 Public and Indian Housing

14.871 Section 8 Housing Choice Vouchers

Contact person: Yiannis Kalaitzidis, Deputy Finance Director

Anticipated completion date: 3/31/10

As stated in the Summary Schedule of Prior Audit Findings, the County Finance Department developed and implemented procedures to submit the Single Audit Reporting package within 9 months of the County's fiscal year end, which is March 31st. Finance staff planned and met all audit cycle deadlines related to the County's Single Audit package. However, due to internal control deficiencies over the Public and Indian Housing and Section 8 Housing Choice Vouchers programs at the County's Housing Department the County's Single Audit Package was not available for the year ended June 30, 2008 by March 31, 2009. The Housing Department is taking corrective action to resolve the current year deficiencies (see responses 08-101 through 08-111 above). Further, the Finance Department is assisting the Housing Department in their efforts to contract with an external auditing firm that will allow a separate audit of the Housing Department to be completed in time to meet all Single Audit Package requirements for the upcoming audit cycle.



February 27, 2009

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

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards. This schedule also includes audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that were not corrected.

Due to the late completion of the fiscal year 2007 report, the findings were not known to the County until after June 30, 2008. As such, most of the findings were not corrected by that date. Several findings have either been partially or fully corrected as of the date of this letter.

Sincerely,

Yiannis Kalaitzidis, CPA
Finance Deputy Director

Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Status of Federal Award Findings and Questioned Costs

CFDA No.: 15.226 Payments in Lieu of Taxes
CFDA No.: 16.554 National Criminal History Improvement Program
CFDA No.: 20.218 National Motor Carrier Safety
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 90.401 Help America Vote Act Requirements Payments
CFDA No.: 93.563 Child Support Enforcement
Finding No.: 06-101
Status: Partially corrected

See response for finding 07-101 below.

CFDA No.: 20.218 National Motor Carrier Safety
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 93.563 Child Support Enforcement
Finding No.: 06-102
Status: Fully corrected

CFDA No.: 93.563 Child Support Enforcement
Finding No. 06-103
Status: Fully corrected

CFDA No.: 93.563 Child Support Enforcement
Finding No. 06-104
Status: Not corrected

See response for finding 07-112 below.

CFDA No.: 84.010 Title I Grants to Local Educational Agencies
Finding No. 06-105
Status: Fully corrected

CFDA No.: 84.010 Title I Grants to Local Educational Agencies
Finding No. 06-106
Status: Fully corrected

CFDA No.: 16.554 National Criminal History Improvement Program
CFDA No.: 20.218 National Motor Carrier Safety
Finding No. 06-107
Status: Not corrected

See response for finding 07-110 below.

Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

CFDA No.: 14.850 Public and Indian Housing
CFDA No.: 14.871 Section 8 Housing Choice Vouchers
CFDA No.: 15.226 Payments in Lieu of Taxes
CFDA No.: 20.218 National Motor Carrier Safety
CFDA No.: 84.357 Reading First Grant
CFDA No.: 93.283 Centers for Disease Control and Prevention – Investigations and
Technical Assistance
CFDA No.: 93.563 Child Support Enforcement
Finding No. 07-101
Status: Partially corrected

The County Finance Department developed and implemented procedures to correct this finding and submit the Single Audit Reporting package within 9 months of the County's 2008 fiscal year end, which was March 31, 2009. Finance staff planned and met all audit cycle deadlines related to the County's Single Audit package. However, due to internal control deficiencies over the Public and Indian Housing and Section 8 Housing Choice Vouchers programs at the County's Housing Department the County's Single Audit Package was not available for the year ended June 30, 2008 by the above deadline. As stated in the current year response to a similar finding, the Finance Department is coordinating with the Housing Department to ensure that the Single Audit Package is submitted on time for the fiscal year 2009 audit cycle.

Contact person: Yiannis Kalaitzidis, Finance Deputy Director

CFDA No.: 14.850 Public and Indian Housing
CFDA No.: 14.871 Section 8 Housing Choice Vouchers
CFDA No.: 15.226 Payments in Lieu of Taxes
CFDA No.: 20.218 National Motor Carrier Safety
CFDA No.: 84.357 Reading First Grant
CFDA No.: 93.283 Centers for Disease Control and Prevention – Investigations and
Technical Assistance
CFDA No.: 93.563 Child Support Enforcement
Finding No. 07-102
Status: Fully corrected

CFDA No.: 14.850 Public and Indian Housing
CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 07-103
Status: Not corrected

This finding was not corrected as of June 30, 2008 (see cover letter). However, this finding will be fully corrected as of June 30, 2009. The Housing Department has implemented procedures to ensure better controls over payroll expenditures between Section 8 and Public and Indian Housing programs. Currently, each employee completes a timesheet that allocates their hours by job description. In addition, receivables are no

Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

longer recorded for payroll. Finally, the Housing Department has implemented procedures to ensure that supporting documentation is maintained for the allocation of administrative costs.

Contact person: Adeline Allen, Housing Director
Anticipated completion date: 7/15/08

CFDA No.: 14.850 Public and Indian Housing
CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 07-104
Status: Not corrected

This finding was not corrected as of June 30, 2008 (see cover letter). However, this finding will be fully corrected as of June 30, 2009. The Housing Department is currently working closely with the County IT Department to properly protect and control sensitive information recorded on the Lindsey Software System. Meetings with Lindsey, County IT, and the Housing Department continue in order to address the safeguarding of the server, a disaster recovery plan, policies and procedures detailing the level of account access needed by each employee, and system upgrades. Space where the server is located is now adequately cooled and the door can be closed and locked at all times. Back up tapes have been moved to a secured, fire proof location.

Contact person: Adeline Allen, Housing Director
Anticipated completion date: 6/30/09

CFDA No.: 14.850 Public and Indian Housing
Finding No. 07-105
Status: Not corrected

This finding was not corrected as of June 30, 2008 (see cover letter). The Housing Department has made efforts to ensure that all necessary documentation pertaining to federal reports are maintained and are easily accessible. The Housing Department is strengthening internal controls and utilizing Excel spreadsheets as additional supporting documents and reviewing them to ensure accurate calculations. In addition, to ensure the reports are prepared accurately, the Director will electronically approve after review.

Contact person: Adeline Allen, Housing Director
Anticipated completion date: 8/1/08

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 07-106
Status: Partially corrected

This finding was not corrected as of June 30, 2008 (see cover letter). However, this finding will be fully corrected as of June 30, 2009. The Housing Department continually

Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

follows the HUD policies regarding Housing Choice Voucher Program to ensure that all eligible recipients are selected in accordance to the Pinal County Housing Division Administrative Plan. The Department will maximize its cash to provide assistance to families by investing excess cash balances in an interest-bearing account. Interest earned will be reinvested in the program

Contact person: Adeline Allen, Housing Director
Anticipated completion date: 6/30/09

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 07-107
Status: Not corrected

This finding was not corrected as of June 30, 2008 (see cover letter). However, this finding will be fully corrected as of June 30, 2009. The Housing Department has taken steps to obtain complete and accurate social security numbers for each applicant and for each member of the applicant's household who is at least six years of age. Currently, quality control measures have been implemented to make sure each social security number is accurately reported on the HUD Family Report Form 50058. In addition, to ensure accuracy of the reports and to strengthen internal controls, a supervisory review is being conducted prior to submission of reports.

Contact person: Adeline Allen, Housing Director
Anticipated completion date: 9/1/08

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 07-108
Status: Not corrected

This finding was not corrected as of June 30, 2008 (see cover letter). However, this finding will be fully corrected as of June 30, 2009. Section 8 Voucher for Payment quarterly reports will be reviewed and approved by a second employee to ensure the information is accurate. The Department will maintain supporting documentation for all information included in federal reports.

Contact person: Adeline Allen, Housing Director
Anticipated completion date: 9/1/08

CFDA No.: 84.357 Reading First State Grants
Finding No. 07-109
Status: Fully corrected

Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

CFDA No.: 93.283 Centers for Disease Control and Prevention – Investigations and Technical Assistance
Finding No. 07-110
Status: Not corrected

This finding was not corrected as of June 30, 2008 (see cover letter). However, this finding will be fully corrected as of June 30, 2009. The County has internal policies and procedures in place to ensure compliance with each grantor agency's Code of Federal Regulations, pertaining to administrative requirements, to verify that vendors are not suspended or debarred before entering into transactions with them to be paid with federal monies. The internal policies and procedures include reviewing the GSA Excluded Parties List System (EPLS) website for purchases over \$25,000. Also, a clause has been added to the Uniform Terms and Conditions form found in all formal solicitations for vendors to sign and reaffirm that they are not on the EPLS list.

Contact person: Sharon Seekins, Purchasing Manager
Anticipated completion date: 9/30/2008

CFDA No.: 93.283 Centers for Disease Control and Prevention – Investigations and Technical Assistance
Finding No. 07-111
Status: Not corrected

This finding was not corrected as of June 30, 2008 (see cover letter). However, this finding will be fully corrected as of June 30, 2009. Public Health will separate the duties of preparing, reviewing, and approving the expenditure reports. The Administrative Clerk III prepares, the Accountant reviews, and the Assistant Director for Public Health for Central Support and Accounting approves. In addition, the general ledger from the AS400 system is submitted to the Arizona Department of Health Services (ADHS) along with the expenditure report (CER) for their review prior to payment.

Public Health will not do an accrual against this grant for funds encumbered, but not yet paid. Public Health will send in expenditure reports only for actual expenditures. Public Health will send a list of items encumbered by the end of the funding cycle to ADHS. As these encumbered expenditures become actual expenditures, an expenditure report (CER) will be submitted to ADHS for payment.

Contact person: Kandi Harris, Administrative Manager
Anticipated completion date: 9/1/2008

Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

CFDA No.: 93.563 Child Support Enforcement
Finding No. 07-112
Status: Not corrected

The Child Support Enforcement grant is administered by three different departments/offices at Pinal County. The departments will coordinate with each other, as necessary, and obtain technical and consulting advice from the Finance Department, to ensure all reports are reconciled properly to the accounting system and all such support is maintained to provide an appropriate audit trail.

Further, Court Administration has instituted a quarterly requirement to request, from the Finance Department in Pinal County, written verification (e-mail or memorandum) of the current "indirect cost" rate. Said rate will be used to correctly calculate the applicable indirect cost contained in the Certified Public Expenditures Report submitted by Court Administration for the Family Law Commissioner.

Additionally, a check list has been created and is used to verify that all information reported in the CPER is accurate by cross-checking salary information, hours worked, equipment costs, etc.

Contact person: County Attorney: Michelle Krstyen, Bureau Chief
Clerk of the Superior Court: Casimiro Hernandez, Finance Manager
Superior Court: Stephanie Jordan, Deputy Court Administrator

Anticipated completion date: 06/30/09

CFDA No.: 93.563 Child Support Enforcement
Finding No. 07-113
Status: Not corrected

This finding was not corrected as of June 30, 2008 (see cover letter). However, this finding will be fully corrected as of June 30, 2009. The three county departments that administer the Child Support Enforcement grant use multiple funding sources to provide matching funds for the Child Support Enforcement program. The departments will coordinate with, and obtain advice from the Finance Department, as necessary, monitor the program, and reconcile all activity between the Child Support Enforcement reports and the financial accounting system, in order to ensure that all matching requirements are met at least annually by implementing internal reconciliation and review procedures.

Contact person: County Attorney: Michelle Krstyen, Bureau Chief
Clerk of the Superior Court: Casimiro Hernandez, Finance Manager
Superior Court: Stephanie Jordan, Deputy Court Administrator

Anticipated completion date: 06/30/09

Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

CFDA No.: 93.563 Child Support Enforcement
Finding No. 07-114
Status: Fully corrected