

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

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**Year ended June 30, 2012**

**Pinal County, Arizona  
Single Audit Reporting Package  
Year ended June 30, 2012**

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**Report Issued Separately**

Comprehensive Annual Financial Report

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards***

The Auditor General of the State of Arizona

The Board of Supervisors of  
Pinal County, Arizona

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pinal County, Arizona (the "County") as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 18, 2013. Our report was modified to include a reference to our reliance on other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Housing and Community Development Fund and the Employee Benefit Trust Fund, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, our report, insofar as it relates to the results of the other auditors, is based solely on the reports of other auditors.

**Internal Control over Financial Reporting**

The County's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We and the other auditors did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2012-001, 2012-002, and 2012-003 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County in a separate letter dated March 15, 2013.

The County's responses to the findings identified in our audit are presented on pages 22 through 27. 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 Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, others within the County, 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.

*Walker & Armstrong LLP*

Phoenix, Arizona  
March 15, 2013



**Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program  
and on Internal Control over Compliance in Accordance with OMB Circular A-133**

The Auditor General of the State of Arizona

The Board of Supervisors of  
Pinal County, Arizona

**Compliance**

We have audited Pinal County's (the "County") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012, except for that portion of the federal programs administered by the Housing Department of Pinal County ("Housing Department"). The Housing Department was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the compliance of that entity with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement, is based solely on the report of the other auditors. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. 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 and the report of other auditors.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As discussed in Note 3 to the Schedule of Expenditures of Federal Awards and item 2012-102 in the accompanying Schedule of Findings and Questioned Costs, a correction was made to report expenditures incurred in prior years under a different Catalog of Federal Domestic Assistance number. Due to the period of time that lapsed between when the expenditures were incurred and when the source of reimbursement was identified, we were unable to obtain sufficient documentation supporting the County's compliance with the Davis-Bacon Act and procurement, suspension and debarment requirements of the Highway Planning and Construction program. Furthermore, we were unable to satisfy ourselves as to the County's compliance with those requirements by performing other auditing procedures.

Also, as described in item 2012-104 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding eligibility that are applicable to its Section 8 Housing Choice Vouchers program. Compliance with such requirements is necessary, in our opinion, based on the report of the other auditors, for the County to comply with the requirements applicable to that program.

In our opinion, based on our audit and the report of other auditors, except for the noncompliance described in the preceding paragraph, and the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the County's compliance with the requirements of its Highway Planning and Construction program in relation to the Davis-Bacon Act and procurement, suspension and debarment compliance requirements, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 that are described as items 2012-101 and 2012-103 in the accompanying Schedule of Findings and Questioned Costs.

### **Internal Control over Compliance**

The County's management is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we and the report of the other auditors identified a deficiency in internal control over compliance considered to be a material weakness and other deficiencies considered to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. The deficiency in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-104 is considered to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-101 and 2012-103 to be significant deficiencies.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2012, and have issued our report thereon dated February 18, 2013, that contained an unqualified opinion on those financial statements. Our report was modified to include a reference to our reliance on other auditors. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described previously and the report of the other auditors, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The County's responses to the findings identified in our audit are presented on pages 22 through 27. 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 Auditor General of the State of Arizona, the Board of Supervisors, management, others within the County, 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.

*Walker & Armstrong LLP*

Phoenix, Arizona  
March 15, 2013, except for the Schedule of  
Expenditures of Federal Awards, for which the date  
is February 18, 2013



**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Arizona Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	ED09-0001	\$ 23,463
National School Lunch Program	10.555	ED09-0001	54,066
Summer Food Service Program for Children	10.559	ED09-0001	4,616
Total Child Nutrition Cluster			82,145
<i>Passed through Arizona Department of Health Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG050282/ADHS11-004679	1,332,548
Commodity Supplemental Food Program	10.565	HG861138/ADHS12-010886	38,776
WIC Farmers' Market Nutrition Program (FMNP)	10.572	ADHS11-004679	500
Senior Farmers Market Nutrition Program	10.576	HG861328 & E0038172	455
Schools and Roads—Grants to States	10.665		226,003
Law Enforcement Agreement—Tonto National Forest	10.006 11-LE- 11031200-003		15,768
<i>Total U.S. Department of Agriculture</i>			1,696,195
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Community Development Block Grants/Entitlement Grants	14.218		298,608
<i>Passed through the Arizona Department of Housing</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	161-09, 114-11, 138-10, 137-12, 103- 12	343,781
<i>Passed through the Community Action Human Resources Agency</i>			
Supportive Housing Program	14.235	None	94,316
<i>Passed through the City of Phoenix</i>			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	72838	42,745
Public and Indian Housing	14.850a		643,714
Residential Opportunity and Supportive Services - Service Coordinators	14.870		60,930
Section 8 Housing Choice Vouchers	14.871		3,125,920 *
Public Housing Capital Fund	14.872		235,542
<i>Total U.S. Department of Housing and Urban Development</i>			4,845,556
<b><u>U.S. Department of the Interior</u></b>			
Payments in Lieu of Taxes	15.226		1,146,328
<i>Passed through the Bureau of Land Management, Arizona State Office</i>			
Bureau of Land Management Law Enforcement Assistance	15.unknown	LO8PX00133	32,550
<i>Total U.S. Department of the Interior</i>			1,178,878

\* Audited by other auditors.

The accompanying notes are an integral  
part of this schedule.

**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards - (Continued)**  
**Year ended June 30, 2012**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Justice</u></b>			
DEA—Domestic Cannabis Eradication and Suppression Program	16.unknown		\$ 679
DEA Task Force Agreement	16.unknown		13,646
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
Juvenile Accountability Block Grants	16.523	JB-CSG-11-1273-10, JB-CSG-12-2366-06	19,673
<i>Passed through the City of Phoenix Police Department</i>			
Missing Children's Assistance	16.543	2009-MC-CX-K013	4,972
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
Violence Against Women Formula Grants	16.588	ST-WSG-09-9365-10Y3, ST-WSG-12-2366-02, ST-WSG-12-2366-06, ST-WSG-09-9365-18Y3	219,285
State Criminal Alien Assistance Program	16.606		115,075
Justice Assistance Grant Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		18,878
<i>Passed through Arizona Criminal Justice Commission</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-12-006, DC-12-049	350,042
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	DC-10-006	20,280
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments	16.804		24,289
Total Justice Assistance Grant Cluster			<u>413,489</u>
Total U.S. Department of Justice			786,819
<b><u>U.S. Department of Transportation</u></b>			
Airport Improvement Program	20.106		47,034
<i>Passed through Arizona Department of Transportation</i>			
ARRA - Highway Planning and Construction	20.205	JPA 10-133-I/ER-PPN-0(206)	1,310,560
<i>Passed through Arizona Governor's Office of Highway Safety</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	2011-PT-012, 2012-PT-027	23,889

The accompanying notes are an integral part of this schedule.

**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>U.S. Department of Transportation - continued</u></b>			
<i>Passed through Arizona Governor's Office of Highway Safety - continued</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	2012-410-024	\$ 45,806
Total Highway Safety Cluster			69,695
<i>Passed through Arizona Emergency Response Commission</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	None	16,119
Total U.S. Department of Transportation			1,443,408
<b><u>U.S. Department of Energy</u></b>			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128		303,299
<b><u>U.S. Department of Education</u></b>			
<i>Passed through Arizona Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	12FT1TTI-260979-02A	98,840
Special Education__Grants to States	84.027	12FESCGB-260979-01A	32,187
<i>Passed through University of Arizona</i>			
Federal Work-Study Program	84.033	None	5,087
<i>Passed through Arizona Department of Education</i>			
Educational Technology State Grants	84.318	12FETETF-260979-06A	181
<i>Passed through Arizona Department of Education</i>			
Improving Teacher Quality State Grants	84.367	12FT2TII-260979-03A	11,475
ARRA - Recovery Act - Title I Grants to Local Educational Agencies	84.389	12FT1ACS-260979-08A	10,121
<i>Passed through Arizona Governor's Office of Economic Recovery</i>			
ARRA - Recovery Act - State Fiscal Stabilization Fund (SFSF) - Government Services	84.397	OER-11-IGA-GS-164	14,397
<i>Passed through Arizona Governor's Office of Highway Safety</i>			
ARRA - Recovery Act - State Fiscal Stabilization Fund (SFSF) - Government Services	84.397	P001-2011-001434; 2011-082	34,856
Total for the State Fiscal Stabilization Cluster			49,253
<i>Passed through Arizona Department of Education</i>			
ARRA - Recovery Act - Education Jobs Fund	84.410	12FT1EJB-260979-07A	936
Total U.S. Department of Education			208,080
<b><u>Election Assistance Committee</u></b>			
<i>Passed through Arizona Secretary of State</i>			
Help America Vote Act Requirements Payments	90.401	None	96,453

The accompanying notes are an integral  
part of this schedule.

**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards (Continued)**  
**Year ended June 30, 2012**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Passed through Arizona Department of Health Services</i>			
Public Health Emergency Preparedness	93.069	HG754203/ADHS12-007895	\$ 604,200
<i>Passed through Arizona Family Planning Council</i>			
Family Planning Services	93.217	None	412,370
<i>Passed through Arizona Department of Health Services</i>			
Immunization Cooperative Agreements	93.268	HG854292	177,947
<i>Passed through Arizona Department of Economic Security</i>			
Child Support Enforcement	93.563	G1104AZ4004 AZ1104AZ4004 DE111168001	2,096,037
Grants to States for Access and Visitation Programs	93.597	DE111151001	11,173
<i>Passed through the Arizona Governor's Office for Children, Youth, and Families</i>			
Children's Justice Grants to States	93.643	CJ-CSG-11-1273-05Y2 CJ-CSG-11-1273-05	6,448
<i>Passed through the Arizona Department of Health Services</i>			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	HG761268	129,729
HIV Prevention Activities_Health Department Based	93.940	HG852273 #3 & #5	25,820
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	HG854501	10,105
Preventive Health and Health Services Block Grant	93.991	HG854375	22,428
<i>Total U.S. Department of Health and Human Services</i>			3,496,257
<b><u>Executive Office of the President</u></b>			
<i>Passed through the City of Tucson Police Department</i>			
High Intensity Drug Trafficking Areas Program	95.001	HT21-11-1815	38,406
<i>Passed through the City of Tucson Police Department</i>			
High Intensity Drug Trafficking Areas Program	95.001	HT20-10-1815, HT19-09-1815, 2010-SWB-ARIZONA G10SA007A	116,561
<i>Total Executive Office of the President</i>			154,967
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>			
Emergency Management Performance Grants	97.042	EMW-2011-EP-APP-00006 & EMW-2012-EP-00003	190,005
<i>Passed through the Arizona Department of Homeland Security</i>			
Interoperable Emergency Communications	97.055	10-AZDOHS-IECGP-777312-01	32,200
Homeland Security Grant Program	97.067	10-AZDOHS-OPSG-777318-01, 10-AZDOHS-HSGP 777208-03, C-50-12-045-G-00, 11-AZDOHS-OPSG-888307-03, 11-AZDOHS-OPSG-888307-02	355,227
<i>Total U.S. Department of Homeland Security</i>			577,432
<b>Total Expenditures of Federal Awards</b>			\$ 14,787,344

The accompanying notes are an integral  
part of this schedule.

**Pinal County, Arizona**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2012**

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**Note 1 - Basis of Accounting**

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

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2012 *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 – Correction of Prior Years' Schedule of Expenditures of Federal Awards**

During the 2007 fiscal year, \$236,500 in expenditures pertaining to a disaster were reported under CFDA No. 97.036, *Disaster Grants-Public Assistance (Presidentially Declared Disasters)*, which was passed through the Arizona Department of Emergency and Military Affairs (ADEMA). No additional amounts were previously reported for this disaster. CFDA No. 97.036 was the source of federal funding originally identified by ADEMA for reimbursement to the County. ADEMA subsequently reimbursed the County in 2012 for expenditures incurred from 2005 through 2011 pertaining to the disaster in an amount totaling \$1,310,560 using federal funds from CFDA No. 20.205, *ARRA-Highway Planning and Construction*. Accordingly, total expenditures pertaining to this disaster are being reported in 2012 under CFDA No. 20.205.

**Note 4 - Subrecipient**

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	\$231,841

**Pinal County, Arizona**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2012**

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**Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:

Unqualified	
Yes	No
	X
X	
	None reported

**Internal control over financial reporting:**

Material weaknesses identified

Significant deficiencies identified

Noncompliance material to the financial statements noted?

**Federal Awards**

**Internal control over major programs:**

Material weaknesses identified

Significant deficiencies

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

X	
X	
Unqualified for all major programs except for the Section 8 Housing Choice Vouchers and Highway Planning and Construction programs, which were qualified	

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

X	
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## Schedule of Findings and Questioned Costs - Continued

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### Summary of Auditors' Results - Continued

Identification of major programs:

CFDA No.	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.871	Section 8 Housing Choice Vouchers
15.226	Payments in Lieu of Taxes
	<i>Justice Assistance Grant Program Cluster:</i>
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
16.804	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments
20.205	ARRA – Highway Planning and Construction
81.128	ARRA – Energy, Efficiency, and Conservation Block Grant
93.069	Public Health Emergency Preparedness
93.217	Family Planning Services

Dollar threshold used to distinguish between Type A and Type B programs: \$443,620

Auditee qualified as a low risk auditee? X

**Other Matters:**

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

## Schedule of Findings and Questioned Costs - Continued

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

#### **2012-001 – Improve Internal Controls over Bank Reconciliations**

**Condition:** Bank reconciliations completed by the County's Maricopa and Eloy Justice Courts were not being performed correctly. Specifically, the bank balances at month-end were not reconciled to accounting records as of the same month-end date. Also, the Treasurer's Office is reporting checks that have been outstanding for more than one year.

**Recommendation:** We recommend that all bank reconciliations be prepared accurately and reviewed on a monthly basis. The reconciliations should be prepared and reviewed by individuals with the appropriate level of knowledge of accounting. This encompasses bank accounts that are maintained by County departments outside the Finance Department.

We also recommend that warrants outstanding for more than one year be voided in accordance with the Uniform Accounting Manual for Arizona County Treasurers (Section IV-C-6).

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

#### **2012-002 – Improve Internal Controls over Reporting of Treasurer's Balances**

**Condition:** The County incorrectly reported in the financial statements Treasurer's cash pertaining to a separate legal entity that is not part of the County's reporting entity. This resulted in a restatement of beginning net assets/fund balances totaling \$2.3 million.

**Recommendation:** During the financial statement preparation process, we recommend that the County implement policies and procedures necessary to properly identify and report Treasurer's cash balances for inclusion in the County reporting entity. The County should exclude from the reporting entity balances pertaining to separate legal entities that are not component units.

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

#### **2012-003 – Improve Internal Controls over Reporting Capital Assets**

**Condition:** During 2012, as a result of transitioning depreciation programs, errors were noted in the calculation of prior years' depreciation due to a system reporting error which resulted in a restatement of beginning net assets. Also, there was a classification error pertaining to capitalized software of the County's Long-Term Care Fund (an enterprise fund of the County) that resulted in a material reclassification between machinery and equipment and intangibles. These errors were identified by the County and corrected during the financial reporting process.



## Schedule of Findings and Questioned Costs - Continued

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### B. Financial Statement Findings - Continued

**Recommendation:** We recommend that the County continue to implement procedures to centralize the reporting of capital assets into one depreciation program. We also recommend that policies and procedures regarding capital asset thresholds, useful lives and asset classifications be implemented on a County-wide basis.

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

### C. Federal Award Findings

#### 2012-101 - Improve the Reporting of Grant Expenditures

**CFDA Numbers:** 20.205; 81.128

**Program Titles:** ARRA - Highway Planning and Construction;  
ARRA - Energy Efficiency and Conservation Block Grant (EECBG) Program

**Federal Agencies:** U.S. Department of Transportation Passed through the State of Arizona,  
Department of Transportation;  
U.S. Department of Energy

**Award Years:** N/A; November 16, 2009 through November 15, 2012

**Award Numbers:** JPA 10-133-I/ER-PPN-0(206); DE-EE0000855

**Compliance Requirements Affected:** Reporting

**Questioned Costs:** None

**Condition:** During our testing of the Highway Planning and Construction grant's reporting requirements, financial reports for expenditures pertaining to this grant were not submitted in accordance with Section 1512 of the American Recovery and Reinvestment Act (ARRA). In addition, the funding source was not identified when the expenditures were incurred, accordingly, the PR-20, *Voucher for Work Under Provisions of the Federal-Aid and Federal Highway Acts* reports were not submitted.

Also during our testing of the Energy Efficiency and Conservation Block Grant, for seven of nine expenditures tested, the quarterly reports submitted to the funding agency did not properly report expenditures incurred in the correct reporting period. Instead, expenditures incurred during a fiscal quarter were reported in subsequent quarters which resulted in incorrect financial reporting.

**Criteria, Cause and Effect:** Section 1512 of ARRA requires that quarterly reports be submitted to the funding agency reporting the expenditures incurred by quarter for the program. For the Highway Planning and Construction grant, the cause was that expenditures were incurred from 2005 through 2010, however, the source of funding was not identified until 2011. For the Energy Efficiency and Conservation Block Grant, the cause was a lack of timely submittal of invoices for reimbursement by subrecipients.

## Schedule of Findings and Questioned Costs - Continued

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### C. Federal Award Findings - Continued

The effect on the Highway Planning and Construction grant was that expenditures incurred on the project were not reported as expended ARRA monies nor were the expenditures reported using PR-20, *Voucher for Work Under Provisions of the Federal-Aid and Federal Highway Acts*.

The effect for the Energy Efficiency and Conservation Block Grant was that expenditures were not reported for this grant in their respective quarters in accordance with program requirements and the County was not reimbursed for expenditures incurred in a timely manner.

**Recommendation:** We recommend that the County implement policies and procedures pertaining to the identification of reporting requirements and the timely submittal of expenditure information by subrecipients to allow for the accurate reporting of program expenditures.

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

#### **2012-102 - Improve Coordination Regarding Compliance Documentation**

**CFDA Number:** 20.205

**Program Title:** ARRA - Highway Planning and Construction

**Federal Agency:** U.S. Department of Transportation Passed through the State of Arizona,  
Department of Transportation

**Award Number:** JPA 10-133-I/ER-PPN-0(206)

**Award Period:** N/A

**Compliance Requirements Affected:** Reporting, Davis-Bacon Act and Procurement, Suspension and Debarment

**Questioned Costs:** None

**Condition:** During 2012, the County was reimbursed \$1,310,560 for a disaster that occurred in 2005. During the time the work was being performed, the County and the State of Arizona were expecting reimbursement from the Federal Emergency Management Agency (FEMA). However, the classification of the road affected by the disaster was subsequently changed which made the County ineligible for reimbursement from FEMA for this disaster. The Department of Transportation subsequently approved reimbursing the County for these expenditures.

At the time the funding source was identified and subsequently reimbursed, the County did not identify the reimbursement as reportable on the Schedule of Expenditures of Federal Awards (SEFA) since the expenditures were incurred in prior years. When the error was noted by the auditors, the County subsequently corrected the SEFA. Also, the County did not retain documentation supporting compliance with the Davis-Bacon Act since the original identified source of funding did not require compliance with the Act. In addition, documentation supporting compliance with procurement, suspension and debarment was not retained since the County's document retention policy had lapsed. As a result, we were unable to perform sufficient procedures to determine whether the County complied with these compliance requirements.

## Schedule of Findings and Questioned Costs - Continued

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### C. Federal Award Findings - Continued

**Criteria, Cause and Effect:** The Highway Planning and Construction program requires that recipients follow the provisions of the Davis-Bacon Act and procurement, suspension and debarment. Furthermore, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires that expenditures of awards be reported on the SEFA at the time the expenditures are incurred. If the source of funding is unknown, recipients should report the expenditure when reimbursed by the funding agency. The cause was a significant lapse of time between when the expenditures were incurred and when the funding source was approved. Furthermore, there was a lack of internal procedures necessary to identify such an anomaly. The effect was that the original SEFA did not identify the source of reimbursement for the disaster. Also, insufficient documentation existed to support compliance with the Davis-Bacon Act and the provisions of the procurement, suspension and debarment requirements.

**Recommendation:** We recommend that the County improve the communication between departments administering the grants and those responsible for preparing the SEFA to identify amounts required to be reported. Also, at the time the source of federal funding is identified, we recommend that the department responsible for administering the program evaluate the applicability of requirements that may affect compliance and the availability of documentation supporting compliance.

#### 2012-103 - Improve Subrecipient Monitoring

**CFDA Number:** 81.128

**Program Title:** ARRA - Energy Efficiency and Conservation Block Grant (EECBG) Program

**Federal Agency:** U.S. Department of Energy

**Award Number:** DE-EE0000855

**Award Period:** November 16, 2009 through November 15, 2012

**Compliance Requirement Affected:** Subrecipient monitoring

**Questioned Costs:** None

**Condition:** The County was unable to demonstrate compliance with the subrecipient monitoring requirements of this program. The County passed through program monies totaling \$231,841 to several municipalities within the County's boundaries in which the County did not document monitoring of the municipalities' procurement practices or compliance with the Davis-Bacon Act.

## Schedule of Findings and Questioned Costs - Continued

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### C. Federal Award Findings - Continued

**Criteria, Cause and Effect:** The Grants Management Common Rule, as codified by 7 CFR 600 requires recipients of federal awards to monitor subgrantees compliance with the requirements of federal grants. The cause pertains to the County retaining a third party to assist with the administration of the grant. However, responsibility for subrecipient monitoring was not addressed as part of this agreement. The effect is an increased risk that the federal funding was not ultimately expended in a manner that complies with the grant's requirements or federal regulations.

**Recommendation:** We recommend that the County establish policies and procedures to review the County's contractual relationships with recipients of federal grant and contract monies to determine if a vendor or subrecipient relationship exists. When a subrecipient relationship exists, we recommend that the County perform monitoring of compliance with the requirements of the federal award including compliance with procurement and Davis-Bacon Act requirements.

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

#### 2012-104 – Improve Internal Controls and Compliance over Eligibility

**CFDA Number:** 14.871

**Federal Agency:** U.S. Department of Housing and Urban Development

**Program Title:** Section 8 Housing Choice Vouchers

**Award Number:** AZ010AF

**Award Period:** July 1, 2011 through June 30, 2012

**Compliance Requirement Affected:** Eligibility

**Questioned Costs:** None

**Condition:** The County does not perform third party income verifications at least annually for all Section 8 tenants. Of the 40 tenant files reviewed, 2 had third party income verifications that were less often than the required “at least annual” requirement. The time between third party income verifications for the two in question were 17 and 24 months.

**Criteria, Cause and Effect:** The Public Housing Authority (PHA) must conduct a reexamination of family income and composition at least annually. The PHA must obtain and document in the tenant file third party verification the following factors, or must document in the tenant file why third party verification was not available; (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income based rent (24 CFR section 982.516).

## Schedule of Findings and Questioned Costs - Continued

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### C. Federal Award Findings - Continued

The cause is that when a Section 8 tenant moves to a new residence the "effective date" or date the annual re-examination and third party verification occur changes from the old date to the date of the move. The County has not been performing a third party income verification at the time of the move.

Because the third party income verification was not performed at the time of the move the time between income verification has been 12 months plus the time between the old effective date and the new effective date. The effect is that the County is not in compliance with Section 8 program guidelines as outlined in 24 CFR section 982.516.

***Recommendation:*** The Authority should change their policy and always perform full reexaminations including third party income verification for all moving tenants and ensure that the verification is documented and maintained in the tenant file.

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

**Pinal County, Arizona**  
**Summary Schedule of Prior Audit Findings**  
**Year ended June 30, 2012**

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**2011-101 - Improve the Reporting of Grant Expenditures**

**CFDA Number:** 84.397

**Federal Agency:** U.S. Department of Education, Passed through the State of Arizona Governor's Office of Economic Recovery

**Program Title:** State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

**Award Number:** OER-11-IGA-GS-36

**Award Period:** October 1, 2010 through September 30, 2011

**Questioned Costs:** None

**Condition:** Based on the auditors' testing of compliance with the program's reporting requirement, financial reports for expenditures pertaining to economic development were not submitted to the State Governor's Office until September 2011. Submission of these reports is required on a quarterly basis.

**Recommendation:** The auditors recommended that the reporting requirements for grants and contracts be carefully reviewed and that required reports be submitted in accordance with the established timeframe.

**Status:** This program ended effective September 30, 2011 and the award was fully expended during the 2012 fiscal year. However, this finding was applicable through the end of the grant period that extended through FY 2012.

**2011-102 - Improve Subrecipient Monitoring**

**CFDA Number:** 84.397

**Federal Agency:** U.S. Department of Education, Passed through the State of Arizona Governor's Office of Economic Recovery

**Program Title:** State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

**Award Number:** OER-11-IGA-GS-36

**Award Period:** October 1, 2010 through September 30, 2011

**Questioned Costs:** None

**Condition:** The auditors noted that during 2011, \$50,000 was passed through to a nonprofit subrecipient for economic development within the County which is an allowable activity. However, the County did not obtain financial reports from the subrecipient reporting detail on how the monies were expended.

## Summary Schedule of Prior Audit Findings - Continued

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### C. Federal Award Findings - Continued

**Recommendation:** The auditors recommended that the County establish policies and procedures to review the County's contractual relationships with recipients of federal grant and contract monies to determine if a vendor or subrecipient relationship exists. When a subrecipient relationship exists, the auditors recommended that the County perform subrecipient monitoring including obtaining financial reports and reviewing for consistency with the program requirements and allowability.

**Status:** This program ended effective September 30, 2011 and the award was fully expended during the 2012 fiscal year. However, this finding was applicable through the end of the grant period that extended through FY 2012.

#### 2011-103 - Improve Participant File Documentation

**CFDA Number:** 10.557  
**Federal Agency:** U.S. Department of Agriculture, Passed through the Arizona Department of Health Services  
**Program Title:** Special Supplemental Nutrition Program for Women, Infants, and Children  
**Award Number:** HG861086 and HG050282  
**Award Period:** October 1, 2010 through September 30, 2011  
**Questioned Costs:** None

**Condition:** The auditors noted that the program was not maintaining the required participant related documentation in accordance with the intergovernmental agreement with the Arizona Department of Health Services. Forty program participant files were tested and the missing documentation follows:

- One participant files did not have a signed rights and obligations form.
- One participant files did not have the blood work consent form.
- Four participant files did not have documentation supporting that program support training was provided to the participant.

**Recommendation:** The auditors recommended that internal controls over participant file documentation be improved so that sufficient evidence exists supporting the County's verification of participant information and the performance of required functions pursuant to the terms of the intergovernmental agreement.

**Status:** This finding was corrected.

Himanshu Patel  
Interim Assistant  
County Manager

Administrative  
Services



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Fritz Behring  
County Manager

March 15, 2013

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

Dear Sirs:

The accompanying responses to the financial statement findings and to the federal award finding have been prepared as required by U.S. Office of Management and Budget Circular A-133 and are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's financial statement findings and Schedule of Findings and Questioned Costs. Responses have been prepared by the responsible departments or office(s) of elected officials, as identified in the respective findings.

Sincerely,

Yiannis Kalaitzidis, CPA  
Finance Director

FINANCE





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## **Responses to Financial Statement Findings**

### **2012-001**

Improve Internal Controls over Bank Reconciliations

Responses are shown by department/elected official below.

#### Department: Finance

Contact person: Yiannis Kalaitzidis, Finance Director

Anticipated Completion date: 6/30/13

The Finance Department will coordinate with Court staff to provide any training and information requested that will allow the courts to develop and implement appropriate bank reconciliation procedures.

#### Treasurer's Office

Contact person: Levi Gibson, Chief Deputy Treasurer

Completion date: N/A

The Pinal County Treasurer's Office is committed to safeguarding all monies entrusted to our office. Warrants are issued by the Treasurer's office on behalf of clients, such as School Districts, Special Districts, etc. The Treasurer monitors outstanding warrants and notifies clients on a regular and frequent basis of any that have been outstanding for more than a year. Outstanding warrants are included on each monthly statement, in addition, a quarterly report of warrants outstanding is provided to each client. Each client of the Treasurer's Office maintains separate financial systems that may interface electronically with the Treasurer's office accounts. As such, clients are responsible to ensure that all outstanding checks are reconciled and cancelled on their individual financial systems rather than at the Treasurer's office. Cancellation of warrants by the Treasurer's Office could create reconciliation issues for client's accounting records.

### **2012-002**

Improve Internal Controls over Reporting of Treasurer's Balances

Contact person: Yiannis Kalaitzidis, Finance Director

Anticipated Completion date: Implemented

This finding is the result of the County updating financial statement preparation processes. Prior to the commencement of the audit, we determined that some Treasurer balances were misclassified in the County financial statements. The County processed a restatement of beginning fund balances. Compilation and preparation procedures have been updated to avoid this issue in the future.



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**2012-003**

Improve Internal Controls over Reporting Capital Assets

Contact person: Yiannis Kalaitzidis, Finance Director

Anticipated Completion date: Implemented

The County Finance Department continues to improve the reporting and accounting of capital assets. We continue to work with individual departments to share information that properly report all relevant information, including capital asset thresholds, useful lives and asset classifications, in the County's financial statements.



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## Responses to Federal Award Findings

### 2012-101

CFDA No: 20.205; 81.128

Program Title: ARRA – Highway Planning and Construction;  
ARRA – Energy Efficiency and Conservation Block Grant (EECBG) Program

Responses are shown by department below.

The County makes every effort to comply with all requirements, including contractual and Federal grantor requirements.

#### Department: Public Works

Contact person: Tina Lawson, Business Manager, Public Works

Anticipated Completion date: 6/30/13

The Highway Planning and Construction grant was awarded to the County after all construction on the project was completed. The timing of this award is an anomaly, as most awards take place prior to, or in the early stages of construction. Thus, the County did not expect the project to be funded by the federal agency. As a result, County personnel were unable to respond to all the grant compliance requirements, as those requirements were not applicable during construction. The Department of Public Works will coordinate with the Finance Department to determine what procedures, if any, may be implemented to account for similar situations in future periods.

#### Department: Finance

Contact person: Kolya McCleave, Grants Coordinator

Anticipated Completion date: 6/30/13

The County experienced turnover in the position monitoring the Energy Efficiency and Conservation Block Grant. As a result, expenditures for this grant were not reported properly by the third party administrator. The County considers this an isolated incident, limited to the particular grant, which has since expired. In the event the County allows a third party to administer any future grants, appropriate resources will be assigned to monitor and review expenditures and reports to determine compliance with program requirements.

### 2012-102

CFDA No: 20.205

Program Title: ARRA – Highway Planning and Construction;  
Contact person: Tina Lawson, Business Manager, Public Works  
Anticipated Completion date: 6/30/13

The County makes every effort to comply with all requirements, including contractual and Federal grantor requirements. The Highway Planning and Construction grant was awarded to the County after all construction on the project was completed. The timing of this award is an anomaly, as most awards take place prior to, or in the early stages of construction. Thus, the County did not expect the project to be funded by the federal agency. As a result, County personnel were unable to respond to all the grant



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compliance requirements, as those requirements were not applicable during construction. The Department of Public Works will coordinate with the Finance Department to determine what procedures, if any, may be implemented to account for similar situations in future periods.

**2012-103**

CFDA No: 81.128

Program Title: ARRA – Energy Efficiency and Conservation Block Grant (EECBG) Program

Contact person: Kolya McCleave, Grants Coordinator

Anticipated completion date: 3/31/13

The County makes every effort to comply with all requirements, including contractual and Federal grantor requirements.

The County experienced turnover in the position monitoring the Energy Efficiency and Conservation Block Grant. As a result, subrecipient monitoring for this grant was not properly performed. The County considers this an isolated incident, limited to the particular grant, which has since expired. In the event the County allows a third party to administer any future grants, contractual provisions will be updated to ensure subrecipient monitoring is properly performed.

**2012-104**

CFDA No: 14.871

Program Title: Section 8 Housing Choice Vouchers

Contact person: Linda Brophy, Housing

Anticipated completion date: 3/30/13

The Section 8 Administration Plan is being revised to ensure all of HUD requirements are being addressed in the plan and PCHCD has the correct policies in place to effectively and efficiently manage the Section 8 Housing Choice Voucher Program.

New procedures will be developed from the policies contained in the revised Section 8 Administrative Plan.

Once the procedures have been completed staff will be trained on the correct methods to verify income and assets and how to process moves timely.

A file review system will be introduced to staff to ensure they are processing the case files correctly and accurately within the appropriate regulations and procedures.

Interim plan for correction plan:

Random file audit will be conducted on all processes to ensure EIV's are being used and income and assets are being verified by one of HUD's prescribed methods.



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Timeline for Correction Plan:

- 11/15/12 – Draft Revised Administrative Plan to Director for review and comments.
- 12/15/12 – Submit Revised Administrative Plan to County Board of Supervisors for approval at January 2013 meeting.
- 3/15/13 – Moving procedures completed; Verification Method procedure completed; and, Annual recertification procedure completed.
- 3/30/13 – First Training to Staff to begin. This will be a yearly process.