

Pinal County, Arizona
Single Audit Reporting Package

Year ended June 30, 2013

**Pinal County, Arizona
Single Audit Reporting Package
Year ended June 30, 2013**

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Report Issued Separately

Comprehensive Annual Financial Report

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

The Auditor General of the State of Arizona

The honorable Board of Supervisors of
Pinal County, Arizona

We have audited, in accordance with 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 25, 2014. Our report includes a reference to other auditors who audited the financial statements of the Housing and Community Development Fund and the Employee Benefit Trust Fund, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, our report, insofar as it relates to the results of the other auditors, is based solely on the reports of other auditors. In addition, our opinion was modified for the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 through 2013-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 April 25, 2014.

County Responses to Findings

The County's responses to the findings identified in our audit are presented on pages 22 through 25. The County's responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walker & Armstrong LLP

Phoenix, Arizona
April 25, 2014



**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control over Compliance;
and Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133**

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Pinal County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Pinal County's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2013, 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit and the report of other auditors, of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the report of the other auditors provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, based on our audit and the report of other auditors the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-101 through 2013-104. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are presented on pages 22 through 25. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We and the report of the other auditors did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-101 through 2013-104 that we consider to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are presented on pages 22 through 25. The County's responses were not subjected to the auditing procedures applied in our audit of compliance, and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2013, and the related notes to the financial statement, which collectively comprise the County's basic financial statements. We have issued our report thereon dated April 25, 2014, that contained unmodified opinions on those financial statements. Our report was modified to include a reference to our reliance on other auditors and for the implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

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.

Walker & Armstrong LLP

Phoenix, Arizona
April 25, 2014

Pinal County, Arizona
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through Arizona Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	None	\$ 24,544
National School Lunch Program	10.555	ED09-0001	78,863
Summer Food Service Program for Children	10.559	None	1,702
Total Child Nutrition Cluster			105,109
<i>Passed through Arizona Department of Health Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS11-004679	1,277,989
Commodity Supplemental Food Program	10.565	ADHS12-010886	34,115
WIC Farmers' Market Nutrition Program (FMNP)	10.572	ADHS11-004679	414
Senior Farmers Market Nutrition Program	10.576	ADHS12-020886	170
Schools and Roads—Grants to States	10.665		270,541
Law Enforcement Agreement—Tonto National Forest	10.006 11-LE- 11031200-003		13,855
<i>Total U.S. Department of Agriculture</i>			1,702,193
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grants/Entitlement Grants	14.218		2,081,537 *
<i>Passed through the Arizona Department of Housing</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	137-12, 103-12	312,113
Home Investment Partnerships Program	14.239	307-12	107,340
<i>Passed through the Community Action Human Resources Agency</i>			
Supportive Housing Program	14.235	None	111,065
<i>Passed through the City of Phoenix</i>			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	72838	42,873
Public and Indian Housing	14.850		551,368
Residential Opportunity and Supportive Services - Service Coordinators	14.870		56,966
Section 8 Housing Choice Vouchers	14.871		3,004,405 *
Public Housing Capital Fund	14.872		230,541
<i>Total U.S. Department of Housing and Urban Development</i>			6,498,208
<u>U.S. Department of the Interior</u>			
Payments in Lieu of Taxes	15.226		1,153,625
<i>Passed through the Bureau of Land Management, Arizona State Office</i>			
Bureau of Land Management Law Enforcement Assistance	15.unknown	LO8PX00133	2,356
<i>Total U.S. Department of the Interior</i>			1,155,981

* 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, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Justice</u>			
<i>Passed through the Department of Public Safety</i>			
DEA—Domestic Cannabis Eradication and Suppression Program	16.unknown	P001-2012-001856 2012-129	\$ 3,489
<i>Passed through the U.S. Marshal's Arizona District Office</i>			
U.S. Marshals Joint Law Enforcement Agreement	16.unknown	D08-12-2011OT	3,390
DEA Task Force Agreement	16.unknown		10,936
FBI Joint Terrorist Task Force Agreement	16.unknown		910
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
Juvenile Accountability Block Grants	16.523	JB-CSG-12-2366-06, JB-CSG-3365-07	18,708
<i>Passed through the City of Phoenix Police Department</i>			
Missing Children's Assistance	16.543	2012-MC-FX-K008	9,000
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
Violence Against Women Formula Grants	16.588	ST-WSG-12-2366-02, ST-WSG-12-2366-02Y2, ST-WSG-12-2366-06, ST-WSG-12-2366-06Y2	213,825
State Criminal Alien Assistance Program	16.606		104,266
Justice Assistance Grant Program Cluster:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		18,097
<i>Passed through Arizona Criminal Justice Commission</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-13-006, DC-13-049	180,381
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments			
	16.804		5,274
Total Justice Assistance Grant Cluster			203,752
<i>Passed through Arizona Criminal Justice Commission</i>			
NICS Act Record Improvement Program	16.813	NIC11-12-007, NIC11-12-008	10,479
Equitable Sharing Program	16.922	AZ0110000	232,129
<i>Total U.S. Department of Justice</i>			810,884
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	3-04-0080-004-2011, 3-04-0080-005-2012	595,643
<i>Passed through Arizona Department of Transportation</i>			
Highway Planning & Construction	20.205	JPA-10-133-I	881
<i>Passed through Arizona Governor's Office of Highway Safety</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	2012-PT-027, 2013-PT-020	8,142

The accompanying notes are an integral
part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Transportation - continued</u>			
<i>Passed through Arizona Governor's Office of Highway Safety - continued</i>			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	2012-410-024, 2013-410-021	\$ 70,161
Total Highway Safety Cluster			78,303
<i>Passed through Arizona Emergency Response Commission</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	None	5,846
<i>Total U.S. Department of Transportation</i>			680,673
<u>U.S. Department of Treasury</u>			
<i>Passed through Immigration and Customs Enforcement Agency</i>			
Joint Operations - ICE and PCSO for Treasury Forfeiture Fund	21.Unknown	None	44,241
<u>Institute of Museum and Library Services</u>			
<i>Pass through Arizona State Library, Archives and Public Records</i>			
Grants to States	45.310	2010-390964-12	36,880
<u>Environmental Protection Agency</u>			
<i>Passed through Arizona Department of Environmental Quality</i>			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activitied Related to the Clean Air Act	66.034	ADEQ-13-033141	3,239
<u>U.S. Department of Energy</u>			
ARRA - Energy Efficiency and Conservation Block Grant Recovery	81.128		39,753
<u>U.S. Department of Education</u>			
<i>Passed through Arizona Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	13FT1TTI-360979-02A	89,412
Special Education__Grants to States	84.027	13FESCBG-360979-01A	34,866
<i>Passed through University of Arizona</i>			
ARRA - Federal Work-Study Program	84.033	None	7,027
<i>Passed through Arizona Department of Education</i>			
Improving Teacher Quality State Grants	84.367	13FT1TII-360979-03A	11,961
<i>Total U.S. Department of Education</i>			143,266
<u>Election Assistance Committee</u>			
<i>Passed through Arizona Secretary of State</i>			
Help America Vote Act Requirements Payments	90.401	None	139,829

The accompanying notes are an integral
part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Arizona Department of Health Services</i>			
Public Health Emergency Preparedness	93.069	ADHS 12-007895	\$ 508,101
<i>Passed through Arizona Family Planning Council</i>			
Family Planning_Services	93.217	None	322,552
<i>Passed through Arizona Department of Health Services</i>			
Immunization Cooperative Agreements	93.268	HG8542928/ADHS 13-041546	104,548
<i>Passed through Arizona Department of Economic Security</i>			
Child Support Enforcement	93.563	G1104AZ4004 AZ1104AZ4004 DE111168001	2,160,759
Grants to States for Access and Visitation Programs	93.597	G1101AZSAVP	8,326
<i>Passed through Arizona Secretary of State</i>			
Voting Access for Individuals with Disabilities_Grants to States	93.617	None	64,747
<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-13-3365-06	16,168
<i>Passed through the Arizona Department of Health Services</i>			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	ADHS13-027694	140,007
HIV Prevention Activities_Health Department Based	93.940	HG852273/ADHS13-031180	23,322
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	HG854501	8,086
Preventive Health and Health Services Block Grant	93.991	HG854375	25,332
Maternal and Child Health Services Block Grant to the States	93.994	ADHS12-022141	19,815
<i>Total U.S. Department of Health and Human Services</i>			3,401,763
<u>Executive Office of the President</u>			
<i>Passed through the City of Tucson Police Department</i>			
High Intensity Drug Trafficking Areas Program	95.001	HT21-11-1815, HT-12-2205, HT20-10-2714, HT-12-2227 HT20-10-1815	177,768
<i>Passed through Maricopa County Sheriff's Office</i>			
High Intensity Drug Trafficking Areas Program	95.001	C-50-13-025-G-01	40,578
<i>Total Executive Office of the President</i>			218,346
<u>U.S. Department of Homeland Security</u>			
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>			
Emergency Management Performance Grants	97.042	EMW-2012-EP-00003 & EMW-2013-EP-000024	190,005

The accompanying notes are an integral
part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards (Continued)
Year ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Homeland Security - continued</u>			
<i>Passed through the Arizona Department of Homeland Security</i>			
Homeland Security Grant Program	97.067	09-AZDOHS-OPSG-555313-05, 09-AZDOHS-OPSG-555313-06, 11-AZDOHS-OPSG-888307-03, 12-AZDOHS-OPSG-999315-01, 12-AZDOHS-OPSG-999315-02, 11-AZDOHS-OPSG-888307-02	\$ 534,086
<i>Passed through Maricopa County Sheriff's Office</i>			
Homeland Security Grant Program	97.067	10-AZDOHS-HSGP-777208-03, C-50-12-045-G-00	22,600
Total Homeland Security Grant Program			556,686
<i>Total U.S. Department of Homeland Security</i>			746,691
Total Expenditures of Federal Awards			\$ 15,621,947

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, 2013

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 2013 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

Note 3 - Subrecipient

The County did not award any federal funds to subrecipients during fiscal year 2013.

Pinal County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified

X

Significant deficiencies identified

X

Noncompliance material to the financial statements noted?

None
reported

Federal Awards

Internal control over major programs:

Material weaknesses identified

X

Significant deficiencies

X

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

Unmodified

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

X

Identification of major programs:

CFDA No.	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.218	Community Development Block Grants / Entitlement Grants
14.871	Section 8 Housing Choice Vouchers
20.106	Airport Improvement Program
90.401	Help America Vote Act Requirements Payments
95.001	High Intensity Drug Trafficking Areas Program
97.067	Homeland Security Grant Program

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

\$468,658

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

B. Financial Statement Findings

2013-001 – Improve Internal Controls over the Reconciliation of County Cash and Investment Accounts

Condition: During our audit, we noted three bank accounts that were not reported in the County's financial statements. The understatement of cash balances had not been identified prior to the audit because of the manner in which certain cash and investment accounts are reported and summarized for financial reporting purposes.

Recommendation: We recommend that all cash and investment accounts be identified and reported in the County's financial statements. To avoid similar errors in future years, we also recommend that the County improve its methodology for reconciling its cash and investments balances from the underlying statements to the general ledger and the financial statements.

Management Views and Corrective Action: See corrective action plan.

2013-002 – Improve Internal Controls over Reporting Capital Assets

Condition: During 2013, a vehicle purchased for approximately \$42k was not reported on the capital asset listing for over two months after the date of purchase. In addition, a federally funded program did not include on their asset listing equipment purchased for approximately \$52k.

Recommendation: We recommend that the County improve its process for identifying capital asset purchases and include such purchases on the asset listing. This will improve the reliability of the underlying capital asset records supporting the financial statements and compliance with grantor agency requirements.

Management Views and Corrective Action: See corrective action plan.

C. Federal Award Findings

2013-101 - Improve the Timeliness of the Submittal of the Single Audit Reporting Package

CFDA Numbers: All federal programs

Program Titles and

Federal Agencies: All federal programs

Award Years: Various

Award Numbers: Various

Compliance Requirements Affected: Reporting

Questioned Costs: None

Schedule of Findings and Questioned Costs - Continued

Condition: The County's single audit reporting package for the fiscal year ended June 30, 2013 was not submitted within nine months after the County's year-end.

Criteria, Cause and Effect: The terms of the County's federally funded grants and contracts and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* require the submission of a single audit reporting package within nine months of the auditees' fiscal year end. The cause is primarily turnover at various levels within the organization that ultimately affected the timeliness of the financial reporting process.

The effect is the untimely submission of the single audit reporting package and related noncompliance with federal requirements.

Recommendation: We recommend that the County evaluate its staffing in light of its workload and consider the need to devote additional resources to the financial reporting process.

Management Views and Corrective Action: See corrective action plan.

2013-102 - Improve Documentation Supporting Programmatic Compliance

CFDA Number: 10.557

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

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

Award Number: ADHS11-004679, ADHS11-004680

Award Period: N/A

Compliance Requirements Affected: Eligibility

Questioned Costs: None

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

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

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

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Findings - Continued

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

CFDA Numbers: All federal programs

Program Titles and

Federal Agencies: All federal programs

Award Years: Various

Award Numbers: Various

Compliance

Requirements Affected: Reporting

Questioned Costs: None

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

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

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

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

Management Views and Corrective Action: See corrective action plan.

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Findings - Continued

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

CFDA Number: 95.001

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

Program Title: High Intensity Drug Trafficking Area Program

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

Pass-through Grantor Number: Various

Award Number: Various

Award Period: Various

Compliance Requirement Affected: Equipment and Real Property Management

Questioned Costs: None

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

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

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

Management Views and Corrective Action: See corrective action plan.

Pinal County, Arizona
Summary Schedule of Prior Audit Findings
Year ended June 30, 2013

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 the auditors' 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 their 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.

Recommendation: The auditors recommended 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.

Status: This finding was corrected.

Summary Schedule of Prior Audit Findings - Continued

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, the auditors were unable to perform sufficient procedures to determine whether the County complied with these compliance requirements.

Recommendation: The auditors recommended 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, the auditors recommended that the department responsible for administering the program evaluate the applicability of requirements that may affect compliance and the availability of documentation supporting compliance.

Status: This finding was corrected.

Summary Schedule of Prior Audit Findings - Continued

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.

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 monitoring of compliance with the requirements of the federal award including compliance with procurement and Davis-Bacon Act requirements.

Status: This finding was corrected.

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 did 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.

Summary Schedule of Prior Audit Findings - Continued

Recommendation: The auditors recommended that the Authority 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.

Status: This finding was corrected.



April 18, 2014

Walker & Armstrong LLP
3838 North Central Avenue, #1700
Phoenix, AZ, 85012-1994

Dear Sirs:

The accompanying Corrective Action Plan has been prepared as required by the standards applicable to financial audits contained in *Government Auditing Standards*, and by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the corrective action planned for the financial reporting findings and the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each federal award finding included in the current year's Schedule of Findings and Questioned Costs. Responses have been prepared by the responsible departments or office(s) of elected officials, as identified in the respective findings.

Sincerely,

Levi D. Gibson, CPA, M.Acc., CFIP
Pinal County Finance Director

FINANCE



Responses to Financial Statement Findings

2013-001

Improve Internal Controls over the Reconciliation of County Cash and Investment accounts

Responses are shown by department/elected official below.

Department: Finance

Contact person: Levi D. Gibson, Finance Director

Anticipated Completion date: 6/30/14

The Finance Department will develop policies and procedure to ensure that all County Cash and Investment accounts are properly included and reported within the County's financial statements. The County is currently in the process of reviewing the methodology for reconciling cash and investment balances from the underlying statements to the general ledger and the financial statements. It is anticipated that this review will result in an improvement of our current processes and that all cash accounts will be properly included in the financial statements.

2013-002

Improve Internal Controls over Reporting of Capital Assets

Contact person: Levi D. Gibson, Finance Director

Anticipated Completion date: 06/30/2014

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.



Responses to Federal Award Findings

2013-101

The County should improve the Timeliness of the Submittal of the Single Audit Reporting Package
CFDA No: All federal programs
Contact Person: Levi D. Gibson, Finance Director
Anticipated Completion Date: 06/30/2014

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

2012-102

CFDA No: 10.557
Program Title: Special Supplemental Nutritional Program for Women, Infants, and Children
Contact person: Tom Schryer, Director of Public Health
Anticipated Completion date: 11/30/2014

Corrective Action: The Arizona WIC Program currently uses an older software program (15 + years) called the AIM System. This system is covered in our Contingency Plan as the State of Arizona Department of Health Services maintains two Citrix Farms for all the local WIC Program information and records retention in case of a disaster. However the AIM system does not have the capacity to store electronic signatures for the consent forms for blood work or the rights and obligations.

Fortunately the Arizona WIC Program is converting the WIC Software to a new system called HANDS. HANDS has the capacity to store electronic signatures so this will not be a problem in the future. Pinal County WIC is expected to roll out the new software in November 2014. Our Contingency Plan will be amended to show that in the future electronic signatures will be captured and available in the event of a disaster.

2012-103

CFDA No: All federal programs
Program Title: All federal programs
Contact person: Sandra Hernandez, Account II Grants
Anticipated completion date: 08/30/2014

Corrective Action: The County makes every effort to identify federal awards in order to comply with all requirements, and proper inclusion on the County SEFA. In an effort to identify these awards the County's finance department will develop policies and procedures to review all agreements with grantor agencies and identify the correct source of the funding. In addition the County's finance department will seek to provide training and improve communication with departments receiving grant funds to identify all funds subject to reporting under OMB Circular A-133.



2012-104

CFDA No: 95.001

Program Title: High Intensity Drug Trafficking Area Program

Contact person: Thomas Gaupel, Sheriff's Grant Coordinator

Anticipated completion date: Implemented

Corrective Action: Just prior to the time of the audit, The Pinal County Sheriff's Office had a change of personnel charged with Command in the Pinal County Regional Narcotics Task Force. The commander of this task force is responsible for management of the HIDTA grant. This was the result of the prior commander being transferred from the Pinal County Regional Narcotics Task Force to another duty post. The new Commander contacted HIDTA and requested an updated equipment list on all grant equipment to personally conduct an internal audit as the new Commander of the Task Force. The updated equipment list HIDTA provided did not include this particular item selected during the audit process.

When PCSO was notified of the auditors selection of the HIDTA equipment list to the auditors, PCSO provided the list HIDTA had sent to the Commander of the Pinal County Regional Narcotics Task and the item in question was missing from the list.

Upon learning of the missing item, we met with personnel from HIDTA and they realized the equipment had not been added to the equipment list. At this time the information regarding the equipment was provided to HIDTA and the equipment was added the item to the HIDTA equipment list. Additionally, HIDTA staff provided PCSO with a HIDTA tag number.

The Pinal County Sheriff's Office does have a policy in place to tag each new Grant equipment purchase and to process inventory annually. Upon any change in Command of the Pinal County Regional Narcotics Task Force PCSO will review these policies with the new Commander to ensure compliance with currently policies and procedures. In this particular case, this item was overlooked by both agencies. All efforts will be made in the future to make sure this does not happen again.