

REPORT HIGHLIGHTS

SINGLE AUDIT

Subject

Pinal County spent \$13.6 million of federal monies and additional required matching monies this past year for 66 programs. The largest federal grants were for health and welfare, housing, public safety, education, and family nutrition. In return, the County is responsible for demonstrating accountability for its use of both federal and state monies, maintaining strong internal controls, and complying with federal program requirements. As the auditors, our job is to determine whether the County met its responsibilities.

Our Conclusion

The County maintained adequate internal controls over, and materially complied with the federal compliance requirements for three of the six federal programs tested. However, for all of the programs tested, auditors found internal control weaknesses and instances of noncompliance with program requirements. See page 2 for further information.



2006

Year Ended June 30, 2006

The County Should Improve Controls over Financial Statement Reporting

The County's management is responsible for maintaining adequate internal controls to ensure that the County issues accurate and timely financial statements. However, the County had deficiencies in internal controls over reporting infrastructure capital assets and recording other capital asset amounts. As a result, issuance of the County's financial statements was delayed

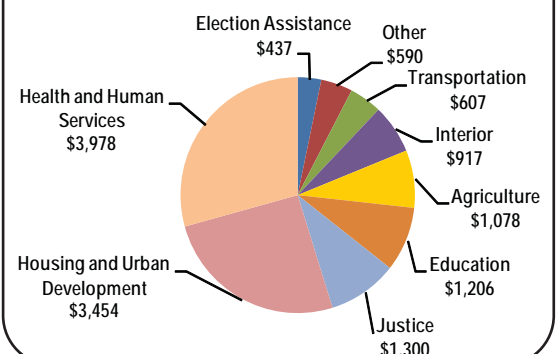
by almost 6 months. The delay in the issuance of the financial statements also caused the County's Single Audit Reporting Package for the year ended June 30, 2006, to be issued more than 6 months after the March 31, 2006 federal reporting deadline. Audited financial statements are a required component of the Single Audit Reporting Package.

The County Spent \$13.6 Million in Federal Awards

The County's federal expenditures remained approximately the same as the prior fiscal year's. However, there were significant changes for many of the large programs. The largest changes were attributable to the following programs:

- \$755 thousand decrease in U.S. Department of Homeland Security programs, mostly related to a reduction in the State Domestic Preparedness Equipment Support Program.
- \$698 thousand decrease in U.S. Department of Housing and Urban Development programs, mostly related to a decrease in Section 8 Housing Choice Vouchers.
- \$463 thousand increase in U.S. Department of Justice programs mostly related to increased funding for the National Criminal History Improvement Program and two new programs, the Grants to Encourage Arrest Policies and Enforcement of Protection Orders program and the Rural Domestic Violence and Child Victimization Enforcement Grant program.
- \$446 thousand increase in U.S. Department of Transportation programs because of a new grant for the National Motor Carrier Safety program.
- \$437 thousand increase in the Elections Assistance programs because of a new grant for the Help America Vote Act Requirements program.

Federal Expenditures by Awarding Agency
Totaling \$13.6 Million
Fiscal Year 2006
(In Thousands)



Federal Programs Had Reportable Conditions and Noncompliance

Internal control deficiencies and noncompliance were noted for the following programs:

- An internal control deficiency and noncompliance was noted for Payments in Lieu of Taxes, National Criminal History Improvement, National Motor Carrier Safety, Title I Grants to Local Educational Agencies, Help America Vote Act Requirements, and Child Support Enforcement programs due to the delayed issuance of the Single Audit Reporting Package described on page 1.
- Auditors also noted that required semiannual certifications were not prepared for employees working solely on the National Motor Carrier Safety, Title I Grants to Local Educational Agencies, and Child Support Enforcement programs.
- For the Child Support Enforcement program, some reports were submitted up to 74 days after the required due date and the County did not identify \$43,290 or seek reimbursement of allowable expenditures until discovered by the auditors.
- The County's Mary C. O'Brien Accommodation School District did not have adequate controls in place to ensure that reports filed with the grantor agency for the Title I Grants to Local Educational Agencies program were accurate and complete because a supervisor did not review them prior to the reports submission. Further, it maintained cash balances for federal programs for 3 months, resulting in interest earnings of \$695. Further, the County has not returned \$595 in interest to the grantor.
- Auditors also noted for the National Criminal History Improvement and National Motor Carrier Safety programs, that the County did not verify whether vendors or subrecipients were suspended or debarred.

The Single Audit Fact Sheet

- One weakness in financial reporting internal controls.
- Seven weaknesses in federal compliance internal controls.
- Six immaterial violations of federal program compliance requirements.
- Program costs of \$595 were questioned as a result of our audit.

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling

(602) 553-0333



or by visiting
our Web site at:
www.azauditor.gov

Contact person for
this report:
Phil Shultz

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Year Ended June 30, 2006