



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pinal County

Year Ended June 30, 2007



Debra K. Davenport
Auditor General

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Pinal County
Single Audit Reporting Package
Year Ended June 30, 2007

Table of Contents	Page
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	12
Financial Statement Findings	13
Federal Award Findings and Questioned Costs	18
County Responses	
Corrective Action Plan	29
Summary Schedule of Prior Audit Findings	38
Report Issued Separately	
Comprehensive Annual Financial Report	



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**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***

Members of the Arizona State Legislature

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 aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 23, 2008. 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 Long Term Care Fund and Employee Benefit Trust, as described in our report on the County's financial statements. The financial statements of the Long Term Care Fund and Employee Benefit Trust were not audited by the other auditors in accordance with *Government Auditing Standards*. 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 other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we and the other auditors identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's basic financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 07-01 through 07-05 and 07-07 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-01, 07-02, 07-04, and 07-05 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic 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*.

Pinal County's responses to the findings identified in our audit are presented on pages 29 through 32. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, 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.

Dennis L. Mattheisen, CPA
Financial Audit Director

June 23, 2008



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Pinal County, Arizona

Compliance

We have audited the compliance of Pinal County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

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

Program Title (CFDA Number)	Compliance Requirement	Finding Number
Public and Indian Housing (14.850)	Activities allowed or unallowed, allowable costs/cost principles, and reporting	07-103 and 07-105
Section 8 Housing Choice Vouchers (14.871)	Activities allowed or unallowed, allowable costs/cost principles, reporting, and special tests and provisions	07-103, 07-106, and 07-107

In our opinion, except for the noncompliance described in the preceding paragraph, Pinal County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 07-101, 07-102, 07-106, 07-108, 07-109, 07-110, 07-111, 07-112, 07-113, and 07-114.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 07-101 through 07-114 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 07-102, 07-103, 07-104, 07-105, 07-106, 07-107, 07-108, and 07-112 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2007, and have issued our report thereon dated June 23, 2008. Our report was modified to include a reference to our reliance on other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pinal County's responses to the findings identified in our audit are presented on pages 33 through 37. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, 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.

Dennis L. Mattheisen, CPA
Financial Audit Director

August 20, 2008, except for the
Schedule of Expenditures of Federal
Awards, for which the date is June 23, 2008

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas, passed through Pima County	07.I5PSAP549	01-11-P-136428-1004	\$ 44,056
High Intensity Drug Trafficking Areas, passed through Arizona Criminal Justice Commission	07.I6PSAP501Z	HT16-06-1815	<u>66,014</u>
Total U.S. Office of National Drug Control Policy			<u>110,070</u>
U.S. Department of Agriculture			
Child Nutrition Cluster:			
School Breakfast Program, passed through the Arizona Department of Education	10.553	ED05-0001	23,645
National School Lunch Program, passed through the Arizona Department of Education	10.555	ED05-0001	<u>53,794</u>
Total Child Nutrition Cluster			<u>77,439</u>
Special Supplemental Nutrition Program for Women, Infants, and Children, passed through the Arizona Department of Health Services	10.557	HG361078	931,031
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	KR02-1170-ALS	6,344
State Administrative Matching Grants for Food Stamp Program, passed through the Arizona Department of Health Services	10.561	HG661040	73,036
Commodity Supplemental Food Program, passed through the Arizona Department of Health Services	10.565	HG361104	33,079
WIC Farmers' Market Nutrition Program, passed through the Arizona Department of Health Services	10.572	HG361336	<u>1,261</u>
Total U.S. Department of Agriculture			<u>1,122,190</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, passed through the Arizona Department of Housing	14.228	127-05, 172-06, 135-07	101,620
Home Investments Partnerships Program, passed through the Arizona Department of Housing	14.239	330-05	331,720
Public and Indian Housing	14.850		323,486
Section 8 Housing Choice Vouchers	14.871		2,826,109
Public Housing Capital Fund	14.872		<u>226,378</u>
Total U.S. Department of Housing and Urban Development			<u>3,809,313</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		868,239

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Distribution of Receipts to State and Local Governments	15.227		\$ 49,644
Total U.S. Department of the Interior			<u>917,883</u>
U.S. Department of Justice			
DEA—Domestic Cannabis Eradication and Suppression Program	16.unknown		4,000
Juvenile Accountability Block Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.523	JB-IGA-05-7273-02	12,175
National Criminal History Improvement Program, passed through the Arizona Criminal Justice Commission	16.554	NCH-04-103, NCH-05-105	240,029
Crime Victim Assistance, passed through the National Sheriffs' Association	16.575	2002-VF-GX-K003	43,576
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-07-060	51,077
Drug Court Discretionary Grant Program	16.585		89,505
Violence Against Women Formula Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.588	ST-WSG-04-6031-008Y2, ST-WSG-04-6031-014Y2, ST-WSG-07-7365-11, ST-WSG-07-7365-22	171,277
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Grant Program	16.589		207,747
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590		322,069
State Criminal Alien Assistance Program	16.606		123,910
Bulletproof Vest Partnership Program	16.607		795
Community Prosecution and Project Safe Neighborhoods, passed through the Arizona Criminal Justice Commission	16.609	PSN-06-2017	19,266
Public Safety Partnership and Community Policing Grants	16.710		33,941
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	AC-07-100, PC-07-070	115,417
Edward Byrne Memorial Justice Assistance Grant Program	16.738		<u>53,365</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>168,782</u>
Total U.S. Department of Justice			<u>1,488,149</u>
U.S. Department of Transportation			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	JPA 02-69	120,824

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
National Motor Carrier Safety, passed through the Arizona Department of Public Safety	20.218	2005-213	\$ 438,787
State and Community Highway Safety, passed through the Governor's Office of Highway Safety	20.600	2006-PT-004	10,885
Interagency Hazardous Materials Public Sector Training and Planning Grants, passed through the Arizona Emergency Response Commission	20.703	None	<u>10,110</u>
Total U.S. Department of Transportation			<u>580,606</u>
Environmental Protection Agency			
Air Pollution Control Program Support, passed through the Arizona Department of Environmental Quality	66.001	EV05-0016	<u>51,000</u>
U.S. Department of Education			
Title I Grants to Local Educational Agencies, passed through the Arizona Department of Education	84.010	06FAADEL660979-08A, 07FAAND2-760979-02A, 07FAATTI-760979-07A	192,341
Title I Program for Neglected and Delinquent Children, passed through the Arizona Supreme Court	84.013	28208	36,543
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	07FESCBG-760979-04A, 07FESSCG-770734-03A	34,860
Special Education—Grants to States, passed through the Arizona Supreme Court	84.027	28208	<u>18,054</u>
Total Special Education—Grants to States			<u>52,914</u>
Safe and Drug-Free Schools and Communities—State Grants, passed through the Arizona Department of Education	84.186	07FBPIVB-770733-02A	73,183
Safe and Drug-Free Schools and Communities—State Grants, passed through the Arizona Supreme Court	84.186	28208	<u>150</u>
Total Safe and Drug-Free Schools and Communities			<u>73,333</u>
Fund for the Improvement of Education	84.215		212,351
Tech-Prep Education, passed through the Arizona Department of Education	84.243	06FCTDTP-670734-04A, 07FCTDTP-770734-01A	158,265
State Grants for Innovative Programs, passed through the Arizona Department of Education	84.298	07FAATVA-760979-09A	292
State Grants for Innovative Programs, passed through the Arizona Supreme Court	84.298	28208	<u>132</u>
Total State Grants for Innovative Programs			<u>424</u>

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Education Technology State Grants, passed through the Arizona Department of Education	84.318	07FBPETF-760979-10A	\$ 961
Education Technology State Grants, passed through Cochise County	84.318	07FBPSTP-770666-09A	<u>89,937</u>
Total Education Technology State Grants			<u>90,898</u>
Special Education—State Personnel Development, passed through the Arizona Department of Education	84.323	07FESSIG-770734-04C	21,457
Reading First State Grants, passed through the Arizona Department of Education	84.357	07FSARFN-760979-01A, 07FSARFP-760979-11A	1,086,578
English Language Acquisition Grants, passed through the Arizona Department of Education	84.365	07FAAENG-770733-04A	29,861
Mathematics and Science Partnerships, passed through the Arizona Department of Education	84.366	06FAAMS2-670734-07A	43,847
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	07FAAAZE-770733-01A, 07FAATII-760979-08A	131,597
Improving Teacher Quality State Grants, passed through the Arizona Supreme Court	84.367	28208	<u>18,140</u>
Total Improving Teacher Quality State Grants			<u>149,737</u>
Total U.S. Department of Education			<u>2,148,549</u>
Election Assistance Committee			
Help America Vote Act Requirements Payments, passed through the Secretary of State	90.401	None	<u>102,447</u>
U.S. Department of Health and Human Services			
Family Planning—Services, passed through the Arizona Family Planning Council	93.217	None	181,913
Abstinence Education Program, passed through the Arizona Department of Health Services	93.235	HP361258-002	109,327
Immunization Grants, passed through the Arizona Department of Health Services	93.268	HG352197	355,597
Centers for Disease Control and Prevention— Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	252035, HG754203	504,511
Temporary Assistance for Needy Families, passed through the Arizona Department of Economic Security	93.558	E4374138	351,027
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	G-04-04-AZ-4004	1,836,165
Community-Based Child Abuse Prevention Grants, passed through the Arizona Department of Economic Security	93.590	E4374138	11

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Grants to States for Access and Visitation Programs, passed through the Arizona Department of Economic Security	93.597	DES060680-01	\$ 7,472
Social Services Block Grant, passed through the Pinal/ Gila Council for Senior Citizens	93.667	0006-00556	159,638
HIV Emergency Relief Project Grants, passed through the Area Agency on Aging, Region One	93.914	2007-01-PIN, 2008-01-PIN	131,130
HIV Emergency Relief Project Grants, passed through the Maricopa County Department of Public Health	93.914	2007-CM-PG-001, C-86-07-810-2	113,900
Total HIV Emergency Relief Project Grants			<u>245,030</u>
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs, passed through the Arizona Department of Health Services	93.919	HG361206	125,727
HIV Prevention Activities—Health Department Based, passed through the Arizona Department of Health Services	93.940	HG352262	35,460
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Family Planning Council	93.977	None	1,434
Preventive Health and Health Services Block Grant, passed through the Arizona Department of Health Services	93.991	HG354185	75,630
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	HP461323-005, HP461413-013,	144,532
Total U.S. Department of Health and Human Services			<u>4,133,474</u>
U.S. Department of Homeland Security			
Homeland Security Grant Program Cluster:			
State Domestic Preparedness Equipment Support Program, passed through the Arizona Department of Emergency and Military Affairs	97.004	2004-GE-T4-0051	211,652
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	222306-01	2,180
Total Homeland Security Grant Program Cluster			<u>213,832</u>
Disaster Grants—Public Assistance (Presidentially Declared Disasters), passed through the Arizona Department of Emergency and Military Affairs	97.036	ADEM/FEMA-1586- DR-AZ-021-99-021-00	236,500
Total U.S. Department of Homeland Security			<u>450,332</u>
Total Expenditures of Federal Awards			<u>\$ 14,914,013</u>

See accompanying notes to schedule.

Pinal County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Note 1 - Basis of Accounting

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

Of the amount reported for the Immunization Grants program (Catalog of Federal Domestic Assistance [CFDA] number 93.268), \$288,571 represents the value of noncash assistance expended.

Note 2 - Catalog of Federal Domestic Assistance Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2007 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

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

Program Title	CFDA Number	Amount
Reading First State Grants	84.357	\$797,606

Pinal County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2007

Summary of Auditors' Results

Financial Statements

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

Federal Awards

Material weaknesses identified in internal control over major programs?	<u> X </u>	<u> </u>	
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u>	<u> </u>	
Type of auditors' report issued on compliance for major programs: Unqualified for all major programs except for Public and Indian Housing (14.850) and Section 8 Housing Choice Vouchers (14.871), which were qualified.			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u> X </u>	<u> </u>	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
15.226	Payments in Lieu of Taxes
20.218	National Motor Carrier Safety
84.357	Reading First State Grants
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs:	\$447,420		
Auditee qualified as low-risk auditee?	<u> </u>	<u> X </u>	

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u> X </u>	<u> </u>	
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Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Financial Statement Findings

07-01

The County should better protect its computer systems and sensitive information

System access and program change controls are critical in preventing or detecting unauthorized use, damage, loss, or modification of programs and equipment, and misuse of sensitive information. The County needs these controls to protect its general ledger, Treasurer, and Housing systems as well as the information processed and stored on these systems. However, because the County did not establish or enforce effective policies and procedures, did not use controls built into its systems, and did not provide its employees with sufficient training, the systems and their sensitive information were at risk for misuse, modification, damage, or loss.

Specifically, the information was at risk because the County gave users access to unnecessary functions and, in some cases, gave users unnecessary unlimited access. After giving initial access, the County did not monitor changes in users' responsibilities to determine whether their access continued to be appropriate after position changes. Also, the County could not identify which users had initiated, approved, or processed individual transactions.

The systems and the information were also at risk because the system servers and other important hardware components were accessible to many employees who had no legitimate system responsibilities. Additionally, the County could not identify when programs were changed and could not always provide documentation that program changes were authorized, properly tested, or independently reviewed and approved.

These deficiencies are considered to be a material internal control weakness.

To protect the sensitive information on its systems, the County should maintain comprehensive written policies and procedures for system access both logical and physical, and for program changes. These policies and procedures should separate incompatible responsibilities and should include the following:

- Establish user access only after access requests have been carefully reviewed and approved by appropriate supervisors. The supervisors should make sure the access is necessary for employees to carry out their job responsibilities.
- Eliminate permanent unlimited access for all users. If unlimited access is periodically given to a user for a specific purpose, another employee should monitor and review the user's activities.
- Modify the system to document which users initiated, approved, or processed individual transactions.
- Review an employee's access when their job responsibilities change and periodically review all employees' access to determine whether their access is still appropriate for their responsibilities.
- Restrict physical access to servers and other important computer hardware components to employees who need access to perform their job responsibilities.
- Encrypt all stored back-up data.
- Control and monitor all program changes.
- Document authorization, testing, and final approval of all program changes.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

07-02

The County should develop and test a comprehensive disaster recovery plan

The County has an information system that provides general ledger, accounts payable, payroll, personnel, and capital assets modules for the finance department, and general ledger and property tax management subsystems for the County Treasurer. In addition, the County has a separate general ledger information system for Housing Grants. These systems are critical to the County's operations; therefore, it is vital for the County to ensure that it can continue to operate in the event of a system or hardware failure by developing, implementing, and testing a disaster recovery plan. A properly designed disaster recovery plan helps ensure that proper procedures are in place to provide for continuity of operations and that electronic data files are not lost in the event of a disaster or other interruption. However, the County did not have a comprehensive disaster recovery plan or a negotiated written backup agreement for its financial computer systems.

This deficiency is considered to be a material internal control weakness.

To help ensure that the County can provide for the continuity of its operations and to help prevent loss of data in the event of a system or equipment failure or from a system interruption, the County should prepare a comprehensive disaster recovery plan that is updated and tested on a regular basis. This plan should include:

- A list of personnel assigned to disaster teams and emergency phone numbers for them.
- A risk analysis identifying the critical applications and exposures, and an assessment of the impact on the County.
- Specific operating procedures.
- Arrangements for a designated physical recovery facility.
- A formal equipment backup agreement covering machine time availability, application processing priorities, information exchanges regarding equipment configuration and system software changes, testing procedures, and costs.

07-03

The County should improve its internal control over financial reporting

The County should report accurate information to the public and agencies from which it receives funding. However, in its fiscal years 2000-2006 financial statements, the County did not fully accomplish this objective. In January 2000, the Pinal County Employee Benefit Trust (Trust), was established under Arizona Revised Statutes §11-981 as a self-insured employee benefits trust in order to provide and administer certain health benefits to eligible county employees and elected officials and their eligible dependents. Based on the information contained in the trust agreement and declaration of trust, the Trust met the accounting criteria set forth in Governmental Accounting Standards Board Statement No. 14 to be a blended component unit of the County. However, for financial reporting purposes, the County included only the Trust's cash held by the Treasurer within its financial statements for the Fiduciary Funds, for fiscal years 2000-2006. In its fiscal year 2007 financial statements, the County corrected these errors and restated beginning net assets of its governmental activities and Internal Service Funds to include the Trust's \$5 million in net assets, and restated beginning net assets of its Investment Trust Funds to exclude \$6 million of cash held with the Treasurer.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

This deficiency is considered to be a significant deficiency.

To help ensure that the County's financial statements are prepared accurately and in accordance with generally accepted accounting principles, the County should establish procedures to analyze and research the accounting and reporting requirements in a timely manner for all county financial activities, especially its relationship with affiliated entities.

07-04

The County needs to improve reporting for infrastructure assets

The County maintains a network of infrastructure assets consisting of roads and bridges valued at \$131 million, which represents approximately 27 percent of all county assets. Therefore, it is essential that the County accurately value and account for these assets in order to report these assets in its financial statements. However, the County did not have internal control policies and procedures to ensure that its infrastructure assets were accurately valued and reported. Specifically, some road miles were presented twice on the County's road network list which overstated infrastructure assets by \$17.7 million. In addition, accumulated depreciation was understated by approximately \$7 million due to other errors. As a result, infrastructure assets were overstated in the June 30, 2006, financial statements by \$24.7 million.

Also, the Pinal County Public Works Department is charged with maintenance and stewardship for all infrastructure assets that the County owned. In order to fulfill this responsibility, the Public Works Department should maintain an accurate listing of all county infrastructure assets. At a minimum, this listing should include a unique asset identifier, a physical description of the asset, acquisition date, and the asset's dollar value. However, supporting schedules provided by the Public Works Department did not always contain this information and contained numerous formula and asset valuation errors that resulted in misstated values for infrastructure assets. For instance, infrastructure annexations were overstated by \$6.4 million in the current year since the County used current replacement costs instead of deflated replacement costs.

The County adjusted its financial statements for all significant errors and restated the July 1, 2006, beginning balances for errors affecting prior years. These deficiencies are considered to be a material internal control weakness.

To help ensure that the County accurately accounts for its capital assets, the County should ensure that the Public Works Department maintains an up-to-date inventory of infrastructure assets, and develops a quality control process to ensure that supporting schedules are accurately prepared, reviewed, and supported.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

07-05

The County needs to improve capital assets reporting

Capital assets represent approximately 67 percent of the County's total assets. Therefore, it is essential that the County accurately report these assets in its financial statements and maintain control over them. However, this was not accomplished since the County did not have adequate internal control policies and procedures which would ensure its capital assets were properly identified, valued, reconciled, and reported. Specifically, the County made numerous errors on the capital assets spreadsheets used to prepare the financial statements. In addition, the County's capital assets module had different costs for various buildings and equipment items which caused a \$1.5 million understatement of accumulated depreciation. While testing depreciation, auditors also noted that when the County implemented the capital asset module in 1995, accumulated depreciation was calculated incorrectly which understated June 30, 2007, accumulated depreciation by almost \$500,000 and overstated depreciation expense by over \$430,000.

Furthermore, an employee responsible for recording capital assets prepared the reconciliations of capital acquisitions to capital expenditures and a supervisor did not review the reconciliations. In addition, capital assets expenditures were not classified correctly in the general ledger. As a result, auditors noted one asset costing more than \$460,000 that was purchased during the year but was not included in the capital assets listing.

The County adjusted its financial statements for all significant errors noted. This deficiency is considered to be a material internal control weakness.

To help ensure that the County maintains physical control over its capital assets and accurately reports them, the County should establish and implement the following procedures:

- Have a second employee perform a detailed review of all financial-related spreadsheets and reconciliations to help ensure their accuracy.
- Classify capital asset purchases to capital expenditure object codes in the general ledger.
- Identify and correct inconsistencies in capital assets accounts within the capital assets module.
- Maintain construction in progress subsidiary records with all costs related to each project and retain such records to support the assets' costs.

07-06

The County Fairgrounds should improve internal controls over cash-handling procedures

The County's Fairgrounds Department (Fairgrounds) is responsible for coordinating the County Fair and other annual events and festivals to meet the needs of county residents and visitors. The nature of these activities results in the Fairgrounds handling significant amounts of cash. Because there is a relatively high risk of loss or theft associated with cash transactions, the Fairgrounds should have effective cash-handling procedures in place to control and safeguard cash and ensure accurate reporting. However, the Fairground's controls were deficient in several key areas, including noncompliance with the County's formal cash-handling procedures, inadequate separation of cash-handling activities, untimely deposits, and no regular monitoring of cash balances on hand.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Cash deposits with the Treasurer for the Fairgrounds during fiscal year 2007 ranged from \$300 to \$72,000, and auditors noted that, in some cases, deposit dates were several months after receipt dates. Auditors reviewed the cash receipt books maintained by Fairgrounds and determined that there was no documentation of daily, weekly, or monthly reconciliations of receipts to deposits to support independent reviews and approvals of cash-handling activities. Further, no reconciliation procedures were performed to help ensure that departmental records agree with the Treasurer's records. For most of fiscal year 2007, the Fairgrounds maintained an outside bank account that it used to deposit various cash receipts, and then subsequently wrote checks from this account to transfer monies to the County Treasurer. The Fairgrounds did not prepare or retain any reconciliations between the activity in this separate account and the amounts that were subsequently remitted to the Treasurer. Finally, only two petty cash reconciliations were prepared for the entire fiscal year, which were not reviewed or approved by a second employee.

Because of these deficiencies, allegations of improper cash handling procedures arose that resulted in an investigation by the Department of Public Safety. The investigation disclosed \$1,350 of stolen cash, which was later repaid to the County. Subsequent to the investigation, two employees were terminated from their positions at the Fairgrounds in June 2008.

To help provide effective cash management procedures to control and safeguard cash and ensure accurate reporting, the Fairgrounds should:

- Communicate and enforce the County's formal cash-handling procedures such that specific responsibilities are assigned to certain employees.
- Provide periodic cash-handling training to responsible employees.
- Separate the responsibilities of cash handling, recordkeeping, and reconciling.
- Reconcile cash balances and have a second employee review the reconciliations. Deposit receipts at least weekly.
- Prohibit employees from using cash receipts to make disbursements.
- Perform periodic unannounced reviews of the various petty cash and change funds.

Component Unit Finding

The other auditors who audited the Pinal County Employee Benefit Trust reported the following significant deficiency:

07-07

Pinal County Employee Benefit Trust
Financial Statement Preparation

The Pinal County Employee Benefit Trust has elected not to have an internal control system designed to provide for the preparation of the financial statements being audited. The auditor was requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Federal Award Findings and Questioned Costs

07-101

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107J

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107D

CFDA No.: 15.226 **Payments in Lieu of Taxes**
U.S. Department of the Interior
Award Year: October 1, 2006 through September 30, 2007
Award Number: Not applicable

CFDA No.: 20.218 **National Motor Carrier Safety**
U.S. Department of Transportation, passed through the Arizona Department of Public Safety
Award Year: October 1, 2005 through September 30, 2006 and October 1, 2006 through September 30, 2007
Award Number: 2005-213

CFDA No.: 84.357 **Reading First State Grants**
U.S. Department of Education, passed through the Arizona Department of Education
Award Year: July 1, 2006 through June 30, 2007
Award Number: 07FSARFN-760979-01A and 07FSARFP-760979-11A

CFDA No.: 93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**
U.S. Department of Health and Human Services, passed through the Arizona Department of Health Services
Award Year: August 31, 2003 through March 31, 2007 and April 1, 2007 through August 30, 2011
Award Numbers: 252035 and HG754203

CFDA No.: 93.563 **Child Support Enforcement**
U.S. Department of Health and Human Services, passed through the Arizona Department of Economic Security
Award Year: October 1, 2005 through September 30, 2010
Award Number: G-04-04-AZ-4004

Questioned Costs: None

Pinal County did not submit its Single Audit Reporting package within 9 months after the end of the audit period, which would have been March 31, 2008, as required by OMB Circular A133, *Audits of States, Local Governments, and Non-profit Organizations*. The County will submit its Single Audit Reporting Package

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

over 4 months late. See finding 07-102 for additional information regarding the County's internal control deficiencies over accounting for federal monies that contributed to the late issuance of its Single Audit Reporting Package.

This finding is considered a significant deficiency in internal controls over compliance and noncompliance with OMB Circular A-133 report submission requirements and impacts all federal programs administered by the County.

To comply with OMB Circular A-133, Subpart C, §.320, the County should submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after the period subject to audit, unless the County's oversight agency extends this filing deadline.

07-102

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107J

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107D

CFDA No.: 15.226 **Payments in Lieu of Taxes**
U.S. Department of the Interior
Award Year: October 1, 2006 through September 30, 2007
Award Number: Not applicable

CFDA No.: 20.218 **National Motor Carrier Safety**
U.S. Department of Transportation, passed through the Arizona Department of Public Safety
Award Year: October 1, 2005 through September 30, 2006 and October 1, 2006 through September 30, 2007
Award Number: 2005-213

CFDA No.: 84.357 **Reading First State Grants**
U.S. Department of Education, passed through the Arizona Department of Education
Award Year: July 1, 2006 through June 30, 2007
Award Number: 07FSARFN-760979-01A and 07FSARFP-760979-11A

CFDA No.: 93.283 **Centers for Disease Control and Prevention—Investigations and Technical Assistance**
U.S. Department of Health and Human Services, passed through the Arizona Department of Health Services
Award Year: August 31, 2003 through March 31, 2007 and April 1, 2007 through August 30, 2011
Award Numbers: 252035 and HG754203

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

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

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

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

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

Questioned Costs: None

Pinal County expended over \$14.9 million in federal financial assistance during fiscal year 2007. Therefore, it is essential that the County maintains adequate internal controls to properly record, classify, and report federal expenditures to comply with federal reporting guidelines. OMB Circular A-133 §.300 requires the County to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received, and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA). The SEFA should include the Catalog of Federal Domestic Assistance (CFDA) title and number, amount expended, name of the federal awarding agency, and if applicable, name and identifying number of the pass-through grantor, for each of the County's federal awards in accordance with OMB Circular A-133 §.310(b). However, the County's internal controls were not adequate to properly identify federal awards in its records and accounting system, and to prepare a SEFA that was accurate and complete. Specifically, auditors noted that the County did not include expenditures for 13 federal programs on the SEFA; reported expenditures for 20 programs inaccurately; did not reconcile expenditures for 8 programs to supporting schedules and the general ledger; and did not identify monies passed through to subrecipients for 1 program. In addition, grant agreements were not always retained for each federal program the County administered.

This finding is considered a material weakness in internal control over compliance and noncompliance with OMB Circular A-133 §§.300 and .310(b) and impacts all federal programs administered by the County. The County adjusted its SEFA for all significant errors.

The County's Finance Department should establish the following procedures to help ensure that the SEFA is accurate, complete, and contains the required information:

- Develop written policies and procedures for recording federal program revenues and expenditures in its accounting system and for preparing the SEFA.
- Monitor all departments administering federal programs to ensure that program expenditures are properly recorded.
- Confirm all federal program information reported on the SEFA with the departments responsible for administering the federal programs and the grant award documentation, or by contacting the grantor agency if necessary.
- Reconcile expenditures reported on the SEFA to the accounting system or supporting records and maintain copies of supporting documents, such as the grant awards provided by the departments, to support the federal award information reported on the SEFA.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

07-103

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107J

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107D

Questioned Cost: \$91,000

The Pinal County Housing Department (Department) did not have adequate internal control policies and procedures to ensure compliance with activities allowed or unallowed and allowable costs/cost principles. Specifically, the Department paid all administrative expenditures from the Public and Indian Housing program and then allocated a portion of the administrative expenditures to the Section 8 Housing Choice Vouchers program. However, the Department did not have a formal cost allocation plan or maintain adequate records supporting the allocations between the programs. For example, goods and services were allocated between the two programs equally. In addition, the Department did not require one employee to prepare a timesheet and allocate hours worked between the two programs. As a result, at June 30, 2007, the Public and Indian Housing program owed \$91,000 to the Section 8 Housing Choice Vouchers program attributable to several grant years because the Section 8 Housing Choice Vouchers program reimbursed the Public and Indian Housing program for undocumented administrative cost allocations. The \$91,000 was recorded as a receivable balance in the Department's accounting records for the Section 8 Housing Choice Vouchers program. This receivable balance increased from the prior fiscal year.

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

To comply with 2 CFR §225, Appendix A (C), the Department should allocate administrative expenditures between the Section 8 Housing Choice Vouchers and Public and Indian Housing programs based on a cost allocation plan and supporting documents. This should include having employees complete timesheets to allocate their hours worked to each program. In addition, the Department should review prior-year allocated costs to determine if the receivable recorded is valid, and then promptly transfer cash to pay the balance.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

07-104

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107J

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107D

Questioned Cost: None

The Pinal County Housing Department used a separate computer system to account for these programs' financial transactions. Therefore, it is critical that the County establishes adequate internal controls to ensure the integrity of information processed through this system. Auditors noted the following internal control weaknesses:

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

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

24 CFR 85.20 requires that effective internal control be maintained for all financial management systems to ensure accurate, current, and complete disclosure of financial results of assisted activities in accordance with the financial reporting requirements of the grant or sub grant. Therefore, to ensure a sound financial management system, the Department, with assistance from the County's Information Technology Department, should implement the following policies and procedures to properly protect and control the system and the sensitive information recorded on it:

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

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

07-105

CFDA No.: 14.850 **Public and Indian Housing**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107J

Questioned Cost: None

The Pinal County Housing Department did not retain appropriate supporting documentation for some amounts included in the Operating Fund Calculation of Operating Subsidy, Calculation of Allowable Utilities Expense Level, and Adjustment for Utility Consumption and Rates reports. In addition, these reports were not reviewed or approved by the Pinal County Housing Department Director.

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

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

07-106

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107D

Questioned Cost: None

The Pinal County Housing Department has authorization to provide rental assistance to help 584 low-income families afford decent, safe, and sanitary housing under the Section 8 Housing Choice Vouchers program. However, throughout the fiscal year, the Department did not assist the maximum number of low-income families by selecting additional applicants from the program's waiting list that contained

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

approximately 1,000 families. Specifically, for the audit period July 1, 2006 through June 30, 2007, the Department only assisted an average of 514 families, or approximately 88 percent of the number authorized. Further, the Program had a cash balance of more than \$800,000 at June 30, 2007, an increase of approximately \$250,000 for the year. These monies were not deposited in an interest-bearing account and as a result, the Department did not earn interest to be spent on other approved program expenditures.

This finding is considered a material weakness in internal control over compliance and material noncompliance with the program's special tests and provisions compliance requirements and a material weakness in internal control over compliance and noncompliance with the program's cash management compliance requirements.

To comply with the *Section 8 Housing Choice Vouchers Program Guidebook*, Chapter 20, the Department should issue to eligible families approximately 95 percent of its authorization. The Department should select these families in accordance with its administrative plan and 24 CFR §982.204. In addition, the Department should invest excess cash balances in an interest-bearing account.

07-107

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

U.S. Department of Housing and Urban Development

Award Year: July 1, 2006 through June 30, 2007

Award Number: AZ01000107D

Questioned Cost: None

The Pinal County Housing Department did not adequately enforce its internal control policies and procedures to ensure compliance with the reporting compliance requirements. Specifically, for 4 of 55 recipient files tested, the Department did not ensure that the social security numbers were correct and accurately reported on the HUD Family Report Form 50058.

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

To comply with 24 CFR §5.216(a)(1)(i), the Department should obtain a complete and accurate social security number for each applicant and for each member of the applicant's household who is at least 6 years of age. A second employee should ensure that each social security number is accurately reported on the HUD Family Report Form 50058.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

07-108

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**
U.S. Department of Housing and Urban Development
Award Year: July 1, 2006 through June 30, 2007
Award Number: AZ01000107D

Questioned Cost: None

The Pinal County Housing Department maintained a separate general ledger system to record and account for its federal programs. However, the Department did not ensure that financial information is accurately reported to ensure compliance with the Section 8 Housing Choice Vouchers program. Specifically, for two reports tested, the Department did not accurately report federal expenditures on the Voucher for Payment of Annual Contributions and Operating Statement report and could not provide documentation for administrative fees earned included on the reports. Further, the Voucher for Payment of Annual Contributions and Operating Statement reports were not reviewed or approved by a second employee to ensure the information was accurate.

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

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

07-109

CFDA No.: 84.357 **Reading First State Grants**
U.S. Department of Education, passed through the Arizona Department of Education
Award Year: July 1, 2006 through June 30, 2007
Award Number: 07FSARFN-760979-01A and 07FSARFP-760979-11A

Questioned Cost: Unknown

The Mary C. O'Brien Accommodation School District did not have adequate controls to ensure that it provided complete and accurate information in its Cash Management Reports submitted to the Arizona Department of Education and used by the Department to assess compliance and determine the subsequent month's payment. Auditors determined that one employee was responsible for compiling, approving, and submitting the required reports without supervisory review. Auditors performed certain limited procedures to verify that the amounts on the reports agreed to accounting records and noted no discrepancies in the amounts reported. However, it was not practical to extend our auditing procedures to determine the amount of questioned costs, if any, that may have resulted from this finding.

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

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

To comply with 34 CFR §80.20, the District should assign a second employee to review reports for accuracy before they are submitted to the grantor agencies.

07-110

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

Award Year: August 31, 2003 through March 31, 2007 and April 1, 2007 through August 30, 2011

Award Numbers: 252035 and HG754203

Questioned Cost: None

In accordance with 45 CFR §92.35, the County must verify that vendors and subrecipients are not suspended or debarred before entering into transactions with them to be paid with federal monies. The County has established procedures to suspend or debar vendors who have been suspended or debarred by other governmental entities. However, the County did not document or verify that the vendors who were paid over \$25,000 in federal monies were not suspended or debarred. Auditors performed additional audit procedures and noted no instances of payments made to suspended or debarred individuals or organizations. This finding has the potential to affect other federal programs administered by the County.

This finding is considered a significant deficiency in internal control over compliance and noncompliance with the program's procurement and suspension and debarment compliance requirements. In addition, this finding is similar to a prior-year finding.

To comply with 45 CFR §92.35, the County should document its determination that vendors being paid over \$25,000 in federal monies have not been suspended or debarred from doing business with governmental entities. This verification may be accomplished by checking the Excluded Parties List maintained by the U.S. General Services Administration, obtaining a certification from the vendor or subrecipient, or adding a clause or condition to the contract with that entity.

07-111

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

Award Year: August 31, 2003 through March 31, 2007 and April 1, 2007 through August 30, 2011

Award Numbers: 252035 and HG754203

Questioned Cost: None

The Public Health Department did not have adequate internal control policies and procedures to ensure that Contractor's Expenditure Reports submitted to the Arizona Department of Health Services were accurate. Specifically, the same employee prepared, reviewed, and approved the reports. As a result, the Department incorrectly reported federal expenditures of \$103,521 on the August 2006 report for award number 252035 for expenditures that were accrued but not yet paid. The following 2 months' expenditure reports were adjusted for the accruals. Auditors performed additional test work and determined that the Department did not maintain excess cash balances and the expenditures occurred within the period of availability.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

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

To comply with 45 CFR §92.20, the Department should separate the responsibilities of preparing, reviewing, and approving the expenditure reports. This will help ensure that federal expenditures are accurately reported to the Arizona Department of Health Services. In addition, the Department should only request reimbursement for expenditures paid and not accrued.

07-112

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

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

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

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

Questioned Cost: None

The County did not have adequate internal control policies and procedures to ensure that Child Support Enforcement expenditure reports submitted to the Arizona Department of Economic Security (Department) were accurate and timely. Specifically, the Child Support Enforcement Division at the County Attorney's Office submitted 8 of 24 expenditure reports during the period July 1, 2006 through June 30, 2007, that were prepared, reviewed, and approved by the same employee. Further, for three of six reports tested, the Clerk of the Superior Court and the Family Law Commissioner submitted the reports between 1 and 49 days late to the Department. Also, during the fiscal year, none of the reports were reconciled to the County's accounting system. As a result, auditors noted that the County did not report and request reimbursement for all eligible expenditures.

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

The County should ensure that all of its departments administering the Child Support Enforcement program prepare and submit its reports by the required deadline. In addition, the County should separate the responsibilities of preparing, reviewing, and approving the reports. Further, the reports should be reconciled to the County's accounting system to help ensure that the County receives reimbursement for all eligible expenditures.

07-113

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

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

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

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

Questioned Cost: \$6,048

In order to be eligible to receive federal funding for the Child Support Enforcement program, the County is required to match 34 percent of the program's expenditures with county and other local monies.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Therefore, it is essential that the County monitor the program's expenditures to ensure that it matches the proper amount. However, during the period July 1, 2006 through June 30, 2007, the County did not monitor the federal program to ensure that expenditures incurred by three county departments were properly matched by each department in accordance with the program's requirements. As a result, the Clerk of the Superior Court and Family Law Commissioner did not match its program expenditures by \$6,048.

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

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

07-114

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

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

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

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

Questioned Cost: None

The Child Support Enforcement Division at the County Attorney's Office did not follow its internal control policies and procedures to ensure compliance with the program's special tests and provisions requirements. Specifically, in 2 of 48 cases tested, the Division did not establish an order of support within 90 calendar days. It took the Division 344 days and 485 days to establish the support orders. These cases were not processed in a timely manner because the Division did not contact the custodial parents for approximately a year after completing their applications, and court orders were not filed when the noncustodial parent had been located.

This finding is considered a significant deficiency in internal control over compliance and noncompliance with the program's special tests and provisions requirements.

To comply with 45 CFR §§303.2 and 303.4(d), the Division should enforce its internal control policies and procedures to ensure that all custodial parents are contacted within 20 days after filing their applications and court orders are properly filed to help establish child support obligations within 90 calendar days of locating the alleged father or noncustodial parent.



August 14, 2008

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

Dear Ms. Davenport:

The accompanying responses to the financial statement findings and Corrective Action Plan have been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's financial statement findings and Schedule of Findings and Questioned costs.

Sincerely,

Yiannis Kalaitzidis, CPA
Finance Deputy Director



Responses to Financial Statement Findings

07-01

The County should better protect its computer systems and sensitive information.

Contact Person(s):

Richard Jones, Chief Information Officer
Maureen O'Connell, Chief Deputy Treasurer
Carrie Fike, Secretary II, Housing

Anticipated completion date: 6/30/10

The County is in the process of developing formal written policies and procedures for system access (both logical and physical access) and for program changes.

Due to personnel and system design limitations, certain personnel have unlimited access to the system. The County is currently evaluating software and hardware upgrades to the existing system, along with a new version of the financial systems application, which we hope will resolve a lot of the current security and system limitations. Once the upgrades have been evaluated and implemented, the County will design and implement procedures to provide any additional compensating controls necessary to verify the propriety of activity by any remaining personnel with unlimited access to the system.

Further, the County will re-assign certain tasks to ensure adequate segregation of duties exist in certain areas of responsibility.

Also, the Housing Division is currently working closely with the County IT Department to properly protect and control sensitive information recorded on the Lindsey Software System. Future meetings with Lindsey, County IT and the Housing Division are in the process of being coordinated to deal with safeguarding of the server, a disaster recovery plan, policies and procedures detailing the level of account access needed by each employee, and system upgrades.

07-02

The County should develop and test a comprehensive disaster recovery plan.

Contact person: Richard Jones, Chief Information Officer

Anticipated completion date: 7/30/09

Pinal County Information Technology department is committed to providing the services and support systems necessary to conduct uninterrupted business under regular and irregular conditions. The Disaster Recovery Plan will provide summary detail on Pinal County's risk mitigation strategy, hardware, software and data recovery procedures, emergency response team members, facility location, and application recovery priorities for the financial applications running on the AS400 in the event a disaster strikes Building A.

The implementation of a Disaster Recovery Plan for the financial system has been delayed due to facility issues at the offsite disaster recovery location. The facility issues are expected to be resolved by September 2008. The facility will have power and backup generator capacity to house the financial system in case a disaster strikes Building A allowing the ability to continue work on critical applications for the period of time required to bring in replacement hardware.



The current Disaster Recovery Assessment for the AS400 and established Disaster Recovery template will be reevaluated due to the enormous growth and increased service demand on the financial system over the past several years.

The implementation of a Disaster Recovery Plan for the financial system will be completed no later than July 2009.

07-03

The County should improve its internal control over financial reporting

Contact person: Yiannis Kalaitzidis, Finance Deputy Director

Anticipated completion date: 6/30/08

The County has identified and disclosed all existing component units, as disclosed in Note 1 of the County's CAFR for the year ended June 30, 2007. In addition to the current disclosure, the County has created and documented an internal procedure to ensure that any future component units are identified and disclosed in a timely manner.

07-04

The County needs to improve the reporting of infrastructure assets

Contact person: Tina Lawson, Business Manager

Anticipated completion date: 10/1/08

The County's Public Works Department has implemented internal controls to ensure the proper maintenance of infrastructure assets. A CPA firm will be contracted to review infrastructure inventories for accuracy.

07-05

The County needs to improve capital asset reporting

Contact person: Yiannis Kalaitzidis, Finance Deputy Director

Anticipated completion date: 06/30/09

The County's Finance Department will evaluate and update existing procedures to ensure the accurate recording and maintenance of assets and related supporting documentation. These procedures will include the proper segregation of duties over the recording and reviewing of all information related to capital assets. Further, the Department will examine the capital asset system information, identify all issues creating conflicting amounts, and implement the necessary corrective action to ensure the proper recording and depreciation of capital assets.



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07-06

The County Fairgrounds should improve internal controls over cash handling procedures

Contact Person: Kent Taylor, Interim Director, Fairgrounds

Anticipated Completion Date: 10/31/08

The Fairgrounds is in the process of implementing cash controls and segregation of duties that align internal procedures with the County's formal cash handling policy.

In addition, regular staff training meetings, and individual sessions with employees are held to ensure that the County's cash handling policy is communicated to all employees. Procedures have been updated to ensure that cash collections and disbursements are reconciled on a regular basis, with proper segregation of duties, and deposits are made in a timely manner.

Further, Fairgrounds will institute unscheduled periodic reviews of the change and petty cash funds.

Finally, as of March of 2008, vendors and employees have been paid in compliance with the County's established disbursement policies.

07-07

Pinal County Employee Benefit Trust

Financial Statement Preparation

Contact person: Maureen O'Connell, Chairperson

Anticipated completion date: 8/31/08

The Employee Benefit Trust will implement steps to have a CPA, independent of the auditor, prepare the financial statements of the Trust.



Corrective Action Plan for Federal Award Findings and Questioned Costs

07-101

CFDA No.: 14.850 Public and Indian Housing

CFDA No.: 14.871 Section 8 Housing Choice Vouchers

CFDA No.: 15.226 Payments in Lieu of Taxes

CFDA No.: 20.218 National Motor Carrier Safety

CFDA No.: 84.357 Reading First Grant

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

CFDA No.: 93.563 Child Support Enforcement

Contact person: Yiannis Kalaitzidis, Finance Deputy Director

Anticipated completion date: 3/31/09

The County has hired additional personnel to assist with the preparation of the County's Single Audit Reporting package. As stated in a prior year similar finding response, the County is on track to meet the OMB Circular A133 submission requirements for the fiscal year 2007-2008 Single Audit Reporting package.

07-102

CFDA No.: 14.850 Public and Indian Housing

CFDA No.: 14.871 Section 8 Housing Choice Vouchers

CFDA No.: 15.226 Payments in Lieu of Taxes

CFDA No.: 20.218 National Motor Carrier Safety

CFDA No.: 84.357 Reading First Grant

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

CFDA No.: 93.563 Child Support Enforcement

Contact person: Yiannis Kalaitzidis, Finance Deputy Director

Anticipated completion date: 6/30/09

The County Finance Department will update the procedures related to the preparation of the SEFA to ensure all federal expenditures are properly identified and reported. Finance personnel will meet with School Office and Mary C. O'Brien personnel and provide guidance to ensure all federal awards are reported and to ensure correct amounts are reported for federal expenditures. Finance grant accountants will receive additional internal training and will be provided with the necessary support to accurately report federal expenditures. All amounts reported will be required to have supporting documentation and applicable reconciliation information provided by the responsible departments. The County has created a new object account (Subrecipient Disbursement) to record any monies passed through to subrecipients from federal grants. Finally, the Finance Department grant accountants will review the Board of Supervisors minutes to identify any new grants or renewals approved by the Board and ensure they are presented in the SEFA.



07-103

CFDA No.: 14.850 Public and Indian Housing
CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact person: Sheila Tarango, Finance Supervisor, Housing
Anticipated completion date: 7/15/08

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

07-104

CFDA No.: 14.850 Public and Indian Housing
CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact person: Carrie Fike, Secretary II, Housing
Anticipated completion date: 12/31/08

The Housing Division is currently working closely with the County IT Department to properly protect and control sensitive information recorded on the Lindsey Software System. Future meetings with Lindsey, County IT and the Housing Division are in the process of being coordinated to deal with safeguarding of the server, a disaster recovery plan, policies and procedures detailing the level of account access needed by each employee, and system upgrades.

07-105

CFDA No.: 14.850 Public and Indian Housing
Contact person: Sheila Tarango, Finance Supervisor, Housing
Anticipated completion date: 12/31/08

The Housing Division has made efforts to ensure that all necessary documentation pertaining to federal reports are maintained and are easily accessible. In addition, to ensure the reports are prepared accurately, the Director will electronically approve after review.

07-106

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact person:
 Cheri Buie, Section 8 Supervisor, Housing
 Sheila Tarango, Finance Supervisor, Housing
Anticipated completion date: 9/15/08

The Housing Division continually follows the HUD policies regarding Housing Choice Voucher Program to ensure that all eligible recipients are selected in accordance to the Pinal County Housing Division Administrative Plan. In addition, all excess cash balances will be deposited into an interest bearing account.



07-107

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact person: Cheri Buie, Section 8 Supervisor, Housing
Anticipated completion date: 7/15/08

The Housing Division has taken steps to obtain complete and accurate social security numbers for each applicant and for each member of the applicant's household who is at least six years of age. Currently, quality control measures have been implemented to make sure each social security number is accurately reported on the HUD Family Report Form 50058.

07-108

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact person:
 Adeline Allen, Housing Director
 Sheila Tarango, Finance Supervisor, Housing
Anticipated completion date: 7/31/08

The Housing Division has made efforts to ensure that all necessary documentation is included in the federal reports. In addition, to ensure the reports are prepared accurately, the Director will electronically approve after review.

07-109

CFDA No.: 84.357 Reading First State Grants
Contact person: Anna Carreon, Business Manager
Anticipated completion date: 10/30/07

The Mary C. O'Brien ASD Business Manager will gather all financial data for cash management reports. Before submitting to the Arizona Department of Education the Business Manager will submit all information to the grant writer for further review and approval of cash management reports.

07-110

CFDA No.: 93.283 Centers for Disease Control and Prevention – Investigations and Technical Assistance
Contact person: Gary Templin, Purchasing Manager, Finance Department
Anticipated completion date: 11/7/07

The County has policies and procedures in place to ensure compliance with each grantor agency's Code of Federal Regulations, pertaining to administrative requirements, to verify that vendors are not suspended or debarred before entering into transactions with them to be paid with federal monies. These procedures include documenting and maintaining on file the determination made by employees. These procedures were placed in operation on 11/7/07, after the end of the audit year, as a result of an audit finding in the fiscal year 2006 report.



07-111

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

Contact person: Kandi Harris, Administrative Manager

Anticipated completion date: 8/1/2008

Public Health will separate the duties of preparing, reviewing, and approving the expenditure reports.

Public Health will send in a separate expenditure report for funds encumbered as well as one for the actual expenditures. As accrued funds become actual expenditures an expenditure report will be submitted to the Arizona Department of Health Services for payment.

07-112

CFDA No.: 93.563 Child Support Enforcement

Contact person:

County Attorney: Michelle Krstyen, Bureau Chief

Clerk of the Superior Court: Casimiro Hernandez, Finance Manager

Superior Court: Stephanie Jordan, Deputy Court Administrator

Anticipated completion date:

County Attorney: 7/14/08

Clerk of the Superior Courts: Implemented June 2007

Superior Court: 11/1/07

County Attorney

Internal processes have been enhanced to ensure that future Public Expenditure Statements are submitted with the signature of either the Chief Deputy of the Child Support Division or the County Attorney. The employee responsible for preparing the reports has been advised, through a corrective action plan, that the duties of preparing, reviewing, and approving the monthly expenditure reports must be separate so that the individual preparing the report is not also approving it.

Clerk of the Superior Court

The Certified Public Expenditure Statements are submitted by the 28th day of the month, with the exception of two occasions that were noted as not more than two days late. As of July, 2007 internal processes have been enhanced to ensure that future Certified Public Expenditures Statements are submitted within the specified time frame. On a monthly basis, the Clerk of the Superior Court's Accountant compiles the information gathered, creates the report and ensures compliance with time constraints. Consequently, the Clerk of the Superior Court's Finance Manager verifies the report for accuracy and ensures submission within the specified time frame. Also, an additional signature authority has been put in place.

Superior Court

Court Administration took over preparing the Child Support Enforcement report for the Family Law Commissioner portion in July 2006. The duty to gather, verify and complete the report was assigned to a Court Administration administrative assistant. This employee was, in June 2007, placed on



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administrative leave pending an investigation on unrelated matters. After this employee was terminated review of her work load showed the Child Support Enforcement reports had not been completed in a timely manner. The Deputy Court Administrator took responsibility for completing the past due reports and has continued to the current period to submit the reports as required.

07-113

CFDA No.: 93.563 Child Support Enforcement

Contact person:

Clerk of the Superior Court: Casimiro Hernandez, Finance Manager

Superior Court: Stephanie Jordan, Deputy Court Administrator

Anticipated completion date: 07/31/08

Copies of the Certified Public Expenditures Statements (CPES) and supporting documentation are submitted to the County Finance department on a monthly basis for proper recording of salaries and employee related expenses in relation to IV-D functions. On a continual basis the Deputy Court Administrator and the Clerk of the Superior Court's Accounting department will assist the County Finance department to reconcile the County's financial system to the amounts reported on the federal reimbursement claims.

07-114

CFDA No.: 93.563 Child Support Enforcement

Contact person: Michelle Krstyen, Bureau Chief, County Attorney

Anticipated completion date: County Attorney, 7/14/08

All supervisory staff in the County Attorney Child Support Division will monitor individual staff worklist items daily to ensure that the appropriate actions are taken to establish a child support obligation within 90 calendar days of a verified locate of the noncustodial parent.



June 11, 2008

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

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs.

Due to the late completion of the fiscal year 2006 report, the findings were not known to the County until after June 30, 2007. As such, none of the findings were corrected by that date. However, the majority of the findings were fully corrected as of June 30, 2008.

Sincerely,

Yiannis Kalaitzidis, CPA
Finance Deputy Director

Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

Status of Federal Award Findings and Questioned Costs

CFDA No.: 15.226 Payments in Lieu of Taxes
CFDA No.: 16.554 National Criminal History Improvement Program
CFDA No.: 20.218 National Motor Carrier Safety
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 90.401 Help America Vote Act Requirements Payments
CFDA No.: 93.563 Child Support Enforcement
Finding No.: 06-101
Status: Not corrected

This finding was not corrected as of June 30, 2007 (see cover letter). Additional personnel were hired to assist in the preparation of the financial statements and reports. The County expects to submit the Single Audit Reporting package within 9 months of the County's 2008 fiscal year end, which will be March 31, 2009.

Contact Person: Yiannis Kalaitzidis, Finance Deputy Director

CFDA No.: 20.218 National Motor Carrier Safety
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 93.563 Child Support Enforcement
Finding No.: 06-102
Status: Not corrected

This finding was not corrected as of June 30, 2007 (see cover letter). However, this finding was fully corrected as of June 2008. The County has updated the applicable employee policies and procedures to require all employees who worked solely on a single Federal award to complete at least semi-annual certifications, which will be signed by the employee and supervisory official having first hand knowledge of the work performed by the employee.

Contact person: Mike Arnold, Human Resources Director

CFDA No.: 93.563 Child Support Enforcement
Finding No. 06-103
Status: Not corrected

Family Law Commissioner report: This finding was not corrected as of June 30, 2007 (see cover letter). However, this finding was fully corrected as of June 2008. It was discovered that an employee of the Superior Court responsible for the submission of the reports failed to comply with the reporting requirements. The supervisor for that

**Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007**

employee has reassigned those duties to herself to ensure future compliance is achieved. The employee in question is no longer employed with the Superior Court.

Contact person: Paul O'Connell, Court Administrator, Superior Court

Clerk of the Superior Courts report: This finding was not corrected as of June 30, 2007 (see cover letter). However, this finding was fully corrected as of June 2008. Internal processes have been enhanced to ensure that future Certified Public Expenditure Statements are submitted within the specific time frame. On a monthly basis, the Accountant compiles the information gathered, creates the report, and ensures compliance with time constraints. Subsequently, the Finance Manager verifies the report for accuracy and ensures submission within the specified time frame. This process was implemented in July 2007.

Contact person: Casimiro Hernandez, Finance Manager, Superior Court

CFDA No.: 93.563 Child Support Enforcement

Finding No. 06-104

Status: Not corrected

This finding was not corrected as of June 30, 2007 (see cover letter). However, this finding was fully corrected as of June 2008. The Director/Bureau Chief will review all expenditures and receipts for accuracy prior to signing the monthly Certified Public Expenditure Statement.

Contact person: Michelle Krstyen, Bureau Chief

CFDA No.: 84.010 Title I Grants to Local Educational Agencies

Finding No. 06-105

Status: Not corrected

This finding was not corrected as of June 30, 2007 (see cover letter). However, this finding was fully corrected as of June 2008. Mary C. O'Brien ASD Business Manager will gather all financial data for cash management reports. Before submitting to the Arizona Department of Education the Business Manager will submit all information to the grant writer for further review and approval of cash management reports.

Contact person: Anna Carreon, Business Manager

CFDA No.: 84.010 Title I Grants to Local Educational Agencies

Finding No. 06-106

Status: Not corrected

Pinal County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007

This finding was not corrected as of June 30, 2007 (see cover letter). However, this finding was fully corrected as of June 2008. Mary C. O'Brien will return any interest earned at the end of each quarter for any Federal Grants that accrue interest. The County returned \$595 of interest earned on federal monies to the Arizona Department of Education (ADE) with the 06/07 ADE approved Completion Report.

Contact person: Anna Carreon, Business Manager

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

This finding was not corrected as of June 30, 2007 (see cover letter). However, this finding was fully corrected as of June 2008. The County has policies in place to ensure compliance with each grantor agency's Code of Federal Regulations, pertaining to administrative requirements, to verify that vendors are not suspended or debarred before entering into transactions with them to be paid with federal monies. For instance, the County requires vendors participating in construction projects to attest, through the use of an affidavit of Suspension and/or Debarment, that they have not been suspended or debarred at the time of the signing and submittal of the bid or at any time during the three years preceding the signing of the affidavit. The County will ensure that, in the future, all these procedures performed by employees are documented and maintained on file.

Contact person: Yiannis Kalaitzidis, Finance Deputy Director