

Pinal County

Annual financial statement and compliance audits

The County's fiscal year 2024 reported financial information is reliable. However, we reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.

Audits' purpose

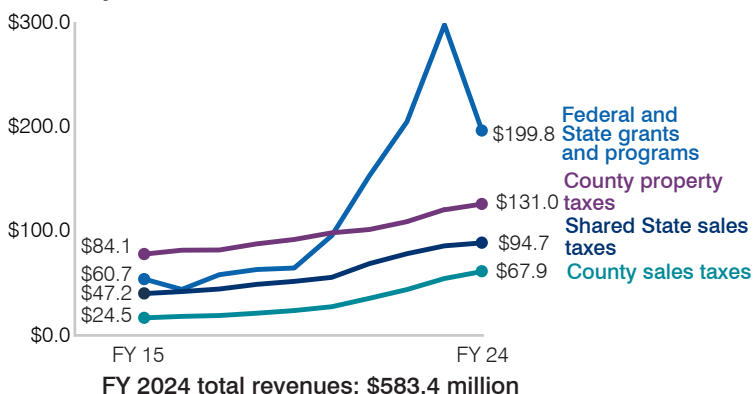
To express our opinions on the County's financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

Primary revenue sources and how they were spent

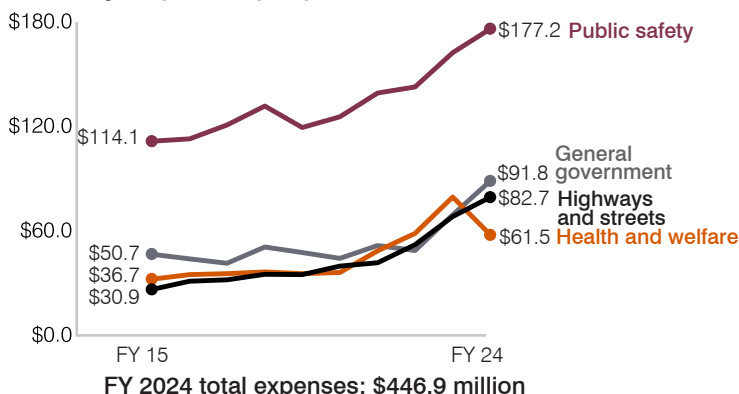
Fiscal years (FY) 2015 through 2024

(In millions)

Primary revenue sources



Primary expense purposes



Source: Auditor General staff summary of information obtained from the County's financial statements.

Largest primary revenue sources FY 2024

- **Federal and State grants and programs 34.2%**—Includes federal and State government grants and programs awarded as assistance to the County and its residents, including highway user tax revenues for authorized transportation purposes. This balance has decreased due to decreases in federal funding for the Emergency Rental Assistance Program, American Rescue Plan Act (ARPA), National Infrastructure (Build) Grant, as well as other State and federal operating grants.
- **County property taxes 22.4%**—Levied and collected from property owners based on the assessed value of real and personal property within the County.

Largest primary expense purposes FY 2024

- **Public safety 39.7%**—Costs for protecting the County's persons and property with the largest portion for County jail operations, County Sheriff's office services, probation services, and Flood Control District operations.
- **General government 20.5%**—Costs for general operation, oversight, and administration of County operations, including property assessments and taxes, budgeting and finance, and elections.

County's net position increased in FY 2024

County revenues were \$136.5 million greater than its expenses, increasing total net position to \$1.1 billion at June 30, 2024. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

Auditor findings and recommendations

Summarized below are our findings and recommendations included in the County's [Single Audit Report](#), where there is further information and the County's responses. The County needs to:

- Provide accurate and key financial information to auditors by agreed-upon deadlines, and update existing policies and procedures to prepare and review the financial statements and associated note disclosures in accordance with generally accepted accounting principles. We found the County's initial Annual Comprehensive Financial Report submitted to auditors contained errors we identified and recommended the County correct so that the County's financial statements and note disclosures would contain accurate information. This resulted in the County's inability to provide current financial and federal program information for strategic decision making and to meet legally required financial and federal reporting deadlines. Further, federal grantors may deny the County future federal awards or subject it to additional cash-monitoring requirements. Similar findings have been reported since 2016.
- Designate an alternate employee to process the required tax and pension contribution payments within required time frames and develop and implement written policies and procedures over processing required tax and pension contribution payments within required time frames. We found the County withheld monies for Federal Insurance Contributions Act (FICA) taxes, federal income taxes, State income taxes, and pension contributions for the County and its employees but did not always pay the taxing authorities or benefit administrators within the required time frames. As a result, the County was required to pay \$654,520 in penalties and interest for late tax payments and pension contributions during fiscal year 2024. The County is also at an increased risk of additional penalties not yet assessed.
- Resolve the \$1.3 million outstanding balance in its payroll clearing bank account, including a review of prior years' outstanding balances back to 2016, and update its existing policies and procedures for monthly bank account reconciliations. We found the County reported an unreconciled \$1.3 million outstanding balance in its payroll clearing bank account as of June 30, 2024, which should net to \$0 after each payroll cycle. The County could not support the outstanding balance with its payroll records and has had unreconciled outstanding balances in its payroll clearing account since fiscal year 2016. This resulted in an increased risk of financial statement errors, inaccurate payments to employees and outside parties, and fraudulent activity. A similar finding has been reported since 2017.
- Follow County policy to require all nonexempt employees, such as hourly employees, to report time worked on a time sheet, be approved by their supervisor, and retain time sheets for 3 years after the calendar year created in accordance with the Arizona State Library Archives and Public Records guidelines or for the length of time required by contractual or grant requirements, whichever is longer. We found the County did not require and/or retain 3 employees' time sheets to ensure accuracy of the hours charged. Without time sheets for all employees, the County is unable to demonstrate that its payroll transactions are accurate and represent the time employees worked and were reviewed and approved by supervisors, increasing the risk of fraud and misuse of public monies for the \$197.4 million in wages the County paid to its employees in fiscal year 2024.
- Develop, document, and implement written policies and procedures over information technology (IT). We found that the County does not have comprehensive IT policies and procedures over risk management, logical access, change and configuration management, contingency planning, and security of significant systems and data. Not having robust IT policies and procedures results in a heightened risk of security breaches and potential loss of County data. Similar findings were reported since 2020.
- Report accurate and complete COVID-19—Coronavirus State and Local Fiscal Recovery Funds program information to the federal agency, record program expenditures in the proper fiscal year, and develop, document, and implement policies and procedures to perform year-end closeout procedures, including an independent review and approval of federal program reports before submitting the reports to the federal agency. We found the County reported inaccurate cumulative and quarterly program expenditures as of June 30, 2024, to the federal agency as compared to the County's records. In addition, we identified \$594,380 of program expenditures reported in the wrong fiscal year, resulting in a \$594,380 error on its Schedule of Expenditures of Federal Awards. Reporting inaccurate program information results in the federal agency being unable to rely on the reports to monitor the Department's program administration, including its compliance with program requirements and ability to prevent and detect fraud, and to evaluate the program's success.

Auditor General website report links

- The June 30, 2024, Pinal County Annual Comprehensive Financial Report and Single Audit Report that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the County's overall financial picture and the County auditors' reporting responsibilities.
- The County's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
 - [Financial Report User Guide for State and Local Governments](#).
 - [Internal Control and Compliance Reports User Guide](#).