

Pinal County

Single Audit Report

Year Ended June 30, 2024

A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

The Joint Legislative Audit Committee

Senator **Mark Finchem**, Co-chairman

Senator **Flavio Bravo**

Senator **Tim Dunn**

Senator **David C. Farnsworth**

Senator **Catherine Miranda**

Senator **Warren Petersen** (ex officio)

Representative **Matt Gress**, Chairman

Representative **Michael Carbone**

Representative **Michele Peña**

Representative **Stephanie Stahl-Hamilton**

Representative **Betty Villegas**

Representative **Steve Montenegro** (ex officio)

Audit Staff

Katherine Edwards Decker, Director

Vicki Fisher Manager

Contact Information

Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018-7271

(602) 553-0333

contact@azauditor.gov

www.azauditor.gov



TABLE OF CONTENTS

Single Audit Report

Auditors section

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 <i>Government Auditing Standards</i>	1
--	---

Independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance	3
---	---

Schedule of findings and questioned costs	7
--	---

Summary of auditors' results	7
------------------------------	---

Financial statement findings	9
------------------------------	---

Federal award findings and questioned costs	21
---	----

County section

Schedule of expenditures of federal awards	25
--	----

Notes to schedule of expenditures of federal awards	27
---	----

County response

Corrective action plan

Summary schedule of prior audit findings
--

Report issued separately

Annual Comprehensive Financial Report



ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

Melanie M. Chesney, 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, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, 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, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 27, 2026. Our report includes a reference to other auditors who audited the financial statements of the Housing Grants and Pinal County Health Benefits Trust funds, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those 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.

Report on internal control over financial reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-01 and 2024-02 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-03, 2024-04, 2024-05, and 2024-06 to be significant deficiencies.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as items 2024-01 and 2024-06.

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this report

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

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

January 27, 2026



ARIZONA AUDITOR GENERAL

Lindsey A. Perry, Auditor General

Melanie M. Chesney, Deputy Auditor General

Independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance

Members of the Arizona State Legislature

The Board of Supervisors of
Pinal County, Arizona

Report on compliance for each major federal program

Qualified and unmodified opinions

We have audited Pinal County's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024, except for the Housing Voucher Cluster, Assistance Listing Number (ALN) 14.871, major federal program administered by the County's Housing Department. That major federal program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to that major federal program's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, is based solely on the other auditors' report. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Qualified opinion on COVID-19—Coronavirus State and Local Fiscal Recovery Funds

In our opinion, except for the noncompliance described in the basis for qualified and unmodified opinions section of our report, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the COVID-19—Coronavirus State and Local Fiscal Recovery Funds major federal program, ALN 21.027, for the year ended June 30, 2024.

Unmodified opinion on each of the other major federal programs

In our opinion, based on our audit and the report of the other auditors, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2024.

Basis for qualified and unmodified opinions

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

U.S. Comptroller General, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Matters giving rise to qualified opinion on COVID-19—Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the County did not comply with reporting requirements regarding COVID-19—Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, as described in finding 2024-102. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Management's responsibilities for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

Auditors' responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of

expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other matters

The results of our auditing procedures disclosed an other instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that is described in the accompanying schedule of findings and questioned costs as item 2024-101. Our opinion on each major federal program is not modified with respect to this matter.

Report on internal control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-102 to be a material weakness.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

County response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the noncompliance and internal control over compliance findings that are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to

the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

We have audited the financial statements of the County's governmental activities, business-type activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated January 27, 2026, that contained unmodified opinions on those financial statements. Our report also included 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the report of the other auditors, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Lindsey A. Perry, CPA, CFE
Auditor General

January 27, 2026



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles Unmodified

Is a going concern emphasis-of-matter paragraph included in the auditors' report? No

Internal control over financial reporting

Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Noncompliance material to the financial statements noted? No

Federal awards

Internal control over major programs

Material weaknesses identified? Yes

Significant deficiencies identified? None reported

Type of auditors' report issued on compliance for major programs

Unmodified for all major programs except for COVID-19—Coronavirus State and Local Fiscal Recovery Funds, ALN 21.027, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? Yes

Identification of major programs

Assistance Listings number	Name of federal program or cluster
14.218	CDBG - Entitlement Grants Cluster
14.871	Housing Voucher Cluster
16.738	Edward Byrne Memorial Justice Assistance Grant Program
21.027	COVID-19—Coronavirus State and Local Fiscal Recovery Funds
21.032	Local Assistance and Tribal Consistency Fund

Dollar threshold used to distinguish between Type A and Type B programs	\$1,624,313
Auditee qualified as low-risk auditee?	No

Financial statement findings

2024-01

The County issued its Annual Comprehensive Financial Report 10 months late, and its initial financial statements contained misstatements and misclassifications, delaying those who rely on the information from making decisions and increasing the risk that those who rely on the financial statements could be misinformed if corrections are not made to the financial reporting process

Condition—Contrary to State law, the County issued its Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2024, over 19 months after fiscal year-end, nearly 10 months later than required. Further, contrary to U.S. generally accepted accounting principles (GAAP), the County's initial ACFR 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. For example, in the deposits and investments note disclosure, we found significant misclassifications of investments and deposits totaling \$283,643,000, and errors in the investment risk disclosures. The County subsequently corrected these errors from original drafts, including the significant misstatements to the financial statements shown in Table 1.

Table 1

County's draft ACFR submitted to auditors contained significant misstatements and misclassifications that required corrections

Fiscal year 2024

Error amount and type	Financial statement line item	Description of misstatement or misclassification	Opinion unit affected ¹
\$18,380,000 misclassification	Due to other funds	The County incorrectly reported internal balances as due to other funds	Governmental activities
\$14,095,000 misstatement	Net position/Fund balance as of July 1, 2023	The County reported its fiscal year 2023 decrease in investment earnings in the incorrect opinion units ¹	Governmental activities Major funds ² Aggregate remaining fund information
\$7,357,000 misstatement	Investment earnings	The County reported its fiscal year 2024 increase in investment earnings in the incorrect opinion units ¹	Governmental activities Major funds ² Aggregate remaining fund information

Error amount and type	Financial statement line item	Description of misstatement or misclassification	Opinion unit affected ¹
\$7,717,000 misclassification	Net position restricted for net pension and other postemployment benefits	The County incorrectly reported net pension and other postemployment benefits assets as unrestricted net position	Governmental activities
\$6,158,000 understatement	Fund balance as of July 1, 2023	The County incorrectly reported fiscal year 2023 intergovernmental revenues as unearned revenue	Governmental activities
\$4,678,000 misclassification	Deferred inflows of resources—intergovernmental	The County incorrectly reported deferred inflows of resources related to intergovernmental revenues as unearned revenue.	General fund Governmental activities
\$1,685,000 understatement	Tax revenues and Road improvement tax revenues	The County failed to record fiscal year 2024 revenues in the appropriate fiscal year.	Governmental activities Road tax districts fund
\$94,000 overstatement	Miscellaneous revenues	The County failed to record fiscal year 2023 revenues in the appropriate fiscal year.	Business type activities Aggregate remaining fund information
\$41,000 understatement	Supplies expenses	The County failed to record fiscal year 2024 expenses in the appropriate fiscal year.	Business type activities Aggregate remaining fund information

¹ Our report on the audit of the financial statements includes opinions for the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information. The County's major funds included the General Fund, Road Tax Districts Fund, American Rescue Plan Act Fund, Public Works Highway Fund, Development Impact Fee Fund, and Debt Service Fund.

² The major funds containing part of the misclassification included the General Fund, Road Tax Districts Fund, American Rescue Plan Act Fund, Public Works Highway Fund, and Development Impact Fee Fund which also composed the governmental activities.

Source: Auditor General staff review of revenue and expense documentation, investment statements, the Pinal County Treasurer reports, and the County's draft financial statements as of June 30, 2024.

Effect—The County's Finance Department (Department) did not provide timely financial information to its Board of Supervisors and others who rely on audited financial statements to make important decisions about the County's operations. Additionally, because the County had not issued timely financial statements, its Annual Expenditure Limitation Report (AELR), which relies on information from the ACFR and was due 9 months after fiscal year-end, will also be issued late.

Cause—The Department failed to provide key financial information, such as complete and accurate financial statements, associated note disclosures, and supporting schedules, to auditors by established deadlines agreed upon at the beginning of the audit. This information was provided to auditors over 4 months past agreed-upon deadlines, which was 12 months after the fiscal year-end.

Also, the Department's policies and procedures for preparing its financial statements lacked step-by-step procedures to ensure the financial statements and note disclosures were accurate, complete, and presented in accordance with GAAP, including:

- Reconciling its financial statement balances and activities to its subsystems and other records.
- Preparing a schedule of revenues received within 60 days of fiscal year-end and evaluating whether they should be recognized in the current fiscal year or deferred and recognized as revenue in the next fiscal year.
- Evaluating significant changes to financial information to ensure it is properly classified and disclosed.

In addition, the County reported they had difficulty obtaining compliance from all departments to ensure departmental year-end inventories were complete and accurate.

Further, the County's closing and financial reporting processes are complex, involving data from its accounting information system and other data sources. In addition, the financial statements are compiled using a separate reporting application that requires personnel with the requisite skills, knowledge and expertise with the application to help ensure the accuracy and timeliness of the year-end close and financial reporting process. The County outsourced the preparation of its financial statements to a CPA firm in 2021 without developing and implementing detailed policies and procedures to follow for management or an independent, knowledgeable individual to oversee and review the financial statement preparation process, including the information provided to the CPA firm by the County. The Department staff assigned to prepare schedules and/or review the draft financial statements were not properly trained in the County's processes or did not have the skills, knowledge, and experience to perform the function; and did not understand how the inaccurate and invalid data impacts the County's financial reporting. Finally, the Department's informal review process of the financial statements, note disclosures, and supporting schedules did not detect errors.

Criteria—State law requires the County to issue its audited financial statements and AELR within 9 months after fiscal year-end or by March 31, 2025 (Arizona Revised Statutes §41-1279.07[C]). Further, the Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the County to prepare its financial statements in accordance with GAAP. Accurate financial statements provide valuable information to those charged with the County's governance and management, and others who rely on the reported financial information to make important decisions about the County's financial operations.

Further, designing, implementing, and maintaining effective policies and procedures is necessary to achieve the County's financial reporting objectives and an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States.¹

Recommendations to the County

1. Issue the County's ACFR by the statutory deadline.
2. Provide accurate and key financial information to auditors by the agreed-upon deadlines established at the beginning of the audit to ensure timely issuance of its audited ACFR.
3. Prepare the financial statements, associated note disclosures, and supporting schedules accurately and in accordance with GAAP.
4. Enforce its policy to ensure departmental year-end inventories were complete and accurate.
5. Hire, retain, and train qualified individuals who have the skills, knowledge, and experience to perform financial reporting functions as prescribed by GAAP, State law, and policy.
6. Require management or an independent knowledgeable individual to review the accounting records prior to providing them to the CPA firm to ensure the financial statements are accurate, complete, and adequately supported.
7. Require management or an independent, knowledgeable individual to review the County's financial statements prepared by the CPA firm. This review should ensure that the financial statements are accurate and complete, properly supported, and presented in accordance with GAAP and to detect and correct misstatements in the financial statements before providing them for audit.

Update existing policies and procedures for preparing its financial statements in accordance with GAAP and train responsible employees on step-by-step procedures to:

8. Reconcile its financial statement balances and activities to subsystems and other records, including obtaining closing and compiling data from the County's accounting system, preparing common year-end financial statement adjustments, and obtaining information not readily available from the accounting system but necessary for financial statement preparation.
9. Prepare a schedule of revenues received within 60 days of fiscal year-end and evaluate whether they should be recognized in the current fiscal year or deferred and recognized as revenue in the next fiscal year.
10. Evaluate significant changes to financial information to ensure it is properly classified and disclosed.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year findings 2023-002 and 2023-003 that were initially reported in fiscal years 2017 and 2016, respectively.

¹ U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 10/20/2025 from <https://www.gao.gov/assets/670/665712.pdf>

2024-02

The County reported an unreconciled \$1.3 million outstanding balance in its payroll clearing bank account, resulting in an increased risk of financial statement errors, inaccurate payments to employees and outside parties, and fraudulent activity

Condition—Contrary to generally accepted accounting principles (GAAP), the County's Finance Department (Department) 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.¹ The County could not

support the outstanding \$1.3 million balance with its payroll records and has had unreconciled outstanding balances in its payroll clearing account since fiscal year 2016.

Effect—The Department's not reconciling outstanding balances in its payroll clearing account increases the risk that:

- The County's financial statements contain significant errors and misinform those who are relying on the information.
- The County made inaccurate payments to its employees or outside parties, such as taxing authorities and benefits administrators.
- The County inappropriately withheld more public monies than necessary resulting in less monies available for uses that benefit the County and its residents, such as for public safety and health and welfare programs.
- Fraudulent activity and misappropriation of funds could go undetected.

Cause—The Department failed to perform accurate and complete monthly reconciliations of its payroll clearing bank account to its accounting records since at least July 2016. Specifically, the Department's policies lacked detailed reconciliation procedures, and the Department's monthly review of the bank account's activity did not encompass all outstanding balances or ensure the account nets to zero after each payroll cycle. Further, the County's management reported that the outstanding balances were not reconciled due to limited resources, and the personnel responsible for reconciling the activity did not have the skills, knowledge, and/or experience to perform a reconciliation over several fiscal years.

Criteria—The Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the County to prepare its financial statements in accordance with GAAP. GAAP principles require reconciliations to ensure financial statements are complete, consistent, and accurate.

In addition, the County's policies require the Department to perform monthly bank account reconciliations and to maintain supporting receipts and disbursements from the account.²

Further, designing, implementing, and maintaining effective policies and procedures over its payroll clearing bank account is necessary to achieve the County's objectives that include safeguarding public monies and other assets, and responding to risks of fraud is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring monies are not fraudulently or mistakenly misused.³

Recommendations to the Department

1. Update its existing policies and procedures for monthly bank account reconciliations to include requirements, and train responsible individuals to perform accurate and complete monthly reconciliations of its payroll clearing bank account to its accounting records, including investigating discrepancies and outstanding balances and ensuring the account nets to zero after each payroll cycle.
2. Designate a responsible individual(s) with knowledge, skills, and experience to investigate and resolve the \$1.3 million outstanding balance in its payroll clearing bank account, including a review of prior years' outstanding balances back to 2016. Based on the results, the County may need to repay employees, taxing authorities, and/or benefits administrators for any discrepancies found and/or transfer monies back to the County for operating purposes.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2023-001 and was initially reported in fiscal year 2017.

¹ The County uses its payroll clearing bank account as a suspense account to accumulate employees' wages and withholdings for taxes, benefits, etc., in addition to the County's portion of expenses for taxes, benefits, etc. The payroll clearing bank account balance should net to zero after each payroll cycle once payments are made to employees, various taxing authorities, benefits administrators, etc.

² Pinal County. (2025). *Accounting Policies and Procedures: Establishing Bank Accounts*. Retrieved 7/8/2025 from <https://www.pinal.gov/DocumentCenter/View/5416/805-Establishing-Bank-Accounts-PDF>

³ U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 7/8/2025 from <https://www.gao.gov/assets/gao-14-704g.pdf>

2024-03

Contrary to County policy, the County did not require and/or retain 3 employees' time sheets to ensure accuracy of the hours charged, resulting in an increased risk of fraud and misuse of public monies and possible violation of the Arizona Constitution

Condition—Contrary to County policy, the County's Clerk of the Court and Juvenile Probation/Detention Department (departments) did not require and/or retain employees' time sheets to ensure accuracy of the hours charged for 3 of 60 fiscal year 2024 payroll transactions we tested. Specifically, the County's Clerk of the Court did not require a time sheet to be submitted for 1 payroll transaction we tested, and the Juvenile Probation/Detention Department did not retain time sheets prepared for 2 payroll transactions we tested.

Effect—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. Additionally, the County is at risk of overpaying or underpaying employees and possible violations of the Arizona Constitution if overpayments occur. Further, when public monies are misused, less monies are available for uses that benefit the County and its residents, such as for public safety and health and welfare programs.

Cause—The County's Finance Department's Central Payroll (Central Payroll) did not have a process to monitor whether the departments' payroll liaisons were enforcing the County's policies and procedures. Specifically, the Juvenile Probation/Detention Department's management reported that its payroll liaison was not aware of the requirement to retain the time sheets. Further, the County's management reported that the Clerk of the Court's supervisory position responsible for requiring and retaining time sheets was vacant for a portion of the fiscal year, and these responsibilities were not assigned or performed by another individual.

Criteria—The County's policy specifically requires all nonexempt employees, such as hourly employees, to report time worked on a time sheet, including daily and overtime hours worked and summary hours by type of work, and requires the employee's immediate supervisor, or supervisor/manager most knowledgeable of the employee's time worked, to review and sign the time sheet to attest the time entered is complete and accurate. Further, the County's policy requires its departments to 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.¹

Additionally, the County developing, documenting, and implementing effective policies to monitor payroll are an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring public monies are not fraudulently or mistakenly misused.² Further, the Arizona Constitution, Art. IX, Sec. 7, bans gifts or loans of public monies, which would include payroll overpayments, to individuals by counties.

Recommendations to the County

1. Follow County policy to require all nonexempt employees, such as hourly employees, to report time worked on a time sheet, including daily and overtime hours worked and summary hours by type of work, and be approved by their supervisor.
2. Follow County policy to 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.

Recommendations to Central Payroll

3. Develop monitoring procedures and train responsible individuals to ensure the departments follow County policy to require and retain approved employees' time sheets to ensure accuracy of the hours charged and reported to Central Payroll.
4. Designate an individual to perform supervisory position responsibilities, including requiring and retaining time sheets, when vacancies occur.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

¹ Pinal County. (2018). *Pinal County Policy and Procedure: Hours of Work*. Retrieved 7/7/25 from <https://www.pinal.gov/DocumentCenter/View/5254/350-Hours-of-Work-PDF>

² U.S. Government Accountability Office (GAO). (2014). *Standards for Internal Control in the Federal Government*. Retrieved 7/7/2025 from <https://www.gao.gov/assets/gao-14-704g.pdf>

2024-04

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Condition—The County's process for managing and documenting its risks did not include an overall risk assessment process that included identifying, analyzing, and responding to the County-wide information technology (IT) risks, such as potential harm from unauthorized access, use, disclosure, disruption, modification, or destruction of IT systems and data. Also, it did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls and evaluating and determining the business functions and IT systems that would need to be restored quickly if the County were impacted by disasters or other system interruptions.

Effect—The County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk of potential harm.

Cause—The County's administration and IT management reported that they had not prioritized implementing formal procedures for risk-assessment and data classification processes, nor business continuity.

Criteria—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the County to effectively manage risk related to IT systems and data. Effectively managing risk includes an entity-wide risk assessment process that involves members of the County's administration and IT management. An effective risk assessment process helps the County determine the risks it faces as the County seeks to achieve its objectives to not only report accurate financial information and protect its IT systems and data but to also carry out its overall mission and compliance and service objectives. Additionally, an effective risk management process provides the County the basis for developing appropriate responses based on identified risk tolerances and specific potential risks to which it might be subjected. To help ensure the County's objectives can be met, an effective annual risk assessment considers and identifies IT risk in the County's operating environment, analyzes and prioritizes each identified risk, and develops a plan to respond to each risk within the context of the County's defined objectives and risk tolerances. Finally, effectively managing risk includes the County's process for identifying, classifying, and inventorying sensitive information that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information and the process of evaluating risk of losing the continuity of business operations in the event of a disaster or system interruption.

Recommendations to the County's administration and IT management

1. Plan for where to allocate resources and where to implement critical controls.
2. Perform an annual entity-wide IT risk assessment process that includes evaluating and documenting risks and safeguards. Such risks may include inappropriate access that would affect financial data, system changes that could adversely impact or disrupt system operations, and inadequate or outdated system security.
3. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.
4. Evaluate and determine the critical organization functions and IT systems that would need to be restored quickly given the potential impact disasters or other IT system interruptions could have on the organization's operations, such as public safety, and payroll and accounting, and determine how to prioritize and plan for recovery.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2023-004 and was initially reported in fiscal year 2023.

2024-05

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Condition—The County's control procedures were not sufficiently developed, documented, and implemented to respond to risks associated with its information technology (IT) systems and data. The County lacked sufficient procedures over the following:

- **Restricting access**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.
- **Managing system configurations and changes**—Procedures did not ensure configuration settings were securely maintained and all IT system changes were adequately managed.
- **Securing systems and data**—IT security policies and procedures lacked controls to prevent unauthorized or inappropriate access or use, manipulation, damage, or loss.
- **Ensuring operations continue**—Contingency plan lacked key elements related to restoring operations in the event of a disaster or other system interruption.

Effect—There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data. It also increases the County's risk of not being able to effectively continue daily operations and completely and accurately recover vital IT systems and data in the event of a disaster or system interruption.

Cause—The County's administration and IT management did not make it a priority to develop and document comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

Criteria—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the County to protect its IT systems and ensure the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives. Effective internal controls include the following:

- **Restrict access through logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Manage system configurations and changes through well-defined, documented configuration management process**—Ensures the County's IT system configurations are documented and that changes to the systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system's security or operation. Separating responsibilities is an important control for system changes; the same person who has authority to make system changes should not put the change into production. If those responsibilities cannot be separated, a post-implementation review should be performed to ensure the change was implemented as designed and approved.
- **Secure systems and data through IT security internal control policies and procedures**—Help prevent, detect, and respond to instances of unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT systems and data.

- **Ensure operations continue through a comprehensive, documented, and tested contingency plan**—Provides the preparation necessary to place the plan in operation and helps to ensure business operations continue and systems and data can be recovered in the event of a disaster, system or equipment failure, or other interruption.

Recommendations to the County's administration and IT management

1. Make it a priority to develop and document comprehensive IT policies and procedures and develop a process to ensure the procedures are being consistently followed.

Restrict access—To restrict access to its IT systems and data, develop, document, and implement processes to:

2. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
3. Review all other account access to ensure it remains appropriate and necessary.
4. Manage the credentials for accounts shared by 2 or more users.
5. Enhance authentication requirements for IT systems.

Manage system configurations and changes—To configure IT systems securely and manage system changes, develop, document, and implement processes to:

6. Establish and follow a documented change management process.
7. Review proposed changes for appropriateness, justification, and security impact.
8. Document changes, testing procedures and results, change approvals, and post-change review.
9. Develop and document a plan to roll back changes in the event of a negative impact to IT systems.
10. Test changes prior to implementation.
11. Separate responsibilities for the change management process or, if impractical, perform a post-implementation review to ensure the change was implemented as approved.
12. Maintain configurations for all system services, assets, and infrastructure; manage configuration changes; and monitor the system for unauthorized or unintended configuration changes.

Secure systems and data—To secure IT systems and data, develop, document, and implement processes to:

13. Perform proactive key user and system activity logging and log monitoring, particularly for users with administrative access privileges.
14. Prepare and implement a security incident response plan clearly stating how to report and handle such incidents.
15. Provide all employees ongoing training on IT security risks and their responsibilities to ensure systems and data are protected.
16. Develop an information security plan to protect the integrity of the financial reporting systems and data.

Ensure operations continue—To ensure operations continue, develop, document, and implement processes to:

17. Develop and implement a contingency plan for all County departments and ensure they include all critical elements to restore critical operations.

18. Test the contingency plan.
19. Test backups of systems and data.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2023-005 and was initially reported in fiscal year 2023.

2024-06

The County failed to pay taxes and retirement pension contributions within required time frames, resulting in \$654,520 in associated penalties and interest—monies that otherwise could have been used to benefit the County and its residents

Condition—The County paid a total \$197.4 million in wages to its employees in fiscal year 2024 but failed to pay Federal Insurance Contributions Act (FICA) and federal and State income taxes and State retirement pension contributions within required time frames.

Specifically, during fiscal year 2024, the County's Finance Department (Department) withheld monies for taxes and pension contributions for the County and its employees but did not remit these withheld monies to the taxing authorities or benefit administrators within the required time frames, as follows:

- FICA taxes and federal income taxes for all 4 quarters.
- State income taxes for 1 quarter.
- State pension contributions for ASRS and PSPRS for all 4 quarters.

Effect—The County was required to pay \$654,520 in penalties and interest for the late tax payments and pension contributions during fiscal year 2024, as shown in Table 1, resulting in less monies available for uses that benefit the County and its residents, such as providing essential services, maintaining infrastructure, and supporting social programs. Additionally, the County is at an increased risk of additional penalties not yet assessed. The County also placed employee pension benefits at risk as the employees may not be credited for accrued service and receive earned pension and other benefits.

Table 1

The Department paid \$654,520 in penalties and interest to the federal, State, and benefits administrators for late tax and pension contribution payments

Fiscal year 2024

Remittance type	Quarterly period end date				
	Sept. 30, 2023	Dec. 31, 2023	March 31, 2024	June 30, 2024	Total
Federal tax, including FICA					
Penalty	\$2,897	\$376,963	\$207,902	\$32,034	\$619,796
Interest charges	578	4,385	1,493	0	6,456
State tax					
Penalty	N/A	17,549	N/A	N/A	17,549

Remittance type	Quarterly period end date				
	Sept. 30, 2023	Dec. 31, 2023	March 31, 2024	June 30, 2024	Total
Interest charges	N/A	460	N/A	N/A	460
Pension contributions					
Penalty	314	5,250	3,765	930	10,259
Interest charges	N/A	N/A	N/A	N/A	N/A
Total	\$3,789	\$404,607	\$213,160	\$32,964	\$654,520

Sources: IRS Form Number 941 (Employer's Quarterly Federal Tax Return) and IRS Form 941 Schedule B Account Transcript obtained from the County on October 27, 2025. Pinal County records which include information from the Arizona Department of Revenue (ADOR), Arizona State Retirement System, and Public Safety Personnel Retirement System.

Cause—The County's management reported that it experienced a staffing shortage in its payroll department beginning October 2023, and the County did not have an alternate designee identified to ensure tax and pension contribution payments were made within the required time frames during its biweekly payroll processes. In addition, the County did not have policies and procedures to ensure continuity in processing required tax and pension contribution payments.

Criteria—Federal regulations require the County to electronically transfer employee FICA and federal income tax withholdings to the federal government within the prescribed semiweekly deposit deadlines (26 Code of Federal Regulations [CFR] §31-6302-1).¹ Similarly, State law requires the County to transfer employee State income tax withholdings to the State at the same time as federal taxes (Arizona Revised Statutes [A.R.S.] §43-401[C]). In addition, State law requires the County to transfer employer and employee pension contributions within 10 working days after each payroll date (A.R.S. §38-843(D)).

Further, designing, implementing, and maintaining effective policies and procedures over its tax payments is necessary to achieve the County's objectives that include safeguarding public monies and other assets, and is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, and integral to ensuring monies are not fraudulently or mistakenly misused.²

Recommendations to the County

1. Pay FICA and federal and State incomes taxes and State retirement pension contributions for employees within required time frames.
2. Ensure the County designates an alternate employee to process the required tax and pension contribution payments within required time frames.
3. Develop and implement written policies and procedures over processing required tax and pension contribution payments within required time frames.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

¹ Chapter 26 of the Code of Federal Regulations (CFR) requires the County to withhold and pay FICA and federal income taxes to the federal government. Specifically, the County must collect FICA and federal income taxes from each employee's wages when it pays them (26 CFR §31.3102-1[a] for FICA and 26 CFR §31.3402[a]-1[b] for federal income tax). Further, the County must pay employee FICA and federal income taxes to the federal government semiweekly either on the Wednesday or Friday following the pay period, depending on the payroll payment dates (26 CFR §31-6302-1). The County is a semiweekly depositor.

² U.S. Government Accountability Office. (2014). *Standards for Internal Control in the Federal Government*. Retrieved 7/8/2025 from <https://www.gao.gov/assets/gao-14-704g.pdf>

Federal award findings and questioned costs

2024-101

Assistance Listings numbers and names: Not applicable

Questioned costs: Not applicable

Condition—Contrary to federal regulation, the County did not submit its June 30, 2024, Single Audit Report to the federal audit clearinghouse until January 27, 2026, which was nearly 10 months later than federal regulation requires.

Effect—The County submitting its Single Audit Report late prevents the federal government and other grantors of federal awards from having current information to effectively monitor their programs and could delay corrective actions that the County needs to take. Further, federal grantors may deny the County future federal awards or subject it to additional cash-monitoring requirements. This finding was not a result of internal control deficiencies of individual federal programs and, accordingly, did not have a direct and material effect on the compliance requirements over the County's major federal programs.

Cause—The County failed to prepare its June 30, 2024, Annual Comprehensive Financial Report in a timely manner for the reasons we reported in finding 2024-01, which delayed the completion of the Single Audit.

Criteria—Federal regulation requires the County to submit its Single Audit Report to the federal audit clearinghouse no later than 9 months after fiscal year-end or by March 31, 2025, for the County's June 30, 2024, Single Audit Report (2 Code of Federal Regulations §200.512).

Recommendation to the County

1. Improve its financial reporting process, as noted in finding 2024-01, so that it can submit all future Single Audit Reports on or before the federally required submission deadline, which is no later than 9 months after fiscal year-end or by March 31 of the subsequent year.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2023-101 and was initially reported in fiscal year 2022.

2024-102

Assistance Listings number

and name:

Award numbers and years:

21.027 COVID-19—Coronavirus State and Local Fiscal Recovery Funds

SLFRP1179, May 31, 2021 through December 31, 2026;

221100CB02, January 1, 2022 through June 30, 2024;

221100CB01, January 5, 2023 through December 31, 2026

U.S. Department of the Treasury

Federal agency:

Compliance requirement:

Cost principles

Questioned costs:

None

Compliance requirement:

Reporting

Questioned costs:

Not applicable

Condition—The County's Finance Department (Department) reported inaccurate cumulative and quarterly program expenditures as of June 30, 2024, to the federal agency as compared to the County's records. Specifically, our test of the annual report found a cumulative understatement of \$1.2 million, or 3.7% of the \$32 million the County reported it spent on the program since May 2021 as shown in Table 1 below. In addition, our tests of all 4 quarterly reports found a net total overstatement of program expenditures of \$71,109, or 0.4% of the \$20 million in expenditures the County reported spending during fiscal year 2024, including quarterly reported expenditures ranging from a \$10.1 million overstatement to a \$10 million understatement as compared to the County's records as shown in Table 2 on the following page.

Further, our test of 1 of 20 expenditure transactions found that the Department inappropriately recorded \$594,380 of program expenditures in the wrong fiscal year. Specifically, the Department posted an adjusting journal entry on October 4, 2024, for expenditures that occurred between July 1, 2024 and August 25, 2024, and backdated the transactions to June 30, 2024. We are not questioning the cost as the expenditure was for an allowable activity and within the allowed overall period of performance; however, it was inappropriately recorded.

Table 1

Department reported \$1.2 million understatement of program expenditures in its annual report when compared to County records

Fiscal year 2024

Annual report date	Total program expenditures as of report date	Cumulative understatement of program expenditures when compared to the County's records	Cumulative understatement of program expenditures as a percentage of total program expenditures as of report date
June 30, 2024	\$32,029,706	\$(1,200,472)	(3.7%)

Source: Auditor General staff review of the County's COVID-19—Coronavirus State and Local Fiscal Recovery Funds annual report for fiscal year ended June 30, 2024, and the County's detailed accounting records.

Table 2

Department reported \$71,109 net total overstatement of program expenditures in its quarterly reports when compared to County records

Fiscal year 2024

Quarterly report date	Total reported quarterly program expenditures	Overstatement or (understatement) of program expenditures when compared to the County's records	Overstatement or (understatement) of program expenditures as a percentage of total program expenditures as of report date
September 30, 2023	\$255,859	\$(815,033)	(318.5%)
December 31, 2023	11,907,778	10,092,297	84.8%
March 31, 2024	1,154,040	795,696	68.9%
June 30, 2024	6,692,935	(10,001,851)	(149.4%)
Total	\$20,010,612	\$71,109	0.4%

Source: Auditor General staff review of the County's Department's COVID-19—Coronavirus State and Local Fiscal Recovery Funds quarterly reports during fiscal year ended June 30, 2024, and the County's detailed accounting records.

Effect—The Department's 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. Additionally, there is a risk that the County may be required to return excess monies reported as spent to the federal agency if the expenditures have not been fully reconciled at the end of the program, which occurs during fiscal year 2027.

Further, the Department's recording expenditures in the wrong fiscal year resulted in a \$594,380 error on its Schedule of Expenditures of Federal Awards (SEFA) and an increased risk of additional SEFA reporting errors. The County subsequently corrected the error from the original draft. Finally, the County is at risk that this finding applies to other federal programs it administers.

Cause—The Department did not have year-end closeout procedures to ensure the County's federal expenditures were recorded in the proper fiscal year and did not train individuals responsible for preparing the federal program reports and related adjusting journal entries on U.S. generally accepted accounting principles (GAAP) requirements to record expenditures when liabilities are incurred. Also, the employee responsible for preparing the reports did not reconcile expenditure amounts to the County's accounting records or investigate and resolve any differences prior to submitting the report to the federal agency.

In addition, the Department did not require an independent review and approval of federal program reports before submitting the reports to the federal agency to ensure reports are accurate, agree to County records, and contain only allowable expenditures for the applicable fiscal year. Also, the employee responsible for reviewing and approving adjusting journal entries did not detect the \$594,380 error.

Further, the Department's management reported that it lacked policies and procedures for reporting program information to the federal agency as it was not aware that internal controls should include a review and approval and a reconciliation process.

Criteria—Federal law, regulation, and guidance requires the Department to accurately report its current and cumulative obligations and expenditures on a quarterly and annual basis by type, such as contracts, grants, loans, direct payments, and transfers to other governmental entities, beginning December 2020.¹ Further, the Governmental Accounting Standards Board sets the accounting and financial reporting standards that require the County to prepare its financial statements in accordance with GAAP, which requires expenditures to be reported when the related liability is incurred.

Also, federal regulation requires establishing and maintaining effective internal control over federal awards that provides reasonable assurance that the federal program is being managed in compliance with all applicable laws, regulations, and award terms and conditions (2 CFR §200.303).

Recommendations to the County

1. Report accurate and complete program information to the federal agency.
2. Record program expenditures in the proper fiscal year.
3. Perform and document a reconciliation for reports that the Department has already submitted to the federal agency to identify those that contain errors, and revise and resubmit those reports if practicable or notify the federal agency of these reporting errors.

Develop, document, and implement policies and procedures, and designate and train responsible employees, to monitor compliance with the program's reporting requirements including step-by-step procedures to:

4. Perform year-end closeout procedures to ensure the County's federal expenditures are recorded in the proper fiscal year and in accordance with GAAP. Specifically, the Department should ensure all federal expenditures are properly documented and recognized and then lock the fiscal period in the accounting system after final adjusting entries are posted to prevent recording expenditures in the wrong fiscal year.
5. Reconcile expenditure amounts to the County's accounting records and investigate and resolve any differences prior to submitting the report to the federal agency.
6. Perform and document an independent review and approval of federal program reports before submitting the reports to the federal agency and related adjusting journal entries to ensure reports are accurate, agree to County records, and contain only allowable expenditures for the applicable fiscal year.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

¹ The American Rescue Plan Act established the State and Local Fiscal Recovery Fund (SLFRF), which was enacted March 11, 2021. Federal interim guidance for implementing the SLFRF was established by the U.S. Treasury in May 2021 and finalized in January 2022 and is in effect until April 1, 2022. All the U.S. Treasury's SLFRF guidance was finalized in the Federal Register (FR) on January 27, 2022 (FR Vol. 87, No. 18, Doc. 2022-00292) and became effective on April 1, 2022. Retrieved 8/21/25 from <https://www.govinfo.gov/content/pkg/FR-2022-01-27/pdf/2022-00292.pdf>

COUNTY SECTION

PINAL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2023 - 6/30/2024

Federal Awarding Agency/Program Title	Assistance Listings Number	Additional Award Identification (Optional)	Name of Grantor Pass-Through Entity	Identifying Number Assigned By Grantor Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
DEPARTMENT OF AGRICULTURE									
SCHOOL BREAKFAST PROGRAM	10.553		ARIZONA DEPARTMENT OF EDUCATION	ED09-0001 21-10-22	\$25,496	\$25,496	CHILD NUTRITION CLUSTER	\$60,795	
NATIONAL SCHOOL LUNCH PROGRAM WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.555		ARIZONA DEPARTMENT OF EDUCATION	ED09-0001 21-10-22	\$35,299	\$35,299	CHILD NUTRITION CLUSTER	\$60,795	
SCHOOLS AND ROADS - GRANTS TO STATES LAW ENFORCEMENT AGREEMENTS	10.655 10.704		ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS19-207422, CTR040850, CTR067928	\$1,568,250	\$1,568,250	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$145,132	N/A
TOTAL DEPARTMENT OF AGRICULTURE					<u>\$1,795,437</u>				
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218				\$881,791	\$2,810,958	\$2,810,958	CDBG - ENTITLEMENT GRANTS CLUSTER	\$2,810,958
EMERGENCY SOLUTIONS GRANT PROGRAM	14.231				\$166,948	\$171,452	\$171,452	N/A	
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239				\$374,013	\$832,235	\$832,235	N/A	
ECONOMIC DEVELOPMENT INITIATIVE, COMMUNITY PROJECT FUNDING, AND MISCELLANEOUS GRANTS	14.251				\$312	\$312	\$312	N/A	
CONTINUUM OF CARE PROGRAM	14.267		ARIZONA DEPARTMENT OF HOUSING	529-24	\$7,023	\$7,023	\$7,023	N/A	
PUBLIC HOUSING OPERATING FUND	14.850				\$676,933	\$676,933	\$676,933	N/A	
RESIDENT OPPORTUNITY AND SUPPORTIVE SERVICES - SERVICE COORDINATORS	14.870				\$49,890	\$49,890	\$49,890	N/A	
SECTION 8 HOUSING CHOICE VOUCHERS	14.871				\$9,574,674	\$9,574,674	\$9,574,674	HOUSING VOUCHER CLUSTER	\$9,574,674
PUBLIC HOUSING CAPITAL FUND	14.872				\$452,734	\$452,734	\$452,734	N/A	
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u>\$1,422,752</u>	<u>\$14,576,211</u>			
DEPARTMENT OF THE INTERIOR									
OUTDOOR RECREATION ACQUISITION, DEVELOPMENT AND PLANNING	15.916		ARIZONA STATE PARKS AND TRAILS	ASP #04-00750	\$63,893	\$63,893	\$63,893	N/A	
TOTAL DEPARTMENT OF THE INTERIOR					<u>\$63,893</u>				
DEPARTMENT OF JUSTICE									
MISSING AND UNIDENTIFIED HUMAN REMAINS (MUHR) PROGRAM	16.050				\$70,395	\$70,395	\$70,395	N/A	
NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	16.554		ARIZONA CRIMINAL JUSTICE COMMISSION	NCHIP-20-22-003, NCHIP-20-22-004, NCHIP-20-24-006, NCHIP-23-25-008	\$160,444	\$160,444	\$160,444	N/A	
CRIME VICTIM ASSISTANCE	16.575			2018-V2-GX-0012, 2020-188, 2020-189, 2020-190, 2020-191, 2020-192, VOCA-2024-PNCIC-00069, 2019-V2-GX-0004, 2023-194, 2023-215, 2023-217, 2023-220	\$438,559	\$438,559	\$438,559	N/A	
CRIME VICTIM COMPENSATION	16.576		ARIZONA CRIMINAL JUSTICE COMMISSION	VC-24-012	\$316,768	\$316,768	\$316,768	N/A	
VIOLENCE AGAINST WOMEN FORMULA GRANTS	16.588		GOVERNOR'S OFFICE OF YOUTH FAITH AND FAMILY	ST-WSG-20-010121-16Y3, GR-STOP-GOYFF-010124-16	\$22,092	\$22,092	\$22,092	N/A	
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	CJ-22-001, DC-24-009, DC-24-031, DC-24-072	\$191,531	\$491,922	\$491,922	N/A	
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738				\$300,391	\$491,922	\$491,922	N/A	
JUSTICE REINVESTMENT INITIATIVE	16.827				\$39,090	\$39,090	\$39,090	N/A	
DOMESTIC TRAFFICKING VICTIM PROGRAM	16.834		NATIONAL CHILDREN'S ALLIANCE	SANT-AZ-DTVF23, SANT-AZ-DTVF24	\$26,930	\$26,930	\$26,930	N/A	
TOTAL DEPARTMENT OF JUSTICE					<u>\$1,566,200</u>				
DEPARTMENT OF LABOR									
WIOA ADULT PROGRAM	17.258		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D/21-002287	\$1,311,300	\$1,593,306	\$1,593,306	WIOA CLUSTER	\$3,193,990
WIOA YOUTH ACTIVITIES	17.259		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D/19-002206	\$710,157	\$918,697	\$918,697	WIOA CLUSTER	\$3,193,990
WIOA DISLOCATED WORKER FORMULA GRANTS	17.278		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D/19-002206	\$456,601	\$681,987	\$681,987	WIOA CLUSTER	\$3,193,990
TOTAL DEPARTMENT OF LABOR					<u>\$2,478,058</u>	<u>\$3,193,990</u>			
DEPARTMENT OF TRANSPORTATION									
AIRPORT IMPROVEMENT PROGRAM, INFRASTRUCTURE INVESTMENT AND JOBS ACT PROGRAMS, AND COVID-19 AIRPORTS PROGRAMS	20.106		GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2024-PTS-048, 2024-AI-016	\$520,027	\$520,027	\$520,027	N/A	
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2024-405D-033, 2023-405D-034, 2024-405b-502	\$158,795	\$158,795	\$158,795	HIGHWAY SAFETY CLUSTER	\$262,495
NATIONAL PRIORITY SAFETY PROGRAMS	20.616				\$103,700	\$108,700	\$108,700	HIGHWAY SAFETY CLUSTER	\$262,495
NATIONAL INFRASTRUCTURE INVESTMENTS	20.933				\$70,558	\$70,558	\$70,558	N/A	
TOTAL DEPARTMENT OF TRANSPORTATION					<u>\$853,080</u>				
DEPARTMENT OF TREASURY									
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	Covid-19			\$5,832,739	\$21,394,027	\$21,394,027	N/A	
COVID-19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	Covid-19	ARIZONA ADMINISTRATION OFFICE OF THE COURTS	221100CB02	\$132,759	\$21,526,786	\$21,526,786	N/A	
LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND	21.032				\$2,933,969	\$2,933,969	\$2,933,969	N/A	
TOTAL DEPARTMENT OF TREASURY					<u>\$5,832,739</u>	<u>\$24,460,755</u>			
ENVIRONMENTAL PROTECTION AGENCY									
SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS, DEMONSTRATIONS, AND SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034		ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY	ADEQ-18-179166, EV23-0035	\$40,863	\$40,863	\$40,863	N/A	
PERFORMANCE PARTNERSHIP GRANTS	66.605		ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY	EV23-0035	\$206,198	\$206,198	\$206,198	N/A	
TOTAL ENVIRONMENTAL PROTECTION AGENCY					<u>\$247,061</u>				
DEPARTMENT OF EDUCATION									
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.0104		ARIZONA DEPARTMENT OF EDUCATION	24FT1TTI-411475-01A	\$102,306	\$102,306	\$102,306	N/A	
SPECIAL EDUCATION GRANTS TO STATES	84.027	84.027A	ARIZONA DEPARTMENT OF EDUCATION	241CSGBA-411475-01A	\$37,667	\$37,667	\$37,667	SPECIAL EDUCATION CLUSTER (IDEA)	\$39,193
SPECIAL EDUCATION PRESCHOOL GRANTS	84.173	84.173A	ARIZONA DEPARTMENT OF EDUCATION	241CSGPR-411475-01A	\$1,526	\$1,526	\$1,526	SPECIAL EDUCATION CLUSTER (IDEA)	\$39,193
RURAL EDUCATION	84.358	84.358A	ARIZONA DEPARTMENT OF EDUCATION	241FESII-111475-01A	\$22,205	\$22,205	\$22,205	N/A	
COVID-19 EDUCATION STABILIZATION FUND	84.425	Covid-19, 84.425U	ARIZONA DEPARTMENT OF EDUCATION	21FESIII-111475-01A	\$32,200	\$32,200	\$32,200	N/A	
TOTAL DEPARTMENT OF EDUCATION					<u>\$195,904</u>				

ELECTION ASSISTANCE COMMISSIONS						
HAVA ELECTION SECURITY GRANTS	90,404	ARIZONA SECRETARY OF STATE	AZ20101001	\$131,495	\$131,495	N/A
TOTAL ELECTION ASSISTANCE COMMISSION						
				\$131,495		
DEPARTMENT OF HEALTH AND HUMAN SERVICES						
PUBLIC HEALTH EMERGENCY PREPAREDNESS	93,069	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR055218	\$480,346	\$480,346	N/A
ENVIRONMENTAL PUBLIC HEALTH AND EMERGENCY RESPONSE PROJECT GRANTS AND COOPERATIVE AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	93,070	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR067691	\$12,431	\$12,431	N/A
INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	93,116	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR066518	\$58,359	\$58,359	N/A
FAMILY PLANNING SERVICES	93,136	ARIZONA FAMILY PLANNING COUNCIL	CTR063850, CTR070160	\$151,435	\$151,435	N/A
IMMUNIZATION COOPERATIVE AGREEMENTS	93,217	ARIZONA DEPARTMENT OF HEALTH SERVICES	RFGA2022-004-01	\$478,152	\$478,152	N/A
COVID-19 - IMMUNIZATION COOPERATIVE AGREEMENTS EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC)	93,268	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR060272, CTR059897	\$313,409	\$369,101	N/A
PUBLIC HEALTH EMERGENCY RESPONSE: COOPERATIVE AGREEMENT FOR EMERGENCY RESPONSE: PUBLIC HEALTH CRISIS RESPONSE	93,354	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR055218	\$346,408	\$346,408	N/A
ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93,391	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR056154	\$4,000	\$235,470	N/A
COVID-19 - ACTIVITIES TO SUPPORT STATE, TRIBAL, LOCAL AND TERRITORIAL (STLT) HEALTH DEPARTMENT RESPONSE TO PUBLIC HEALTH OR HEALTHCARE CRISES	93,391	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR055999	\$231,470	\$235,470	N/A
CHILD SUPPORT SERVICES	93,563	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI18-002170, DI18-002173, KR18-0736	\$413,511	\$413,511	N/A
GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	93,597	ARIZONA DEPARTMENT OF ECONOMIC SECURITY	DI16-002151	\$47,295	\$47,295	N/A
FOSTER CARE TITLE IV-E	93,658	ARIZONA ASSOCIATION OF COUNTIES	SC010-20	\$224,712	\$224,712	N/A
CANCER PREVENTION AND CONTROL PROGRAMS FOR STATE, TERRITORIAL AND TRIBAL ORGANIZATIONS	93,898	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR070070	\$211,976	\$211,976	N/A
HIV PREVENTION ACTIVITIES, HEALTH DEPARTMENT BASED COVID-19 - BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93,940	ARIZONA DEPARTMENT OF HEALTH SERVICES	ADHS18-188826	\$7,075	\$7,075	N/A
CENTERS FOR DISEASE CONTROL AND PREVENTION COLLABORATION WITH ACADEMIA TO STRENGTHEN PUBLIC HEALTH	93,958	ARIZONA DEPARTMENT OF HEALTH SERVICES	GR-ARPA-ACFA-090122-01 OSBP-ARPA PROJECT	\$6,860	\$6,860	N/A
SEXUALLY TRANSMITTED DISEASES (STD) PREVENTION AND CONTROL GRANTS	93,977	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR043556, CTR068315	\$81,334	\$81,334	N/A
MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	93,994	ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR055262	\$130,076	\$130,076	N/A
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				\$3,842,164		
EXECUTIVE OFFICE OF THE PRESIDENT						
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95,001	CITY OF TUCSON POLICE DEPARTMENT	HT-22-2945A	\$145,932	\$145,932	N/A
TOTAL EXECUTIVE OFFICE OF THE PRESIDENT						
				\$145,932		
DEPARTMENT OF HOMELAND SECURITY						
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97,042	ARIZONA DEPARTMENT OF MILITARY AND EMERGENCY AFFAIRS	EMF-2023-APP-00008-501	\$294,090	\$294,090	N/A
			20-AZDOHS-OPSG-200429-01, 21-AZDOHS-OPSG-210437-01, 21-AZDOHS-OPSG-210437-02, 22-AZDOHS-OPSG-220433-01, 22-AZDOHS-OPSG-220433-02, 23-AZDOHS-OPSG-230426-01, 20-AZDOHS-OPSG-200429-03			
HOMELAND SECURITY GRANT PROGRAM	97,067	ARIZONA DEPARTMENT OF HOMELAND SECURITY		\$2,777,552	\$2,777,552	N/A
TOTAL DEPARTMENT OF HOMELAND SECURITY				\$3,071,642		
TOTAL EXPENDITURES OF FEDERAL AWARDS						
				\$9,733,549	\$54,143,764	

Please Note:

Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal

PINAL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2023 - 6/30/2024

Significant Accounting Policies Used in Preparing the SEFA

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

10% De Minimis Cost Rate

The County elected to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Pinal County's federal grant activity for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Federal Assistance Listings number

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2024 *Federal Assistance Listings*.

COUNTY RESPONSE

Angeline Woods
Director
Budget & Finance



PINAL COUNTY
OFFICE OF BUDGET & FINANCE

Leo Lew
County Manager

MaryEllen Sheppard
Deputy County Manager

January 27, 2026

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, for each finding, we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

A handwritten signature in black ink that reads "Angeline Woods".

Angeline Woods
Office of Budget & Finance, Director

Office of Budget & Finance

31 N. Pinal Street, Building A, Florence, AZ 85132
T 520-866-6250 or 888-431-1311 F 520-866-6944
www.pinal.gov

Financial statement findings

2024-01

The County issued its Annual Comprehensive Financial Report 10 months late, and its initial financial statements contained misstatements and misclassifications, delaying those who rely on the information from making decisions and increasing the risk that those who rely on the financial statements could be misinformed if corrections are not made to the financial reporting process.

Name of contact person: Angeline Woods
Anticipated completion date: March 31, 2028

Corrective Action Planned:

Acknowledging the recommendations provided by the Arizona Auditor General, Pinal County has been focused on educating, training, and providing tools for central budget and finance staff, as well as departmental staff to accurately record and reconcile the general ledger for the purpose of issuing the county's Annual Financial Comprehensive Report by the statutory deadline. Pinal County will continue to provide updated financial information to the County Board of Supervisors through reports that are prepared and distributed monthly and/or as needed to ensure financial decisions are well-informed.

Pinal County has implemented the following tools and resources to ensure accurate and key financial information is provided to auditors upon the agreed deadlines:

- Utilizing outside accounting services to train and enhance the accounting and reporting team so that the staff has the skills, knowledge and experience to review the accounting records.
- Re-evaluated the size and scope of the accounting and reporting team.
- Implemented a grants policy that requires monthly reconciliation for all grants.
- Actively monitoring the standardized grant compliance.
- Meeting with departments monthly to discuss grant compliance, reconciliation and accountability.
- Departmental education and training. This includes adding additional resources to educate newly hired staff members that have limited experience with governmental accounting.
- Fine-tuning existing year-end closing checklist to define timelines.
- Continuous review and updates are being made to desktop procedures to ensure staff has the knowledge and tools to complete year-end schedules timely and accurately.
- Job duties and classifications for central accounting positions were reviewed and updated to ensure the proper level of expertise is assigned to the work. This will continue to be reviewed on an annual basis to ensure retainage of staff.

Pinal County
Corrective Action Plan
Year ended June 30, 2024

2024-02

The County reported an unreconciled \$1.3 million outstanding balance in its payroll clearing bank account, resulting in an increased risk of financial statement errors, inaccurate payments to employees and outside parties, and fraudulent activity

Name of contact person: Randee Stinson
Anticipated completion date: December 31, 2026

Corrective Action Planned:

The Office of Budget and Finance acknowledges the recommendations by the Arizona Auditor General. A dedicated accounting staff member has been hired to focus on the reconciliation of the payroll bank account. This staff member works closely with the payroll division to reconcile after every payroll cycle. Reconciliations have been occurring bi-weekly since this staff member was hired. This staff member has been working on finding documentation or reports from our financial system to resolve the variances in the current fiscal year and will continue to work toward reconciling previous months back to July 2016. This will take a considerable amount of time as the payroll process is complex and has changed over the years. Current processes and advancements made to achieve a full reconciliation include:

- Identifying and correcting the variances between payments and deposits in the payroll bank account.
- Working collaboratively with the payroll division to correct and put in place preventative measures to reduce future discrepancies.
- Increasing staff to include a payroll supervisor whose primary responsibility is overseeing daily payroll operations and to ensure timely and accurate processing of all payroll related payments immediately following each payroll cycle. The payroll supervisor works closely with the accounting manager, who provides vital support and guidance in managing the payroll functions, including related payments. In cases where the payroll supervisor is unavailable due to unforeseen circumstances, the accounting manager can step in to maintain continuity of operations.
- Using software to reconcile, track deposits, payments, and differences.
- Staff has identified invoicing credits in the previous years not taken that account for a significant amount of the unreconciled credit balance. The identified credits do not affect the employee contributions.
- Procedures and processes have been updated and documented to streamline the reconciliation process for consistency.

2024-03

Contrary to County policy, the County did not require and/or retain 3 employees' time sheets to ensure accuracy of the hours charged, resulting in an increased risk of fraud and misuse of public monies and possible violation of the Arizona Constitution

Name of contact person: Randee Stinson
Completion date: December 2025

Pinal County
Corrective Action Plan
Year ended June 30, 2024

Corrective Action Planned:

Prior to December 2025, departments were responsible for the approval and repository of employee time sheets. As of December 2025, the county implemented a new timekeeping system. Time sheets are reviewed and electronically approved prior to submission to the payroll department. The new timekeeping system allows for uniform and centralized access to the departments' approved time sheets. The Office of Budget and Finance will continue to provide training to ensure policies related to time sheet management and approval are in compliance.

2024-04

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Name of contact person: Jason Cantrell – CIO

Anticipated completion date: April 2026

Corrective Action Planned:

Pinal County has finalized its Business Impact Analysis (BIA) for 2024 through Protiviti a 3rd party audit/risk consulting firm and secured a Cyber Security Enterprise Agreement (EA) with Hye Tech Communications in June 2025. We will diligently implement the recommended actions from these analyses to maintain the utmost security of County data.

We will continue to perform annual Risk Assessments through AZDoHS, CISA, and Hye Tech, we will additionally be adding a new Risk Management Application that will perform ongoing Risk Assessments continuously, as well as maintain our Risk Register. Our policy documentation is working through our approval process, and we expect approval for our new IT Security Policies to be available to the public after April 2026.

2024-05

The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data

Name of contact person: Jason Cantrell – CIO

Anticipated completion date: December 2026

Corrective Action Planned:

Pinal County will continue to address the recommendations for restricting access, managing system configurations and changes, securing systems and data, and ensuring operations continue as the County develops and implements policies and procedures to protect the County's IT systems and data.

Pinal County recognizes the value of a Configuration Management Database “CMDB” solution but has not been able to justify funding a standalone CMDB program. For now, the County is logging and auditing changes to key IT systems to a centralized log management solution.

Pinal County
Corrective Action Plan
Year ended June 30, 2024

CMDB may become a higher priority based on the output from our Risk Assessment exercise this year.

With regard to Privileged Access, Pinal County has a small IT team that has administrative access to systems; we are exploring options for Privileged Access Management, but do not have a solution chosen yet, and we anticipate this function sometime during 2026.

2024-06

The County failed to pay taxes and retirement pension contributions within required time frames, resulting in \$654,520 in associated penalties and interest—monies that otherwise could have been used to benefit the County and its residents

Name of contact person: Randee Stinson
Completion date: June 30, 2025

Corrective Action Planned:

Pinal County acknowledges the recommendations from the Arizona Auditor General. Prior to this finding, the size and scope of the payroll division was evaluated due to the turnover in key positions. The Office of Budget and Finance has implemented several significant improvements to enhance the timeliness and accuracy of tax payments and retirement pension contributions. These improvements include:

- Increasing staff to include a payroll supervisor whose primary responsibility is overseeing daily payroll operations and to ensure timely and accurate processing of Federal and State tax payments and retirement payments immediately following each payroll cycle. The payroll supervisor works closely with the accounting manager, who provides vital support and guidance in managing the payroll functions, including related payments. In cases where the payroll supervisor is unavailable due to unforeseen circumstances, the accounting manager can step in to maintain continuity of operations.
- Existing staff includes a payroll accountant to reconcile balances in the payroll clearing account. This staff member has been identifying the variances between payments and deposits in the payroll bank account.
- Procedures and processes have been updated and documented which include detailed payroll timelines and due dates. In addition, templates for retirement reconciliations have been created to streamline the process for accuracy and timeliness.
- There are established bi-weekly meetings with the Human Resources Benefits to improve collaboration and communication so that corrections are made as needed.

Federal award findings and questioned costs

2024-101

Assistance Listings number and program name: Not applicable

Name of contact person: Angeline Woods

Anticipated completion date: March 31, 2028

Corrective Action Planned:

Acknowledging the recommendations provided by the Arizona Auditor General, Pinal County has been focused on educating, training, and providing tools for central budget and finance staff, as well as departmental staff to accurately record and reconcile the general ledger for the purpose of issuing the county's Single Audit Report by the statutory deadline.

As stated in finding 2024-01, Pinal County has implemented tools and resources to ensure accurate and key financial information is provided to auditors to ensure compliance with the statutory deadline.

2024-102

Assistance Listings number and program name: 21.027 COVID-19—Coronavirus State and Local Fiscal Recovery Funds

Name of contact person: Heather Patel

Completion date: October 31, 2025

Corrective Action Planned:

Pinal County acknowledges the recommendations from the Arizona Auditor General and has implemented procedures to ensure that the quarterly and annual reporting to the federal program aligns with the expenditures recorded in the county's financial system. These procedures include:

- Using the county's general ledger to reconcile and match expenditures for the appropriate reporting period in accordance with GAAP.
- Submitting the federal report to a manager or higher level for review and approval prior to sending to the federal agency.
- Reviewing all expenditures, including those after year-end, to identify the appropriate reporting period.
- Due to the timing of the annual report due date and the accrual period, there may be times when the annual report does not include accrued expenditures, as these expenditures may be recorded after the due date of the federal report. When this is the case, the county will make note of these expenditures and work with the federal agency to amend the annual report if needed.

Angeline Woods
Director
Budget & Finance



PINAL COUNTY
OFFICE OF BUDGET & FINANCE

Leo Lew
County Manager

MaryEllen Sheppard
Deputy County Manager

January 27, 2026

Lindsey A. Perry
Arizona Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

A handwritten signature in black ink that reads "Angeline Woods".

Angeline Woods
Office of Budget & Finance, Director

Office of Budget & Finance

31 N. Pinal Street, Building A, Florence, AZ 85132
T 520-866-6250 or 888-431-1311 F 520-866-6944
www.pinal.gov

Status of financial statement findings

Cash Reconciliation

Finding number: 2023-001. This finding initially occurred in fiscal year 2017.

Status: Not corrected

A dedicated accounting staff member has been hired to focus on the reconciliation of the payroll bank account. This staff member works closely with the payroll division to reconcile after every payroll cycle. Reconciliations have been occurring bi-weekly since this staff member was hired. This staff member has been working on finding documentation or reports from our financial system to resolve the variances in the current fiscal year and will continue to work toward reconciling previous months back to July 2016. This finding is noted in the current year finding 2024-02. Please see finding 2024-02 for more details.

Receivables

Finding number: 2023-002. This finding initially occurred in fiscal year 2017.

Status: Partially corrected

The Office of Budget and Finance continues to review, identify, and evaluate current technology, reports, processes and procedures relating to accounts receivable and recordation with entities that do not utilize the countywide financial system. This will include working with departments to ensure that they notify The Office of Budget and Finance of all receivables by providing documentation of when revenues are earned.

Improve the Timing and Effectiveness of Financial Reporting

Finding number: 2023-003. This finding initially occurred in fiscal year 2016.

Status: Partially corrected

Pinal County has been focused on educating, training, and providing tools for central budget and finance staff, as well as departmental staff to accurately record and reconcile the general ledger for the purpose of issuing the county's Annual Financial Comprehensive Report by the statutory deadline. Pinal County will continue to provide updated financial information to the County Board of Supervisors through reports that are prepared and distributed monthly and/or as needed to ensure financial decisions are well-informed. This finding is noted in the current year finding 2024-01. Please see finding 2024-01 for more details.

Perform a Comprehensive Risk Assessment over Information Technology and Create Policies and Procedures

Finding number: 2023-004. This finding initially occurred in fiscal year 2023.

Status: Partially corrected

Pinal County
Corrective Action Plan
Year ended June 30, 2024

Pinal County will continue to perform annual Risk Assessments. In addition, we will be adding a new Risk Management Application that will perform ongoing Risk Assessments continuously, as well as maintain our Risk Register. Our policy documentation is working through our approval process, and we expect approval for our new IT Security Policies to be available to the public after April 2026. This finding is noted in the current year finding 2024-04. Please see finding 2024-04 for more details.

Improve Information Technology Policies and Procedures Over Granting and Managing Access to Significant Systems and Data, Change and Configuration Management, Securing the System and Data, and Contingency Planning

Finding number: 2023-005. This finding initially occurred in fiscal year 2023.

Status: Not corrected

Pinal County will continue to address the recommendations for restricting access, managing system configurations and changes, securing systems and data, and ensuring operations continue as the County develops and implements policies and procedures to protect the County's IT systems and data.

This finding is noted in the current year finding 2024-05. Please see finding 2024-05 for more details.

Improve Internal Controls over Account Reconciliations

Finding number: 2023-006. This finding initially occurred in fiscal year 2017.

Status: Partially corrected

Pinal County has been focused on educating, training, and providing tools for central budget and finance staff, as well as departmental staff to accurately record and reconcile the general ledger for the purpose of issuing the county's Annual Financial Comprehensive Report by the statutory deadline. Pinal County will continue to provide updated financial information to the County Board of Supervisors through reports that are prepared and distributed monthly and/or as needed to ensure financial decisions are well-informed. This finding is noted in the current year finding 2024-01. Please see finding 2024-01 for more details.

Status of federal award findings and questioned costs

Assistance Listings number and program name: 10.923, Emergency Watershed Protection Program

14.239, Home Investment Partnership Program
14.871, Section 8 Housing Choice Vouchers
20.106, COVID-19 - Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
20.106, Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
20.933, National Infrastructure Investment
21.023, COVID-19 - Emergency Rental Assistance Program
21.027, COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
97.067, Homeland Security Grant Program (HSGP)

Finding number: 2023-101. This finding initially occurred in fiscal year 2022.

Status: Not corrected

Pinal County has been focused on educating, training, and providing tools for central budget and finance staff, as well as departmental staff to accurately record and reconcile the general ledger for the purpose of issuing the county's Single Audit Report by the statutory deadline. This finding is noted in the current year finding 2024-101. Please see finding 2024-101 for more details.

Assistance Listings number and program name: 14.871, Section 8 Housing Choice Vouchers

Finding number: 2023-102. This finding initially occurred in fiscal year 2022.

Status: Fully corrected

Assistance Listings number and program name: 14.871, Section 8 Housing Choice Vouchers

Finding number: 2023-103. This finding initially occurred in fiscal year 2022.

Status: Fully corrected

