

**Pinal County, Arizona**  
**Single Audit Reporting Package**

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**Year ended June 30, 2011**

**Pinal County, Arizona**  
**Single Audit Reporting Package**  
**Year ended June 30, 2011**

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**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***

The Auditor General of the State of Arizona

The Board of Supervisors of  
Pinal County, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pinal County, Arizona (the "County") as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 2, 2011. Our report was modified to include a reference to our reliance on other auditors and as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Long-Term Care Fund, the Housing and Community Development Fund and the Employee Benefit Trust Fund, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, our report, insofar as it relates to the results of the other auditors, is based solely on the reports of other auditors.

**Internal Control over Financial Reporting**

The County's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-004 to be a material weakness.

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 identified as items 2011-001 through 2011-003 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's responses to the findings identified in our audit are described in the corrective action plan on pages 19 through 26 of this report. We did not audit the County's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of the County in a separate letter dated December 2, 2011.

This report is intended solely for the information and use of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, others within the County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

*Walker & Armstrong LLP*

Phoenix, Arizona  
December 2, 2011



**Independent Auditors' Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program  
and on Internal Control over Compliance in Accordance with OMB Circular A-133**

The Auditor General of the State of Arizona

The Board of Supervisors of  
Pinal County, Arizona

**Compliance**

We have audited Pinal County's (the "County") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended June 30, 2011, except for that portion of the federal programs administered by the Housing Department of Pinal County (Housing Department). The Housing Department was audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the compliance of that entity with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement, is based solely on the report of the other auditors. The County's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit and the results of other auditors.

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

In our opinion, based on our audit and the report of 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 major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described as items 2011-101 through 2011-103 in the accompanying Schedule of Findings and Questioned Costs.

### **Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We, and the report of other auditors, did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified deficiencies in internal control over compliance that we consider to be a significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 2011-101 through 2011-103. A *significant deficiency* in internal control over compliance is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2011, and have issued our report thereon dated December 2, 2011. Our report was modified to include a reference to our reliance on other auditors and as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit 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 financial statements as a whole.

The County's response to the finding identified in our audit is described in the corrective action plan on pages 19 through 26 of this report. We did not audit the County's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, others within the County, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Phoenix, Arizona  
December 2, 2011

*Walker & Armstrong LLP*

**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2011**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>			
<i>Passed through Arizona Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	ED09-0001	\$ 23,550
National School Lunch Program	10.555	ED09-0001	54,066
Summer Food Service Program for Children	10.559	ED09-0001	3,987
Total Child Nutrition Cluster			81,603
<i>Passed through Arizona Department of Health Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG861086, HG050282 & HG050006	1,336,252
Commodity Supplemental Food Program	10.565	HG861138 & HG861138-3	36,620
WIC Farmers' Market Nutrition Program (FMNP)	10.572	HG861328/ADHS11-004679	750
Senior Farmers Market Nutrition Program	10.576	HG861328/ADHS11-004679	576
Schools and Roads—Grants to States	10.665		367,128
Law Enforcement Agreement—Tonto National Forest	10.10-LE- 1131200-003/06- LE-11031200- 005/10.11-LE- 11031200- 003(006)		6,524
<i>Total U.S. Department of Agriculture</i>			1,829,453
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed through the Arizona Department of Housing</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	124-09, 161-09, 114-11, 138-10	310,380
<i>Passed through the Community Action Human Resources Agency</i>			
Supportive Housing Program	14.235	None	94,316
<i>Passed through the Arizona Department of Housing</i>			
Home Investment Partnerships Program	14.239	315-09	312,492
<i>Passed through the City of Phoenix</i>			
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	72838	32,155
Public and Indian Housing	14.850		633,531 *
Residential Opportunity and Supportive Services - Service Coordinators	14.870		47,826 *
Section 8 Housing Choice Vouchers	14.871		3,369,533 *
Public Housing Capital Fund	14.872		339,185 *
<i>Total U.S. Department of Housing and Urban Development</i>			5,139,418

\* Audited by other auditors.

The accompanying notes are an integral  
part of this schedule.

Pinal County, Arizona  
Schedule of Expenditures of Federal Awards - (Continued)  
Year ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>U.S. Department of the Interior</u></b>			
Payments in Lieu of Taxes	15.226		\$ 1,096,781
<i>Passed through the Bureau of Land Management, Arizona State Office</i>			
Bureau of Land Management Law Enforcement Assistance	15.unknown	AAP080059/LO8PX00133	8,780
<i>Total U.S. Department of the Interior</i>			1,105,561
<b><u>U.S. Department of Justice</u></b>			
DEA—Domestic Cannabis Eradication and Suppression Program	16.unknown		695
DEA Task Force Agreement	16.unknown		30,928
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
Juvenile Accountability Block Grants	16.523	JB-CSG 09-0273-09, JB-CSG 10-1273-10, JB-CSG 11-1273-10	42,184
<i>Passed through the Arizona Criminal Justice Commission</i>			
Crime Victim Compensation	16.576	VC-11-060	15,868
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
Violence Against Women Formula Grants	16.588	ST-WSG-09-9365-10Y2, ST-WSG-09-9365-10Y3, ST-WSG-09-9365-18Y2, ST-WSG-09-9365-18Y3	169,825
State Criminal Alien Assistance Program	16.606		107,290
Public Safety Partnership and Community Policing Grants	16.710		12,853
ARRA - Recovery Act - Public Safety Partnership and Community Policing Grants	16.710		2,116
<i>Total CFDA No. 16.710</i>			14,969
<i>Passed through the Arizona Governor's Office for Highway Safety</i>			
Enforcing Underage Drinking Laws Program	16.727	2011-DOJ-016 (2010)	4,848
Justice Assistance Grant Program Cluster: Edward Byrne Memorial Justice Assistance Grant Program	16.738		43,220
<i>Passed through Arizona Criminal Justice Commission</i>			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	DC-10-049, DC-10-006	377,362
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments	16.804		41,118
<i>Total Justice Assistance Grant Cluster</i>			461,700
<i>Total U.S. Department of Justice</i>			848,307
<b><u>U.S. Department of Transportation</u></b>			
ARRA-Recovery Act - Airport Improvement Program	20.106		630,625

The accompanying notes are an integral  
part of this schedule.

Pinal County, Arizona  
Schedule of Expenditures of Federal Awards (Continued)  
Year ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>U.S. Department of Transportation - continued</u></b>			
<i>Passed through Arizona Governor's Office of Highway Safety</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	2011-OP-040, 2011-PT-012, 2010-AI-011	\$ 8,258
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	2010-410-024, 2011-410-005	65,121
Total Highway Safety Cluster			73,379
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		10,812
<i>Total U.S. Department of Transportation</i>			714,816
<b><u>Institute of Museum and Library Services</u></b>			
<i>Passed through Arizona State Library, Archives and Public Records</i>			
Grants to States	45.310	2010-39064-12	7,500
<b><u>U.S. Department of Energy</u></b>			
Energy Efficiency and Conservation Block Grant Program	81.128		1,698,063
<b><u>U.S. Department of Education</u></b>			
<i>Passed through Arizona Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	11FAATTI-160979-07A	52,842
<i>Passed through Arizona Supreme Court</i>			
Title I Program for Neglected and Delinquent Children	84.013	None	38,800
<i>Passed through Arizona Department of Education</i>			
Special Education__ Grants to States	84.027	11FESCBG-160979-03A, 11FESSCG-170734-02A	45,819
<i>Passed through Arizona Supreme Court</i>			
Special Education__ Grants to States	84.027	None	49,408
Total for CFDA No. 84.027			95,227
<i>Passed through University of Arizona</i>			
Federal Work-Study Program	84.033	None	10,344
<i>Passed through Arizona Department of Education</i>			
Tech-Prep Education	84.243	10FCTDTP-070734-01A, 11FCTDTP-107034-01A	109,666
<i>Passed through Arizona Department of Education</i>			
Educational Technology State Grants	84.318	11FETETF-106979-04A	215
Reading First State Grants	84.357	11FSEFSS-160979-01A	50,000
English Language Acquisition Grants	84.365	11FACENG-170733-02A	35,632

The accompanying notes are an integral  
part of this schedule.

Pinal County, Arizona  
Schedule of Expenditures of Federal Awards (Continued)  
Year ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b><u>U.S. Department of Education (continued)</u></b>			
Mathematics and Science Partnerships	84.366	11FSDMSP-170734-03A	\$ 61,371
Improving Teacher Quality State Grants	84.367	11FAATII-160979-08A, 11FAAAZE-170733-01A	99,195
<b><i>Passed through Arizona Supreme Court</i></b>			
Improving Teacher Quality State Grants	84.367	None	13,426
Total for CFDA No. 84.367			112,621
<b><i>Passed through Arizona Department of Education</i></b>			
ARRA - Recovery Act - Title I Grants to Local Educational Agencies	84.389	11FAAART-160979-05A, 11FAACSS-160979-10A	2,469
ARRA - Recovery Act - Special Education Grants to States	84.391	11FESAIG-160979-09A	8,278
<b><i>Passed through Arizona Supreme Court</i></b>			
ARRA - Recovery Act - Special Education Grants to States	84.391	None	25,603
Total for CFDA No. 84.391			33,881
State Fiscal Stabilization Fund Cluster:			
<b><i>Passed through Arizona Governor's Office</i></b>			
ARRA - Recovery Act - State Fiscal Stabilization Fund (SFSF) - Education to State Grants	84.394	11FAASFF-160979-02A	26,191
<b><i>Passed through Arizona Governor's Office of Economic Recovery</i></b>			
ARRA - Recovery Act - State Fiscal Stabilization Fund (SFSF) - Government Services	84.397	11-JGA-GS-164, #OER-11-JGA-GS-36	416,421
<b><i>Passed through Arizona Governor's Office of Highway Safety</i></b>			
ARRA - Recovery Act - State Fiscal Stabilization Fund (SFSF) - Government Services	84.397	P001-2011-001434-2011-082	14,945
Total for the State Fiscal Stabilization Cluster			457,557
<b><i>Passed through Arizona Department of Education</i></b>			
ARRA - Recovery Act - Education Jobs Fund	84.410	11FAAEJB-160979-06A	60,998
Total U.S. Department of Education			1,121,623
<b><u>Election Assistance Committee</u></b>			
<b><i>Passed through Arizona Secretary of State</i></b>			
Help America Vote Act Requirements Payments	90.401	None	59,102
<b><u>U.S. Department of Health and Human Services</u></b>			
<b><i>Passed through Pinal Gila Council for Senior Citizens</i></b>			
National Family Caregiver Support, Title III, Part E	93.052	0010-0556	34,422
<b><i>Passed through Arizona Department of Health Services</i></b>			
Public Health Emergency Preparedness	93.069	HG754203	877,611
<b><i>Passed through Arizona Family Planning Council</i></b>			
Family Planning - Services	93.217	None	403,466
<b><i>Passed through Arizona Department of Health Services</i></b>			
Immunization Grants	93.268	HG854292	101,842

The accompanying notes are an integral  
part of this schedule.

Pinal County, Arizona  
Schedule of Expenditures of Federal Awards (Concluded)  
Year ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Health and Human Services (continued)</b>			
<i>Passed through Arizona Department of Economic Security (continued)</i>			
Child Support Enforcement	93.563	G-04-04-AZ-4004, G-11-04-AZ-4004, DE111168001	\$ 2,071,379
Grants to States for Access and Visitation Programs	93.597	G1101AZSAVP	10,960
<i>Passed through the Arizona Governor's Office for Children, Youth, and Families</i>			
Children's Justice - Grants to States	93.643	CJ-CSJ-09-9273-06Y2, CJ-CSG-11-1273-05	16,432
<i>Passed through the Pinal/Gila Council for Senior Citizens</i>			
Social Services Block Grant	93.667	0010-0556	5,800
<i>Passed through Arizona Department of Health Services</i>			
ARRA - Recovery Act - Immunization Grants	93.712	HG854292	54,363
<i>Passed through the Arizona Department of Health Services</i>			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	HG761268	137,404
HIV Prevention Activities_Health Department Based	93.940	HG852273	29,422
<i>Passed through the Arizona Department of Health Services</i>			
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	HG854501	7,339
<i>Passed through the Arizona Department of Health Services</i>			
Preventive Health and Health Services Block Grant	93.991	HG854375	61,612
<i>Total U.S. Department of Health and Human Services</i>			<u>3,812,052</u>
<b>Executive Office of the President</b>			
<i>Passed through the City of Tempe Police Department</i>			
High Intensity Drug Trafficking Areas Program	95.001	HT19-09-1815, HT19-09-2714, HT20-10-1815	67,111
<i>Passed through the City of Tucson Police Department</i>			
High Intensity Drug Trafficking Areas Program	95.001	C-50-11-022-3-00	34,071
<i>Total Executive Office of the President</i>			<u>101,182</u>
<b>U.S. Department of Homeland Security</b>			
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>			
Emergency Management Performance Grants	97.042	2010-EP-EX-0034	348,106
<i>Passed through the Arizona Department of Homeland Security</i>			
Interoperable Emergency Communications	97.055	777312-01	18,400
Homeland Security Grant Program	97.067	08-AZDOHS-OPSG-44316-04, 09-AZDOHS-OSGP-555313-01, 09-AZDOHS-OPSG-555313-02, 09-AZDOHS-HSGP-555313-04, 10-AZDOHS-OPSG-777318-01, 10-AZDOHS-OPSG-777318-02	290,321
<i>Total U.S. Department of Homeland Security</i>			<u>656,827</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 17,093,904</u>

The accompanying notes are an integral  
part of this schedule.

**Pinal County, Arizona**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2011**

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**Note 1 - Basis of Accounting**

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

**Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2011 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

**Note 3 - Subrecipients**

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

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
Energy Efficiency and Conservation Block Grant Program	81.128	\$67,859
Tech-Prep Education	84.243	48,028
English Language Acquisition Grants	84.365	19,810
ARRA - Recovery ACT - State Fiscal Stabilization Fund (SFSF) - Government Services	84.397	50,000

**Pinal County, Arizona**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2011**

**Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued:

Unqualified

**Internal control over financial reporting:**

Material weaknesses identified

Yes

No

X

Significant deficiencies identified

X

Noncompliance material to the financial statements noted?

X

**Federal Awards**

**Internal control over major programs:**

Material weaknesses identified

X

Significant deficiencies

X

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

Unqualified

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

X

Identification of major programs:

CFDA No.	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund
	<i>Justice Assistance Grant Program Cluster:</i>
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.803	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
16.804	ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments
20.106	ARRA – Recovery Act – Airport Improvement Program
81.128	Energy, Efficiency, and Conservation Block Grant
	<i>State Fiscal Stabilization Fund Cluster:</i>
84.394	ARRA – Recovery Act – State Fiscal Stabilization Fund (SFSF) – Education State Grants
84.397	ARRA – Recovery Act - State Fiscal Stabilization (SFSF) Fund Grant
93.563	Child Support Enforcement

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

\$512,817

Auditee qualified as a low risk auditee?

X

**Other Matters**

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?

X

## Schedule of Findings and Questioned Costs - Continued

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### **B. Financial Statement Findings**

#### **2011-001 - Improve Compliance with Financial Policies and Procedures**

**Condition:** The County has developed financial policies and procedures to assist in maintaining consistency in the manner in which transactions are initiated, approved and settled which are communicated to managers and employees on a County-wide basis. However, we noted instances in which certain departments were not consistently following established policies and procedures, particularly as it relates to procurement. For example, during 2011, the County's Sherriff's and Hearing Offices and the Adult Probation, Juvenile Probation, Health and Human Services and Animal Control departments consummated transactions with vendors prior to following established procurement policies.

In addition, during 2011, there were expenditures of restricted revenues in which differing interpretations of the applicable state statute led to internal disagreement concerning the expenditure of monies from the Inmate Welfare Fund and subsequent correction to avoid noncompliance. Noncompliance with established policies and procedures and applicable laws and regulations lead to operational inefficiencies, ineffective use of resources and an increased risk of errors and misappropriation.

**Recommendation:** We recommend that financial policies and procedures be followed on a County-wide basis and habitual noncompliance should result in disciplinary action. In addition, when transactions are affected by state statute or Federal law in which differing interpretations may exist, we recommend that legal counsel provide clear and concise written guidelines for inclusion in the County's financial policies and procedures.

**Management Views and Corrective Action:** See corrective action plan.

#### **2011-002 – Improve the Monitoring of Construction Completion and Method for Valuing Donated Right-of-Ways**

**Condition:** Approximately \$1.5 million in roads placed into service during the 2010 fiscal year were not correctly reclassified to completed assets and depreciated which resulted in a correction during 2011. In addition, we noted that estimated fair values assigned to right-of-ways fluctuated significantly due to varying land sales prices. This resulted in abnormally large disparities in the values assigned to the right-of-ways.

**Recommendation:** We recommend that the completion of capital projects be carefully monitored and that the County Finance Department be informed in a timely manner of such completion so capital assets can be appropriately valued and reported. We also recommend that the Public Works Department consider abnormal market price variances when assigning values to donated right-of-ways which will allow for more consistent and reasonable assignments of values.

**Management Views and Corrective Action:** See corrective action plan.

## Schedule of Findings and Questioned Costs - Continued

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### B. Financial Statement Findings

#### 2011-003 – Improve General and Access Computer Controls

**Condition:** During our testing of general computer controls, we noted that employees are allowed to develop their own passwords without consideration of a pre-established standard of complexity. In addition, there is not a requirement for mandatory changes in passwords at timely intervals. Also, the existing computer platform does not produce exception reports that indicate instances where modifications to data files may have occurred. As a result, unauthorized changes could occur and not be detected in a timely manner.

**Recommendation:** We recommend that, at least for positions that process sensitive information, password standards be developed by the Information Technology Department and assigned to employees. The passwords should utilize a sufficient combination of characters and be periodically rotated. We also recommend that reports be generated from the system that provide detail regarding who has accessed and modified system files.

**Management Views and Corrective Action:** See corrective action plan.

#### 2011-004 – Improve the Communication of Significant Legal Provisions Affecting the County's Financial Statements

**Condition:** In August 2006, the County entered into an intergovernmental agreement with a city in which the County constructed a road with title for a portion of the road passing to the city upon completion in exchange for consideration of \$10.7 million payable beginning on January 1, 2015. While ownership of the road was transferred in prior years, the County's Finance Department was not informed of the transfer or the corresponding receivable which resulted in a material understatement of receivables and deferred revenues in the fund financial statements and an understatement of receivables and net assets in the government-wide financial statements.

**Recommendation:** We recommend that a process be implemented to transmit significant legal documents that may affect the County's financial statements to the Finance Department upon consummation of the agreement. This will reduce the risk that material transactions are not recorded in a complete and timely manner.

**Management Views and Corrective Action:** See corrective action plan.

## Schedule of Findings and Questioned Costs - Continued

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### C. Federal Award Findings

#### 2011-101 - Improve Reporting of Grant Expenditures

**CFDA Number:** 84.397

**Program Title:** U.S. Department of Education, Passed through the State of Arizona Governor's Office of Economic Recovery, State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

**Grant or Contract Number:** OER-11-IGA-GS-36

**Questioned Costs:** None

**Condition:** Based on our testing of compliance with the program's reporting requirement, financial reports for expenditures pertaining to economic development were not submitted to the State Governor's Office until September 2011. Submission of these reports are required on a quarterly basis.

**Criteria, Cause and Effect:** Section 1512 of the American Recovery and Reinvestment Act (ARRA) requires that quarterly reports be submitted to the funding agency that report the expenditures incurred for the program. The cause was a lack of understanding of program reporting requirements. The effect was that expenditures were not reported for this grant during the 2011 fiscal year in accordance with program requirements and the County was not reimbursed for expenditures incurred in a timely manner.

**Recommendation:** We recommend that the reporting requirements for grants and contracts be carefully reviewed and that required reports be submitted in accordance with the established timeframe.

**Management Views and Corrective Action:** See corrective action plan.

#### 2011-102 - Improve Subrecipient Monitoring

**CFDA Number:** 84.397

**Program Title:** U.S. Department of Education, passed through the State of Arizona Governor's Office of Economic Recovery, State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act

**Grant or Contract Number:** OER-11-IGA-GS-36

**Questioned Costs:** None

**Condition:** During 2011, \$50,000 was passed through to a nonprofit subrecipient for economic development within the County which is an allowable activity. However, the County did not obtain financial reports from the subrecipient reporting detail on how the monies were expended.

## Schedule of Findings and Questioned Costs - Continued

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### C. Federal Award Findings - Continued

**Criteria, Cause and Effect:** The nature of the contractual relationship with the nonprofit organization is that of a subrecipient and accordingly, the County was required to perform subrecipient monitoring which includes monitoring how the program funding was expended. The cause was a lack of understanding regarding Federal subrecipient monitoring requirements applicable to this program. The effect is an increased risk that the Federal funding was not ultimately expended in a manner that complies with the grant's requirements or Federal regulations.

**Recommendation:** We recommend that the County establish policies and procedures to review the County's contractual relationships with recipients of Federal grant and contract monies to determine if a vendor or subrecipient relationship exists. When a subrecipient relationship exists, we recommend that the County perform subrecipient monitoring including obtaining financial reports and reviewing for consistency with the program requirements and allowability.

**Management Views and Corrective Action:** See corrective action plan.

### 2011-103 - Improve Participant File Documentation

**CFDA Number:** 10.557

**Program Title:** U.S. Department of Agriculture, Passed through the Arizona Department of Health Services, Special Supplemental Nutrition Program for Women, Infants, and Children

**Grant or Contract Number:** HG861086 and HG050282

**Questioned Costs:** None

**Condition:** During our audit, we noted that the program is not maintaining the required participant related documentation in accordance with the intergovernmental agreement with the Arizona Department of Health Services. Forty program participant files were tested and the missing documentation is summarized as follows:

- One participant files did not have a signed rights and obligations form.
- One participant files did not have the blood work consent form.
- Four participant files did not have documentation supporting that program support training was provided to the participant.

**Criteria, Cause and Effect:** The terms of the intergovernmental agreement between the County and the Arizona Department of Health Services require the maintenance of certain documentation including but not limited to obtaining documentation supporting the participant's understanding of rights and obligations when participating in the program, blood work consent forms when applicable and evidence of program support training.

## Schedule of Findings and Questioned Costs - Continued

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### C. Federal Award Finding - Continued

The cause is a weakness in internal controls over the maintenance of participant records. The effect is that the County did not have evidence that pertinent participant information was verified or that certain required functions were performed.

***Recommendation:*** We recommend that internal controls over participant file documentation be improved so that sufficient evidence exists supporting the County's verification of participant information and the performance of required functions pursuant to the terms of the intergovernmental agreement.

***Management views and Corrective Action:*** See corrective action plan.

**Pinal County, Arizona**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2011**

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**2010-101 and 09-101 - Improve Internal Control Procedures Related to Activities Allowed,  
Allowable Costs, Procurement and Suspension and Debarment**

<b>CFDA Number:</b>	16.738
<b>Program Title:</b>	U.S. Department of Justice, Edward Byrne Memorial Justice Assistance Grant Program
<b>Grant or Contract Numbers:</b>	2005-DJ-BX-1286, 2007-DJ-BX-1261, DC-09-016, DC-09-033 and Cycle 22
<b>Questioned Costs:</b>	Unknown

**Condition:** The County paid a local government \$65,076 from federal, state, and local monies to provide a full-time investigator for the federal program. The County has paid the local government for these services since fiscal year 2001, however, the County did not have an agreement with the local government that specified the services to be performed, the period of time services are to be provided, amounts to be paid, and compliance requirements that may apply if services are paid with federal monies. In addition, the County did not verify that the local government had not been suspended or debarred from doing business with the federal government.

**Status:** This finding was corrected.

Manuel González  
Assistant County  
Manager

Administrative  
Services



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Fritz Behring  
County Manager

December 20, 2011

Walker & Armstrong LLP  
4000 North Central Avenue, #1100  
Phoenix, AZ, 85012-1989

Dear Sirs:

The accompanying responses to the financial statement findings and to the federal award finding have been prepared as required by U.S. Office of Management and Budget Circular A-133 and are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's financial statement findings and Schedule of Findings and Questioned Costs. Responses have been prepared by the responsible departments or office(s) of elected officials, as identified in the respective findings.

Sincerely,

Victoria L. Prins, MPA, CPA, CFE, CGFM  
Chief Financial Officer

FINANCE

31 North Pinal Street, Building A, PO Box 1348 Florence, AZ 85132 T 520-866-6250 FREE 888-431-1311 F 520-866-6944 [www.pinalcountyaz.gov](http://www.pinalcountyaz.gov)



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## Responses to Financial Statement Findings

### 2011-001

Improve Compliance with Financial Policies and Procedures

Responses are shown by department/elected official below.

#### Department: Adult Probation

Contact person: Mary O'Neal, Office Manager

Completion date: June 14, 2011

The transaction in question (\$35.11) entailed the purchase of car wash supplies for a community work service event. It appears that there was not enough pre-planning and the supplies were bought at the last minute. We should have planned ahead and used the p-card. Following the incident, we have provided key personnel with refresher training surrounding correct purchasing practices.

#### Department: Animal Control

Contact person: Kaye Dickson, Animal Control Director

Completion date: Implemented as of date of report

I concur with the auditors findings and action has been taken to minimize the possibility of this occurring in the future. Every effort will continue to ensure Pinal County Animal Care & Control are in compliance with all Federal, State, and County procurement policies.

Each administrative clerk has been given a copy of Pinal County procurement policy, which they signed confirming they received and understood the policy.

All items that are ordered or purchased must be approved by the current director prior to purchase or purchase order number request. The Pinal County Finance Department is contacted for a list of contracted vendors if there is a specific item requested, before the request for the purchase order request has been submitted.

An excel spread sheet was created by the administrative clerk tasked with supply / equipment orders. This spread sheet contains date of requisition entry, date of director approval to proceed with purchase order request, item and vendor information, the report also contains the date the item was received on.

Requisition numbers are not to be released to vendors. Vendors can only be advised of purchase order number, once a number has been approved through the Pinal County Finance Division.

#### Department: Health Department

Contact person: Fritz Behring, County Manager

Completion date: Implemented

The County received a bid complaint related to a Request for Proposal issued by the Health and Human Services Department for the Pinal/Gila Long Term Care Division. A thorough investigation was conducted by the County. As a result of this investigation, personnel received disciplinary action which



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included the termination of two employees. Department personnel have been provided additional training in procurement policies and procedures.

Department: Juvenile Probation

Contact person: Kelly Sue Bohl, Financial Administrator  
Completion date: Implemented

Invoice #688525 was received well after the deadline for processing the year end payment for FY11, therefore the Department did not have an opportunity to create a budget modification prior to the fiscal year end.

The amount of Electronic Monitoring services used during the year significantly exceeded projections which caused this deficit within the funding sources in which the original purchase orders were entered. The invoice was processed on a Payment Request on August 12, 2011 and charged to the Department Fees, therefore should not affect the FY12 Budget projections for these services.

To be compliant with all of the procurement policies, the Department will make every effort to monitor the expenditures more closely to assure that invoices related to the current fiscal year are budgeted appropriately with sufficient time projections to assure that if a budget or purchase order modification is required, that we can do so within the time constraints.

The Department will also work with BI Inc and other vendors to assure that we receive the June final invoices prior to the county year-end deadlines.

Hearing Offices

Contact person: Ken Buchanan, Assistant County Manager, Development Services  
Completion Date: Implemented

Confirmed... for Invoice Number 2173 Payment Request Form for JCG Technologies annual software license did not have additional approval by immediate Supervisor prior to submittal request for payment. Financial Policies & Procedures with emphasis on Requisition Policy discussed with staff and policy will be adhered to in future."

County Sheriff

Contact person: Steve Henry, Chief Deputy of Law Enforcement  
Completion date: N/A

1: Procurement Violations:

It is always the intention of the Sheriff's Office to follow the Pinal County Procurement Code. There should be exceptions given in this process due to need, efficiency, and common sense. For instance, when PCSO acquired an airplane, procurement rules dictated that PCSO go through the bidding process in order to contract for fuel. After explaining that the airplane needs to fuel up at the closest place after landing and that the Government Aircard program through the 1122 contract was signed by the BOS, we were allowed an exception to the procurement process.



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That exception was an exercise in efficiency and should be considered in other areas and cases.

- Investigative Services: this company was contracted for the very highly publicized MCSO investigation to be done. This circumstance required an IGA to be signed by the BOS to front the cost of the investigation and then have our attorney seek reimbursement for the county. The county was not going to be able to "bid" out these services and the Sheriff was fully responsible for the work, which happened inside his office. A violation was issued by procurement before they understood any of the facts surrounding this case.

- Uniform Police Supply: A former employee had ordered a large dollar amount of items without the knowledge of the Sheriff, the command staff, or PCSO finance. The vendor, who the county contracted, was very aware that they needed a PO before beginning the purchase yet they never involved procurement in the issue. The former employee and/or the vendor should be held liable for this transaction.

- Taste of Ink: This purchase could of been done is something that could have easily gone on the P-Card. Internal Audit recently audited the purchasing department and mentioned in this report that Pinal County Procurement should ease up on the restrictions to more follow the Attorney General guidelines. Our P-Card program is also much more restrictive than other counties programs in that we don't allow services to be put on the cards. Due to that, it causes disagreements about what constitutes a service and may allow the county to miss out on a significant amount of program income.

-Avanti Market: It is the position of PCSO that no violation exists. Its also important to note that no money was exchanged and no contract signed for this service.

## 2: Inmate Welfare Fund Purchases:

The Sheriff is able to use these funds in the manner authorized by the state, which is to provide for the welfare of the inmates. Whether the county agrees or not, he is responsible to provide for those people and the county hasn't offered any other funding options to do so. Our general fund budget isn't sufficient enough for the amount of money it takes to provide the inmates clothing, grooming supplies, bedding or safe transportation. We have not been told that we are out of compliance with the state for what we have purchased with these funds. If there are disagreements on authority to purchase a legal opinion will be sought.

The following information is from the Chief Financial Officer (CFO), as it relates to the Sheriff's response to this finding:

### Procurement violations:

The County's procurement code was established in accordance with, and follows Arizona Revised Statute (A.R.S.) requirements. This code must be followed by all departments and offices of elected officials, regardless of the circumstances. The procurement code does provide for exceptions, such as emergency purchases, as defined by the procurement code and as allowed by the applicable A.R.S. Any instances that do not follow the procurement code are considered violations, even when the departments consider the processes involved as inefficient. Departments and offices of elected officials



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that do not to follow the procurement code would be in violation of County policy and potentially in violation of Arizona Revised Statutes.

Inmate Sheriff's Fund purchases:

Prior to the commencement of this audit, the Chief Financial Officer performed a review of payments made from the Sheriff's Inmate Fund during the first half of fiscal year 2011. Concerns with purchases were communicated to the Sheriff's office. These concerns included:

- Purchases that in the opinion of the CFO did not meet the intent of A.R.S section 31-121.
- Purchases for which the supporting documentation did not provide adequate information to determine compliance with A.R.S section 31-121.
- Planned purchases of vehicles that included vehicles for the transportation of K-9 units, which did not appear to be consistent with A.R.S section 31-121.

The CFO obtained a legal opinion from the County Attorney's office which was shared with the sheriff's office. The legal opinion cautioned against using Inmate Welfare Funds for purposes other than those that are clearly authorized by the wording of A.R.S. section 31-121.

The sheriff's office did not agree with the CFOs assessment that many of the payments made and some of the planned purchases did not appear to comply with the wording of A.R.S. section 31-121.

The planned purchases of vehicles for K-9 units were presented in a public meeting where the Board of Supervisors, after discussion with the County Attorney, determined that the General Fund would pay for the items.

#### **2011-002**

Improve the Monitoring of Construction Completion and Method for Valuing Donated Right-of-Ways

Contact person: Tina Lawson, Business Manager, Public Works Department

Anticipated completion date: August 2012

Concur.

#### Response on the completion of capital projects.

Procedures have been established to make sure project closeout documentation is forwarded to the Public Works infrastructure accountant. By August 2012, the completion of capital assets will be carefully monitored and the County Finance Department will receive timely notification when the fiscal year end construction in progress report is submitted.

#### Response on varying prices of real estate.

By June 2012 Public Works will revise its written process to include an internal review of price fluctuations in order to account for any statistical anomalies.



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**2011-003**

Improve General and Access Computer Controls

Contact person: Richard Jones, Chief Information Officer

Anticipated completion date: January 2011

Response on password policy.

The County Information Technology Department has implemented a complex password policy effective June 2011 for the following departments: Finance, Budget, Treasurer, Information Technology, County Attorney, and Human Resources. The password policy is enforced by Windows Active Directory complex password settings. A copy of this policy was delivered to the auditors on 10/18/2011.

Response on exception reports.

The County Information Technology Department provided Finance with listing of all available JDE reports in November, 2011. The Finance Department will review all relevant reports on a regular basis.

**2011-004**

Improve the Communication of Significant Legal Provisions Affecting the County's Financial Statements

Contact person: Tina Lawson, Business Manager, Public Works Department

Anticipated completion date: June 2012

Concur. By June 2012 Public Works will establish a process to identify significant legal provisions that affect the County's Financial Statements. Significant legal provisions will be communicated to the Finance Department.



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## **Responses to Federal Award Findings**

### **2011-101**

CFDA No: 84.397

Program Title: U.S. Department of Education, Passed through the State of Arizona Governor's Office of Economic Recovery, State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act

Contact person: Tim Kanavel, Economic Development Program Manager

Anticipated completion date: 1/31/12

The County makes every effort to comply with all requirements, including contractual and Federal grantor requirements. The contract entered into with the State of Arizona Governor's Office (GOER) created some confusion as it stated that Section 1512 Report Updates could be provided "as requested by GOER." In addition, the GOER grant contact person communicated to the County that "a sub-recipient like Pinal County could submit for reimbursement at its choosing (weekly, monthly, or a quarterly partial request or a one-time, full request)." Based on this instruction from the pass-thru-grantor the County selected to file its request for reimbursement, which is also the Section 1512 financial report for this grant, as a one-time full request.

After review of the Section 1512 requirements, we determined that it is possible that the County did not meet the program's financial report submission requirements as intended by the Federal grantor.

The County considers this an isolated incident. The County will review and update existing procedures and trainings and communicate to all grant personnel that when the instruction provided by the pass-thru-grantors contradicts the original grantor's requirements, the County should obtain further clarification from the original grantor.

### **2011-102**

CFDA No: 84.397

Program Title: U.S. Department of Education, Passed through the State of Arizona Governor's Office of Economic Recovery, State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act

Contact person: Tim Kanavel, Economic Development Program Manager

Anticipated completion date: 1/31/12

The County makes every effort to comply with all requirements, including contractual and Federal grantor requirements. The County obtained information on how the money was proposed to be spent prior to disbursing any money to the non-profit organization. This information was included in the grant application. Also, the County received an annual progress report from the non-profit organization, which did not include financial information.

The County considers this an isolated incident. The County will review and update existing procedures and trainings and communicate to all grant personnel that all money provided to subrecipients should be monitored to determine compliance with the applicable grantor requirements.



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**2011-103**

CFDA No: 10.557

Program Title: U.S. Department of Agriculture, Passed through the Arizona Department of Health Services, Special Supplemental Nutrition Program for Women, Infants, and Children

Contact person: Rosanna T. Ringer, RD,

Anticipated completion date: November 2011

Response for Missing Documentation

- One participant file did not have a signed rights and obligations form. Response: The reason the file did not have a rights and obligations form was that the visit was for a category change and not for a certification. The rights and obligation form is filled out at the certification visit. This client was from the Eloy clinic and the rights and obligation form from the certification visit was filed in the Eloy Clinic. WIC staff was not able to access the rights and obligations form from the certification visit because the Eloy Public Health clinic has been closed for repairs due to flooding since April. When the clinic repairs are finished WIC staff will be able to produce the rights and obligations form in question.
- One participant file did not have the blood work consent form. Response: This is correct. The client signed the form but did not check off the consent for blood work.
- Four participant files did not have documentation supporting that program support training was provided to the participant. This is correct. The client files in question had not received a second nutrition education session.

During the time frame that was audited Pinal County WIC had only one Nutrition Program Manager instead of three. The one Nutrition Program Manager was providing supervision for all of Pinal County WIC and was not able to audit all procedures. Since that time two more Nutrition Program Managers have been hired and trained. These managers now audit the WIC staff six times a year so that all Federal Regulations will be followed. In addition, WIC staff were trained at the September 27, 2011 staff meeting to be sure that all clients received two Nutrition Education sessions during their six month certification. At the November 29, 2011 WIC staff meeting all WIC staff will be reminded to have clients check off the consent for blood work on the rights and obligations form.