



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pinal County

Year Ended June 30, 2006



Debra K. Davenport
Auditor General

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Pinal County
Single Audit Reporting Package
Year Ended June 30, 2006

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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Basic Financial
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Board of Supervisors of
Pinal County, Arizona

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 15, 2007. Our report was modified to include a reference to our reliance on other auditors and for an emphasis of a matter for the retroactive reporting of general infrastructure assets as part of the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34. 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, as described in our report on the County's financial statements. The financial statements of the Long Term Care Fund were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we will report to the County's management in a separate letter at a future date.

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

Dennis L. Mattheisen, CPA
Financial Audit Director

June 15, 2007



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Pinal County, Arizona

Compliance

We have audited the compliance of Pinal County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Pinal County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133, and that are described in the accompanying Schedule of Findings and Questioned Costs as items 06-101 through 06-104, 06-106 and 06-107.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over

compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-101 through 06-107.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2006, and have issued our report thereon dated June 15, 2007. Our report was modified to include a reference to our reliance on other auditors and for an emphasis of a matter for the retroactive reporting of general infrastructure assets as part of the implementation of GASB Statement No. 34. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Dennis L. Mattheisen, CPA
Financial Audit Director

September 7, 2007, except for the
Schedule of Expenditures of Federal
Awards, for which the date is June 15, 2007

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas, passed through Pima County	07.15PSAP549	01-11-P-136428-1004	\$ 210,524
U.S. Department of Agriculture			
Special Supplemental Nutrition Program for Women, Infants, and Children, passed through the Arizona Department of Health Services	10.557	HG361078	973,153
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	KR02-1170-ALS	6,535
State Administrative Matching Grants for Food Stamp Program, passed through the Arizona Department of Health Services	10.561	HG661040	63,560
Commodity Supplemental Food Program, passed through the Arizona Department of Health Services	10.565	HG361104	34,887
WIC Farmers' Market Nutrition Program (FMNP), passed through the Arizona Department of Health Services	10.572	HG361336	360
Total U.S. Department of Agriculture			<u>1,078,495</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's Program, passed through the Arizona Department of Housing	14.228	117-04, 127-05, 172-06	217,212
Public and Indian Housing	14.850		322,543
Section 8 Housing Choice Vouchers	14.871		2,650,328
Public Housing Capital Fund	14.872		263,731
Total U.S. Department of Housing and Urban Development			<u>3,453,814</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		868,239
Distribution of Receipts to State and Local Governments	15.227		49,153
Total U.S. Department of the Interior			<u>917,392</u>
U.S. Department of Justice			
DEA—Domestic Cannabis Eradication and Suppression Program	16.unknown		1,737
Juvenile Accountability Incentive Block Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.523	JB-GRA-04-6273-07, JB-GRA-03-5273-10	58,823
Juvenile Justice and Delinquency Prevention—Allocation to States, passed through the City of Phoenix Police Department	16.540	2005-MC-CX-K009	4,909

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
National Criminal History Improvement Program (NCHIP), passed through the Arizona Criminal Justice Commission	16.554	NCH-04-103, NCH-05-105	\$ 176,037
Crime Victim Assistance, passed through the National Sheriffs Association	16.575	2002-VF-GX-K003	59,644
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-05-060, VC-06-060	46,740
Edward Byrne Memorial Formula Grant Program, passed through the Arizona Criminal Justice Commission	16.579	AC-100-06, PC-070-06	198,265
Drug Court Discretionary Grant Program	16.585		13,253
Violence Against Women Formula Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.588	ST-WSG-04-6031-008Y1, ST-WSG-04-6031-014Y1	200,597
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589		78,710
Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590		348,697
Local Law Enforcement Block Grant Program	16.592		7
State Criminal Alien Assistance Program	16.606		55,072
Bulletproof Vest Partnership Program	16.607		1,459
Community Prosecution and Project Safe Neighborhoods, passed through the Arizona Criminal Justice Commission	16.609	PSN-04-5002, PSN-06-2017	16,868
Public Safety Partnership and Community Policing Grants	16.710		39,384
Total U.S. Department of Justice			<u>1,300,202</u>
U.S. Department of Transportation			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	JPA 02-008, JPA 02-69, JPA-02-147	138,280
National Motor Carrier Safety, passed through the Arizona Department of Public Safety	20.218	2005-213	453,875
State and Community Highway Safety, passed through the Governor's Office of Highway Safety	20.600	2004-PT-016, 2006-PT-004	5,251
Interagency Hazardous Materials Public Sector Training and Planning Grants, passed through the Arizona Department of Emergency and Military Affairs	20.703	None	9,669
Total U.S. Department of Transportation			<u>607,075</u>
Environmental Protection Agency			
Air Pollution Control Program Support, passed through the Arizona Department of Environmental Quality	66.001	EV05-0016	51,000

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Education			
Title I Grants to Local Educational Agencies, passed through the Arizona Department of Education	84.010	06FAATTI-660979-05A	\$ 75,698
Title I Program for Neglected and Delinquent Children, passed through the Arizona Department of Education	84.013	06FAADEL-660979-08A	47,347
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	06FESCBG-660979-03A	31,983
Safe and Drug-Free Schools and Communities—State Grants, passed through the Arizona Department of Education	84.186	06FBPIVB-670733-01A	81,390
Fund for the Improvement of Education	84.215		121,690
Tech-Prep Education, passed through the Arizona Department of Education	84.243	05FCTDTP-570734-03A, 06FCTDTP-670734-04A	190,955
State Grants for Innovative Programs, passed through the Arizona Department of Education	84.298	06FAATVA-660979-07A	747
Education Technology State Grants, passed through the Arizona Department of Education	84.318	06FBPETD-660979-04A, 06FBPETF-660979-01A, 06FBPETD-670733-03A	14,266
Education Technology State Grants, passed through Cochise County	84.318	06FBPSTP-670666-11A	<u>81,474</u>
Total Education Technology State Grants			<u>95,740</u>
Reading First State Grants, passed through the Arizona Department of Education	84.357	06FSARFP-660979-09A, 06FSASRS-670734-01A, 06FSACRS-670734-02A	227,184
Literacy Through School Libraries	84.364		92,484
English Language Acquisition Grants, passed through the Arizona Department of Education	84.365	06FAAENG-670733-06A	59,861
Mathematics and Science Partnerships, passed through the Arizona Department of Education	83.366	06FAAMS2-670734-07A	165,726
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	06FAATII-660979-06A	<u>15,376</u>
Total U.S. Department of Education			<u>1,206,181</u>
Election Assistance Committee			
Help America Vote Act Requirements Payments	90.401		<u>436,866</u>
U.S. Department of Health and Human Services			
Family Planning—Services, passed through the Arizona Family Planning Council	93.217	None	180,973

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Abstinence Education Program, passed through the Arizona Department of Health Services	93.235	HP361258-002	\$ 138,206
Policy Research and Evaluation Grants, passed through the Arizona Department of Health Services	93.239	H1454353	7,667
Immunization Grants, passed through the Arizona Department of Health Services	93.268	HG352197	322,422
Centers for Disease Control and Prevention—Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	252035	428,032
Temporary Assistance for Needy Families, passed through the Arizona Department of Economic Security	93.558	E4374138	136,604
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	G-04-04-AZ-4004	1,719,624
Community-Based Child Abuse Prevention Grants, passed through the Arizona Department of Economic Security	93.590	E4374138	64,091
Grants to States for Access and Visitation Programs, passed through the Arizona Department of Economic Security	93.597	E7205321	9,650
Social Services Block Grant, passed through the Pinal/Gila Council for Senior Citizens	93.667	0005-00556	141,848
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912		74,623
HIV Emergency Relief Project Grants, passed through the Area Agency on Aging Region One	93.914	2006-01-PIN, 2007-01-PIN	168,724
HIV Emergency Relief Project Grants, passed through the Maricopa County Department of Public Health	93.914	C86-04-808-2, C86-04-818-2, C86-07-810-2	18,135
Total HIV Emergency Relief Project Grants			<u>186,859</u>
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs, passed through the Arizona Department of Health Services	93.919	HG361206	189,000
HIV Prevention Activities—Health Department Based, passed through the Arizona Department of Health Services	93.940	HG352262	40,492
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Family Planning Council	93.977	None	1,032
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems, passed through the Arizona Department of Health Services	93.988	E5H96928	4,021
Preventive Health and Health Services Block Grant, passed through the Arizona Department of Health Services	93.991	HG354185, HG361119	84,253

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	261187, HP461323-005, HP461413-013	\$ 248,122
Total U.S. Department of Health and Human Services			<u>3,977,519</u>
Homeland Security Grant Program Cluster			
U.S. Department of Justice:			
State Domestic Preparedness Equipment Support Program, passed through the Arizona Department of Emergency and Military Affairs	16.007	2003-MU-T3-0034	13,694
Department of Homeland Security:			
State Domestic Preparedness Equipment Support Program, passed through the Arizona Department of Emergency and Military Affairs	97.004	2004-GE-T4-0051	314,348
Citizen Corps, passed through the Arizona Department of Emergency and Military Affairs	97.053	None	<u>166</u>
Total Department of Homeland Security			<u>314,514</u>
Total Homeland Security Grant Program Cluster			<u>328,208</u>
Total Expenditures of Federal Awards			<u>\$ 13,567,276</u>

See accompanying notes to schedule.

Pinal County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Note 1 - Basis of Accounting

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

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2006 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

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

Program Title	CFDA Number	Amount
State Domestic Preparedness Equipment Support Program	97.004	\$236,975

Pinal County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2006

Summary of Auditors' Results

Financial Statements

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

Federal Awards

Material weakness identified in internal control over major programs?	___	<u>X</u>	
Reportable conditions identified not considered to be material weaknesses?	<u>X</u>	___	
Type of auditors' 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])?	<u>X</u>	___	
Identification of major programs:			

CFDA Number

Name of Federal Program or Cluster

15.226	Payments in Lieu of Taxes
16.554	National Criminal History Improvement Program
20.218	National Motor Carrier Safety
84.010	Title I Grants to Local Educational Agencies
90.401	Help America Vote Act Requirements Payments
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs:	\$407,018		
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Auditee qualified as low-risk auditee?	<u>X</u>	___	
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Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	___	<u>X</u>	
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Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Financial Statement Findings

06-01

The County should improve the accuracy and timeliness of its financial statements

The County's Board of Supervisors depends on accurate information to fulfill its oversight responsibility and report accurate information to the public. Additionally, the County must issue accurate and timely financial statements to satisfy the audit requirements imposed by federal and state laws and regulations, grant contracts, and long-term debt covenants. To achieve these objectives, management should ensure that it has sufficiently planned and prepared for new accounting standard implementation and that it records financial transactions accurately in its accounting records. However, this was not always done. For example, the County did not review the original infrastructure valuation prepared by a specialist in a timely manner. As a result, the outside specialist did not finalize the valuation until 8 months after fiscal year end. Additionally, auditors noted that the County did not record donated capital assets totaling \$7.9 million and other purchased capital assets totaling over \$3 million in its financial statements. The County made adjustments to correct the errors auditors noted.

These problems delayed the issuance of the County's Single Audit Reporting Package for the year ended June 30, 2006. The federal reporting deadline for the County's Single Audit Reporting Package was March 31, 2007; however, the County did not issue its Single Audit Reporting Package until November 2007.

To help ensure that financial statements are prepared accurately and issued in a timely manner, the County should develop a comprehensive plan and allocate resources to:

- Research all accounting and reporting requirements to ensure accurate implementation.
- Perform a timely and thorough review of information prepared by outside specialists.
- Establish processes for obtaining information not readily available from accounting and other information systems, such as donated capital assets, required for financial statement presentation.
- Adjust its accounting records to reflect year-end balances and record prior-year audit adjustments prior to preparing its financial statements.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Federal Award Findings and Questioned Costs

06-101

CFDA No.: 15.226 **Payments in Lieu of Taxes**

U.S. Department of the Interior

Award Year: October 1, 2005 through September 30, 2006

Award Number: Not applicable

CFDA No.: 16.554 **National Criminal History Improvement Program**

U.S. Department of Justice, passed through the Arizona Criminal Justice Commission

Award Year: September 1, 2004 through September 30, 2006

Award Numbers: NCH-04-103 and NCH-05-105

CFDA No.: 20.218 **National Motor Carrier Safety**

U.S. Department of Transportation, passed through the Arizona Department of Public Safety

Award Year: September 1, 2005 through September 30, 2006

Award Number: 2005-213

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

U.S. Department of Education, passed through the Arizona Department of Education

Award Year: July 1, 2005 through August 15, 2006

Award Number: 06FAATTI-660979-05A

CFDA No.: 90.401 **Help America Vote Act Requirements Payments**

Election Assistance Committee

Award Year: February 15, 2005 through September 30, 2007

Award Number: Not applicable

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

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

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

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

Questioned Cost: None

As discussed in financial statement finding 06-01, Pinal County did not submit its Single Audit Reporting Package within 9 months of the County's fiscal year end, which would have been March 31, 2007, as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. The County will submit its Single Audit Reporting Package over 6 months late.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

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

06-102

CFDA No.: 20.218 **National Motor Carrier Safety**

U.S. Department of Transportation, passed through the Arizona Department of Public Safety

Award Year: September 1, 2005 through September 30, 2006

Award Number: 2005-213

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

U.S. Department of Education, passed through the Arizona Department of Education

Award Year: July 1, 2005 through August 15, 2006

Award Number: 06FAATTI-660979-05A

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

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

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

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

Questioned Cost: Unknown

The County did not ensure compliance with federal cost principles for the National Motor Carrier Safety, Title I Grants to Local Educational Agencies, and Child Support Enforcement programs. Auditors tested employees who worked solely on these programs during the fiscal year, and the County did not maintain the federally required payroll certifications for these employees. Total salary expenditures charged to these programs were \$154,423 for the National Motor Carrier Safety program, \$71,364 for the Title I Grants to Local Educational Agencies program, and \$1,496,716 for the Child Support Enforcement program during fiscal year 2006. Auditors performed certain limited additional procedures and verified that the employees worked on the programs during the applicable periods; however, auditors could not determine whether or not these employees worked on other programs. It was not practicable to extend our auditing procedures to determine the amount of questioned costs, if any, that may have resulted from this finding.

To comply with OMB Circular A-87, Attachment B, §8.h(3), county departments must prepare semiannual certifications to support charges for salaries and wages for employees who work solely on a single federal award. These certifications must be signed by the employee and state that the employee worked solely on the federal program for the certification period.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

06-103

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

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

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

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

Questioned Cost: None

The Child Support Enforcement Division did not submit reports within the time frame required by the grant agreement. The grant terms require that reports be submitted within 28 days following the end of each month. Further, the grant agreement states that the County may not receive reimbursements for expenditures on reports submitted after 45 days after the end of the month. Two reports were submitted between 32 and 44 days, while 3 reports were submitted between 67 and 74 days following the end of a month.

The Child Support Enforcement Division should ensure that employees responsible for preparing the reports are aware of report due dates and submit the reports by the date required by the grant agreement. Additionally, a supervisory employee should maintain a list of preparers, report due dates, and perform a follow-up.

06-104

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

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

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

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

Questioned Cost: None

The County expends a significant amount of money on federal programs it administers, so it is essential that the County report accurate expenditure information to grantor and pass-through grantors to help ensure it's accurately and promptly reimbursed for monies it spends on these programs. However, the Child Support Enforcement Division did not prepare and reconcile the reports used to request federal reimbursements and expenditures recorded on the County's financial system. Consequently, the Division failed to identify and capture an additional \$43,290 of allowable expenditures that could have been reimbursed under the Child Support Enforcement grant. The County was subsequently reimbursed over 1 year after the expenditures were made.

County management should ensure that departments administering federal programs establish the necessary internal controls to allow the County to get promptly and fully reimbursed for federal expenditures. These controls should require a reconciliation of the County's financial system to the amounts reported on the federal reimbursement claims on a monthly basis.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

06-105

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

U.S. Department of Education, passed through the Arizona Department of Education

Award Year: July 1, 2005 through August 15, 2006

Award Number: 06FAATTI-660979-05A

Questioned Cost: Unknown

The Mary C. O'Brien Accommodation School District did not have adequate controls to ensure that it provided complete and accurate information in its Cash Management Reports required by the Arizona Department of Education to assess compliance and determine the subsequent month's disbursements. During auditors' internal control review, auditors determined that one employee was responsible for compiling, approving, and submitting the required reports without supervisory review. Auditors performed certain limited additional procedures to verify that the amounts on the reports agreed to accounting records and that the advances were spent within a reasonable period; however, it was not practicable to extend our auditing procedures to determine the amount of questioned costs, if any, that may have resulted from this finding.

The County should assign a second employee to review reports for accuracy before they are submitted to the grantor agencies.

06-106

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

U.S. Department of Education, passed through the Arizona Department of Education

Award Year: July 1, 2005 through August 15, 2006

Award Number: 06FAATTI-660979-05A

Questioned Cost: \$595

The Arizona Department of Education (ADE) *Grants Management Handbook* generally allows subrecipients to request monies for deficit cash balances plus encumbrances for expenditures expected to be incurred in the next 30 days. Also, any interest earned on advances of federal monies, in excess of \$100 during the fiscal year, is required to be returned to the ADE at least quarterly. However, the Mary C. O'Brien Accommodation School District, a governmental fund of the County, maintained cash balances for the Title I Grants to Local Educational Agencies program between \$1,655 and \$9,108 for 3 months during the fiscal year. As a result, the County earned \$695 of interest during the year, and did not return \$595 of interest to the ADE, as required.

In accordance with the ADE *Grants Management Handbook*, the County should prepare more accurate estimates in order to minimize the time elapsing between advances and their disbursement. Further, the County should return the \$595 to the ADE, and ensure that any interest earned over \$100 in future years is remitted to the ADE at least quarterly.

Pinal County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

06-107

CFDA No.: 16.554 **National Criminal History Improvement Program**

U.S. Department of Justice, passed through the Arizona Criminal Justice Commission

Award Year: September 1, 2004 through September 30, 2006

Award Numbers: NCH-04-103 and NCH-05-105

CFDA No.: 20.218 **National Motor Carrier Safety**

U.S. Department of Transportation, passed through the Arizona Department of Public Safety

Award Year: September 1, 2005 through September 30, 2006

Award Number: 2005-213

Questioned Cost: None

In accordance with each grantor agency's Code of Federal Regulations pertaining to administrative requirements, the County must verify that vendors and subrecipients are not suspended or debarred before entering into transactions with them to be paid with federal monies. This verification may be accomplished by checking the Excluded Parties List maintained by the U.S. General Services Administration, obtaining certification from the vendor or subrecipient, or adding a clause or condition to the contract with that entity. The County has established policies to suspend or debar vendors that have been suspended or debarred by other governmental entities. However, the County's policies do not include detailed procedures for its employees to perform any of the three procedures mentioned above or document that these procedures were performed. As a result, for the major programs tested, the County did not verify that vendors used were suspended or debarred. However, the auditors performed additional procedures and noted no instances of payments made to suspended or debarred individuals or organizations.

To comply with each grantor agency's Code of Federal Regulations, the County should include detailed procedures regarding federal requirements for procurement, suspension, and debarment for employees purchasing goods and services. Further, the County should ensure that these employees follow these procedures and document which of the three procedures was performed to verify that vendors and subrecipients are not debarred or suspended.



Victoria L. Prins
Pinal County Chief Financial Officer

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November 9, 2007

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

Dear Ms. Davenport:

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

Sincerely,

Yiannis Kalaitzidis, CPA
Finance Deputy Director

Pinal County
Schedule of Findings and Questioned Costs Responses
Year Ended June 30, 2006

Financial Statement Findings Responses

06-01

The County should improve the accuracy and timeliness of its financial statements.
Contact person: Yiannis Kalaitzidis, Finance Deputy Director
Anticipated completion date: 06/30/08

Corrective Action: The County is in the process of hiring additional personnel to assist in the preparation of the report. The County's Public Works Department has adopted a new infrastructure policy and has created a full time position for infrastructure reporting. The County's Finance Department is in the process of hiring an Accounting Manager, who will be responsible for all aspects of the report, including timely and accurate preparation. In addition, the County's Finance Department is establishing internal procedures specific to the preparation of the report for the review of year-end transactions to ensure accounting records reflect proper balances at year-end. These positions and procedures are expected to be in place for the 2007-2008 fiscal year report.

Federal Award Findings and Questioned Costs Responses

06-101

CFDA No.: 15.226 Payments in Lieu of Taxes
CFDA No.: 16.554 National Criminal History Improvement Program
CFDA No.: 20.218 National Motor Carrier Safety
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 90.401 Help America Vote Act Requirements Payments
CFDA No.: 93.563 Child Support Enforcement
Contact person: Yiannis Kalaitzidis, Finance Deputy Director
Anticipated completion date: 6/30/08

Corrective Action: The County Finance Department is in the process of hiring an Accounting Manager who will be responsible for all aspects of the report, including meeting the filing deadlines for the Single Audit Reporting Package.

06-102

CFDA No.: 20.218 National Motor Carrier Safety
CFDA No.: 84.010 Title I Grants to Local Educational Agencies
CFDA No.: 93.563 Child Support Enforcement
Contact person: Mike Arnold, Director, Human Resources
Anticipated completion date: 12/31/07

The County will update the applicable employee policies and procedures to require all employees who worked solely on a single Federal award complete at least semi-annual certifications, which will be signed by the employee and supervisory official having first hand knowledge of the work performed by the employee.

Pinal County
Schedule of Findings and Questioned Costs Responses
Year Ended June 30, 2006

06-103

CFDA No.: 93.563 Child Support Enforcement

Contact person:

Family Law Commissioner report: Paul O'Connell, Court Administrator, Superior Court

Clerk of the Superior Courts report: Casimiro Hernandez, Finance Manager, Superior Court

Anticipated completion date: Completed as of Report Date

Corrective Action:

Family Law Commissioner report: It was discovered that an employee of the Superior Court responsible for the submission of the reports failed to comply with the reporting requirements. The supervisor for that employee has reassigned those duties to herself to ensure future compliance is achieved. The employee in question is no longer employed with the Superior Court.

Clerk of the Superior Courts report: Internal processes have been enhanced to ensure that future Certified Public Expenditure Statements are submitted within the specified time frame. On a monthly basis, the Accountant compiles the information gathered, creates the report and ensures compliance with time constraints. Subsequently, the Finance Manager verifies the report for accuracy and ensures submission within the specified time frame. This process was implemented in July, 2007.

06-104

CFDA No.: 93.563 Child Support Enforcement

Contact person: Michelle Krstyen, Bureau Chief

Anticipated completion date: 12/31/07

Corrective Action: The Director/Bureau Chief will review all expenditures and receipts for accuracy prior to signing the monthly Certified Public Expenditure Statement.

06-105

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

Contact person: Anna Carreon, Business Manager

Anticipated completion date: 10/30/07

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

Pinal County
Schedule of Findings and Questioned Costs Responses
Year Ended June 30, 2006

06-106

CFDA No.:84.010 Title I Grants to Local Educational Agencies
Contact person: Anna Carreon, Business Manager
Anticipated completion date: 10/30/07

Corrective Action: Mary C. O'Brien will return any interest earned at the end of each quarter for any Federal Grants that accrue it. The County returned \$595 with the 06/07 Arizona Department of Education approved Competition Report.

06-107

CFDA No.: 16.554 National Criminal History Improvement Program
CFDA No.: 20.218 National Motor Carrier Safety
Contact person: Yiannis Kalaitzidis, Finance Deputy Director
Anticipated completion date: 11/7/07

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