

**PINAL COUNTY, ARIZONA**  
**SINGLE AUDIT ACT REPORTS**  
**YEAR ENDED JUNE 30, 2017**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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  
Florence, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pinal County, Arizona (County) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 26, 2018. Our report includes a reference to other auditors who audited the financial statements of the Housing Grants 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 other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-001 through 2017-005 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-006 through 2017-008 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

### **Pinal County, Arizona's Response to Findings**

The County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County's responses are not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
June 26, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

The Auditor General of the State of Arizona

The Board of Supervisors of  
Pinal County, Arizona  
Florence, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited Pinal County, Arizona's (County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017, except for the Section 8 Housing Choice Vouchers Program – CFDA No. 14.871 major federal program administered by the Pinal County Housing Department. This major program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to this major program's compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, is based solely on the report of the other auditors. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 provides a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the County's compliance.

***Basis for Qualified Opinion on WIOA Cluster Program***

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 17.258, 17.259 and 17.278 WIOA Cluster as described in finding number 2017-010 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

***Qualified Opinion on WIOA Cluster Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 17.258, 17.259 and 17.278 WIOA Cluster for the year ended June 30, 2017.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, based on our audit and the report of the other auditors, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-009, 2017-011, 2017-012 and 2017-013. Our opinion on each major federal program is not modified with respect to these matters.

Pinal County, Arizona's responses to the noncompliance findings identified in our audit are presented in its corrective action plan at the end of this report. Pinal County, Arizona's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

***Report on Internal Control Over Compliance***

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-009 through 2017-12 to be material weaknesses.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-013 to be a significant deficiency.

The County's responses to the internal control over compliance findings identified in our audit are presented in its corrective action plan at the end of this report. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

**Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

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 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pinal County, Arizona's basic financial statements. We issued our report thereon dated June 26, 2018, which contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the report of the other auditors, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
June 26, 2018

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

***Financial Statements***

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

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?                        X     yes                               no
- Significant deficiency(ies) identified?                X     yes                               none reported

Noncompliance material to financial statements noted?

           yes                        X     no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?                        X     yes                               no
- Significant deficiency(ies) identified?                X     yes                               none reported

Type of auditors’ report issued on compliance for major programs:

*Unmodified opinion for all major programs except for the WIOA Cluster, which was qualified*

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

    X     yes                               no

Identification of major programs:

CFDA Numbers  
10.557

14.871  
15.226  
17.258, 17.259, 17.278  
97.067

Name of Federal Program or Cluster  
Special Supplement Nutrition Program for Women, Infants, and Children (WIC)  
Housing Voucher Program  
Payments in Lieu of Taxes  
WIOA Cluster  
Homeland Security Grant Program

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

\$ 750,000

Auditee qualified as low-risk auditee?

           yes                        X     no

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2017-001: Oversight of the Financial Reporting Process**

**Condition/Context:** The County does not have an adequate system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting principles (GAAP). As such, there were material audit adjustments and significant changes to the financial statements, including the related footnote disclosures, that were identified by the auditors.

The audit firm also proposed and the County approved and posted to its general ledger accounts, journal entries to properly record state shared revenues, pension liabilities, capital assets, grant revenues and receivables, lease revenues, investments and related income, and the Governmental Accounting Standards Board (GASB) 34 conversion entries. These entries relate to internal controls over the year-end close-out process. The absence of a complete control procedure or process in this area is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the County's internal control processes.

**Criteria:** The County should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements and year-end accounts balances to correct material misstatements.

**Effect:** Audit adjustments were proposed and subsequently approved and recorded by the County to correct account balances for state shared revenues, pension liabilities, capital assets, grant revenues and receivables, lease revenues, investments and related income, and the GASB 34 conversion entries.

**Cause:** The County has limited resources within its Finance Department and has not established controls to ensure accounts are adjusted to their appropriate year-end balances in accordance with GAAP. The County lacks a formal process to review annual financial statements, related footnote disclosures, and to verify balances are correct at year-end.

**Recommendation:** We recommend the County continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with GAAP. Additionally, we recommend that the County review these adjustments and modify year-end reconciling procedures in an effort to avoid similar adjustments next year.

Lastly, to establish the "full oversight" of the financial statement preparation, we suggest management establish effective review policies and procedures, including, but not limited to, the following functions: review the adequacy of financial statement disclosures by completing a disclosure checklist; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

**Views of Responsible Officials:** The County concurs with this recommendation.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-002: Prior Period Adjustments**

**Condition/Context:** Restatements were necessary to correct errors in the previously issued financial statements related to the following:

- 1) A note receivable was not previously recorded in the Airport Economic Development Fund. Also, lease and grant revenues were not properly accrued in the prior fiscal year (\$394,000).
- 2) Current fiscal year tax revenues were improperly accrued in the prior fiscal year for the General Fund (\$888,000) and the Public Works Highway Fund (\$2,186,000).
- 3) Cash was recorded at the Treasurer's Office but not in the County's general ledger in the Development Impact Fee (\$472,000) and Accommodation School (\$265,000) funds.
- 4) Public Works Services Fund tax revenues were not accrued in the prior fiscal year (\$117,000).
- 5) Governmental Activities construction in progress and infrastructure were not properly recorded and classified in prior fiscal year (\$3,202,000).
- 6) A drainage system and three bridges were improperly excluded from the prior fiscal year Governmental Activities capital assets (\$5,274,000).
- 7) Bond interest payable and expense was overstated in prior year (\$3,119,000).
- 8) A note payable was not previously recorded in the Housing Department (\$487,000).
- 9) Deferred outflow of resources for pensions was overstated in the prior fiscal year as non-pension related County contributions made subsequent to the measurement date were improperly included (\$410,000) and net pension liabilities was overstated in the prior year's calculation (\$397,000).

**Criteria:** Generally accepted accounting principles.

**Effect:** Prior period adjustments were necessary to properly state beginning net position and fund balance for errors in the previously issued financial statements.

**Cause:** The County has limited resources within its Finance Department and the County's internal controls over financial reporting failed to detect material misstatements in the prior year issued financial statements.

**Recommendation:** We recommend the County review its internal control procedures to ensure account balances are reported in accordance with generally accepted accounting principles.

**Views of Responsible Officials:** The County concurs with this recommendation.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-003: Capital Assets**

**Condition/Context:** For the fiscal year ended June 30, 2017, the County utilized multiple Excel spreadsheets to account for all infrastructure related capital asset activity, including cumulative cost, depreciation and accumulated depreciation. Additionally, the capital asset records lacked a formal review separate from the preparer.

**Criteria:** Internal controls would dictate that due to the number of assets held and maintained by the County, the current method of maintaining capital assets is not adequate to detect potential errors.

**Effect:** Due to the significant number of capital asset items, the use of multiple worksheets within Excel and the use of multiple Excel documents to account for infrastructure related capital assets, an opportunity exists for a material misstatement to go undetected and uncorrected. As a result, material audit adjustments, including prior period adjustments, were required to present capital asset activity in accordance with GAAP.

**Cause:** The County has limited resources within its Finance Department.

**Recommendation:** We recommend the County establish internal controls requiring a formal review of capital asset activity at year-end, including establishing a method of tracking infrastructure activity that will reduce the risk of material misstatements in future fiscal years.

**Views of Responsible Officials:** The County concurs with this recommendation.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-004: Cash Reconciliation**

**Condition/Context:** The County's reconciliation of the cash recorded in the general ledger to the cash held at the County Treasurer was not performed in a timely manner. Additionally, the County has various bank accounts that are not recorded within the general ledger and the payroll bank account has not been reconciled since July 2016.

**Criteria:** GAAP and the Uniform Accounting Manual for Arizona Counties requires that counties reconcile each bank account monthly to ensure that any discrepancies are promptly identified and resolved.

**Effect:** Unreconciled material differences existed between the cash reported at the Treasurer and the County's general ledger. Post-closing entries were required to be recorded during the cash reconciliation process. In addition, the reconciliation caused a significant delay in the completion of the audit.

**Cause:** The County has limited resources within its Finance Department and did not perform timely reconciliations between cash reported at the Treasurer and the general ledger.

**Recommendation:** We recommend the County finance personnel implement policies and procedures to ensure cash reconciliations are completed on a monthly basis (i.e. – within 15 days after month-end). Also, any differences between the Treasurer and general ledger should be investigated and resolved during the monthly reconciliation process.

**Views of Responsible Officials:** The County concurs with this recommendation.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-005: Retainage Payable**

**Condition/Context:** Retainage payable was not properly recorded on one of the County's capital projects at fiscal year-end. An audit adjustment of \$478,045 in the Bond Funded Capital Projects Fund was necessary to properly record retainage payable. In addition, this amount was added to the construction in progress balance.

**Criteria:** Management is responsible for the design and implementation of a system of controls to ensure retainage payable and related capital expenditures are being properly recorded at year-end.

**Effect:** The lack of proper internal control procedures provides an opportunity for a misstatement to go undetected and uncorrected.

**Cause:** The County has limited resources in its Finance Department and lack of management oversight.

**Recommendation:** The County should review its procedures over year-end cutoff to ensure retainage held under construction contracts is being properly recorded as capital assets and liabilities.

**Views of Responsible Officials:** The County concurs with this recommendation.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-006: Accounts Receivable**

**Condition/Context:** The County does not have processes and procedures in place to record accounts receivable and track its miscellaneous receivable balances. Accounts receivable balances are recorded based on actual cash received within 60 days after fiscal year-end.

**Criteria:** GAAP requires revenue to be recognized only when the event has occurred and is measurable. Court revenues and other miscellaneous revenues, including related accounts receivable, should be recorded in the period in which the revenue is earned.

**Effect:** Court fines and fees and other miscellaneous revenues, including accounts receivable, could be materially misstated.

**Cause:** The County's internal controls over financial reporting does not incorporate the proper tracking of receivables of court related fines and fees and other miscellaneous revenues.

**Recommendation:** The County should implement policies and procedures to properly record court and other miscellaneous revenues in accordance with GAAP.

**Views of Responsible Officials:** The County concurs with this recommendation.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-007: Pay Rate Approval**

**Condition/Context:** Documentation of employee pay rates was not always maintained in the employee file.

**Criteria:** Effective internal control over personnel information and payroll processes should provide reasonable assurance of the completeness and accuracy of accounting records.

**Effect:** Employees could be paid incorrect or unsupported wages.

**Cause:** The County has changed its processes and procedures over the retention and approval of employee pay rates over the past several years and has started ensuring that adequate documentation is maintained but documentation for employees who have been employed by the County for many years is sometimes difficult to locate.

**Recommendation:** We recommend that the County continue to improve its existing policies and procedures surrounding the documentation of employee pay rates in order to ensure that employees are being paid the proper amounts and the amounts being paid are properly supported.

**Views of Responsible Officials:** The County concurs with this recommendation.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)**

**2017-008: Information Technology**

**Condition/Context:**

- The County has numerous documented policies related to IT and its functions. However, the policies are over six years old and some have not been updated since they were created.
- Financial software programmers have the ability to execute, update, and read production programs and data files. In addition, a listing of code changes is not being reviewed to prevent unauthorized changes.
- Audits of user accounts and their access levels are not performed on a regular basis for Active Directory.
- Audits of user accounts and their access levels are not performed on a regular basis for database and application administrators and service accounts.

**Criteria:** Information technology related to the County's financial software should incorporate proper controls and safeguards to prevent unauthorized access, improper modifications of data, and restrict access to sensitive and confidential information. The County should also have information technology policies reviewed and updated on a regular basis.

**Effect:** Potential for material misstatements in the financial statements due to error or fraud.

**Cause:** For access controls, the County did not follow its policies and procedures or lacked policies and procedures for restricting programmers to inquiry-only access and maintaining adequate access security for its significant applications and systems. Finally, the County did not have up-to-date information technology policies and lacked a formal ongoing review of these policies.

**Recommendation:** Management should review and update, as necessary, the IT policies and procedures in place. The policies and procedures should relate to the process and controls used by the County. Also, the County should provide inquiry-only access to programmers and only provide privileged access if there is a production problem which needs to be addressed. In addition, the County should conduct a formal review of all user accounts and their access level should be performed annually. The review of access levels should be performed by comparing the user's current access rights listed on the system to those listed on their access form, and by confirming the user's access rights with their departmental manager.

**Views of Responsible Officials:** The County concurs with this recommendation.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2017-009 Reporting**

**Federal Agency:** All major federal programs  
**Program Title:** All major federal programs  
**CFDA Number:** All major federal programs  
**Award Period:** Various

**Type of Finding:** Compliance (Other Matters) and Material Weakness in Internal Control over Compliance

**Criteria:** 2 Code of Federal Regulations (CFR) 200.512 – Financial Reporting.

**Condition/Context:** The financial and compliance audit was not completed within nine months of the end of the fiscal year. Also see Financial Statement Finding 2017-001.

**Questioned Costs:** None noted

**Cause:** The County has limited resources within its Finance Department. As a result, the County did not reconcile its records in a timely manner.

**Effect:** Noncompliance with 2 CFR 200.512 – Financial Reporting.

**Repeat Finding:** Yes

**Recommendation:** We recommend the County properly reconcile its records in a timelier manner to allow sufficient time to complete the audit within nine months following the end of the fiscal year.

**Views of Responsible Officials:** There is no disagreement with the audit finding.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2017-010 Subrecipient Monitoring**

**Federal Agency:** U.S. Department of Labor  
**Program Title:** WIOA Cluster  
**CFDA Number:** 17.258, 17.259 and 17.278  
**Pass Through Entity:** Arizona Department of Economic Security  
**Pass Through Number:** DI16-002115  
**Award Period:** July 1, 2016 – June 30, 2017

**Type of Finding:** Material Noncompliance and Material Weakness in Internal Control over Compliance

**Criteria:** Title 2 CFR Part 200, Subpart D, requires that all pass-through entities monitor subrecipient activities to provide reasonable assurance that the subrecipient administers Federal awards in compliance with Federal requirements and achieves performance goals.

**Condition/Context:** The County did not properly monitor subrecipient activities to ensure that the program's two subrecipient's administered the Federal award in compliance with Federal requirements as fiscal monitoring was not performed for one of the subrecipients and the remaining monitoring was performed after fiscal year-end.

**Questioned Costs:** None noted

**Cause:** The County has not fully implemented its monitoring policies and procedures.

**Effect:** Noncompliance with 2 CFR Part 200, Subpart D – Subrecipient Monitoring.

**Repeat Finding:** Yes

**Recommendation:** In order to comply with the Uniform Guidance, we recommend the County continue implementing its subrecipient monitoring policies and procedures.

**Views of Responsible Officials:** There is no disagreement with the audit finding.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2017-011 Eligibility**

**Federal Agency:** US Department of Agriculture

**Program Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

**CFDA Number:** 10.557

**Pass Through Entity:** Arizona Department of Health Services

**Pass Through Number:** ADHS14-053057

**Award Period:** October 1, 2016 – September 30, 2018

**Type of Finding:** Compliance (Other Matters) and Material Weakness in Internal Control over Compliance

**Criteria:** 7 CFR sections 246.7(c), (d), (e), (g), and (l) requires signed permission forms from affected participants prior to the release of participation information to an agency.

**Condition/Context:** For four of 60 participant files tested, the County lacked signed permission forms.

**Questioned Costs:** None noted

**Cause:** The County does not have sufficient policies and procedures established to ensure that required documentation has been completed and retained in the participant files.

**Effect:** Noncompliance with 7 CFR sections 246.7(c), (d), (e), (g), and (l).

**Repeat Finding:** Yes

**Recommendation:** We recommend the County establish procedures to regularly monitor participant files to ensure required documentation is included.

**Views of Responsible Officials:** There is no disagreement with the audit finding.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2017-012 Allowable Costs**

**Federal Agency: US Department of Agriculture**

**Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

**CFDA Number: 10.557**

**Pass Through Entity: Arizona Department of Health Services**

**Pass Through Number: ADHS14-053057**

**Award Period: October 1, 2016 – September 30, 2018**

**Type of Finding:** Compliance (Other Matters) and Material Weakness in Internal Control over Compliance

**Criteria:** In accordance with 2 CFR §225, Appendix B, Section 8.h, and 2 CFR §200.430(i), the County should ensure that employee payroll costs charged to the WIC program are only for personnel activity related to the program.

**Condition/Context:** For six of 60 and five of 60 payroll disbursements tested, respectively, the County overcharged and undercharged employee hours charged to the Federal program.

**Questioned Costs:** \$424

**Cause:** The County lacked a formal review of personnel activity charged to the WIC program.

**Effect:** Errors in employee payroll costs charged to the Federal program and noncompliance with 2 CFR §225, Appendix B, Section 8.h, and 2 CFR §200.430(i).

**Repeat Finding:** No

**Recommendation:** The County should establish policies and procedures to ensure that personnel activity actually incurred on Federal programs is being reported to the Payroll Department correctly before the processing of bi-weekly payroll.

**Views of Responsible Officials:** There is no disagreement with the audit finding.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2017-013 Reporting**

**Federal Agency:** U.S. Department of Labor  
**Program Title:** WIOA Cluster  
**CFDA Number:** 17.258, 17.259 and 17.278  
**Pass Through Entity:** Arizona Department of Economic Security  
**Pass Through Number:** DI16-002115  
**Award Period:** July 1, 2016 – June 30, 2017

**Type of Finding:** Compliance (Other Matters) and Significant Deficiency in Internal Control over Compliance

**Criteria:** 2 CFR 200.327 and WIOA Section 185(e)(2) requires that the County submit quarterly financial reports for each WIOA grant award received. The pass-through grant agreement requires the reports to be submitted monthly.

**Condition/Context:** For seven of 59 monthly reports tested for the WIOA Cluster, the County did not submit monthly financial reports to the awarding agency.

**Questioned Costs:** None

**Cause:** Due to personnel turnover and lack of oversight, the County was unaware that monthly financial reports were required to be submitted until September 2016.

**Effect:** Noncompliance with 2 CFR 200.327 and WIOA Section 185(e)(2).

**Repeat Finding:** No

**Recommendation:** The County should establish policies and procedures to ensure that personnel are aware of grantor reporting requirements. This includes designating an individual(s) to oversee compliance with each Federal program to ensure turnover within individual departments does not result in noncompliance with Federal requirements.

**Views of Responsible Officials:** There is no disagreement with the audit finding.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
<i>Passed through Arizona Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	ED09-0001	\$ 25,909	-
National School Lunch Program	10.555	ED09-0001	90,530	-
Summer Food Service Program for Children	10.559	ED09-0001	4,901	-
<i>Total Child Nutrition Cluster - CFDA No. 10.553, 10.555 and 10.559</i>			121,340	-
<i>Passed through Arizona Department of Health Services</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS14-053057	1,530,916	-
Commodity Supplemental Food Program - Noncash Assistance	10.565	ADHS12-010886	38,689	-
WIC Grants To States (WGS)	10.578	ADHS 14-053057	253,500	-
Forest Service Schools and Roads Cluster:				
Schools and Roads—Grants to States	10.665		18,237	885
<i>Total Forest Service Schools and Roads Cluster - CFDA No. 10.665</i>			18,237	885
Law Enforcement Agreement—Tonto National Forest	10.xxx	16-LE-11031200-003	16,132	-
<b><i>Total U.S. Department of Agriculture</i></b>			<b>1,978,814</b>	<b>885</b>
<b>U.S. Department of Housing and Urban Development</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	120-16	119,168	-
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				
	14.228	122-17	35,936	-
<i>Total Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii - CFDA No. 14.228</i>			155,104	-
Public and Indian Housing				
Residential Opportunity and Supportive Services - Service Coordinators	14.850		556,492	-
Housing Voucher Cluster:	14.870		37,790	-
Section 8 Housing Choice Vouchers	14.871		2,879,951	-
<i>Total Housing Voucher Cluster - CFDA No. 14.871</i>			2,879,951	-
Public Housing Capital Fund	14.872		220,233	-
<b><i>Total U.S. Department of Housing and Urban Development</i></b>			<b>3,849,570</b>	-
<b>U.S. Department of the Interior</b>				
Bureau of Land Management				
Payments in Lieu of Taxes	15.226		1,310,964	-
<b>U.S. Department of Justice</b>				
<i>Passed through the Phoenix Federal Bureau of Investigation</i>				
FBI Phoenix Child Exploitation Task Force Agreement	16.unknown	31E-PX-C2475025	1,414	-
<i>Passed through the City of Phoenix Police Department</i>				
Missing Children's Assistance	16.543	2015-MC-FX-K027	5,000	-
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>				
National Criminal History Improvement Program (NCHIP)				
	16.554	NCP-16-17-003	68,295	-
National Criminal History Improvement Program (NCHIP)				
	16.554	NCP-16-17-005	42,223	-
<i>Total National Criminal History Improvement Program (NCHIP) - CFDA No. 16.554</i>			110,518	-
<i>Passed through the Arizona Department of Public Safety</i>				
Crime Victim Assistance	16.575	2015-262, 2015-440, 2015-443	139,111	-
Crime Victim Assistance	16.575	2015-263, 2015-441	53,465	-
Crime Victim Assistance	16.575	2015-442	33,507	-
Crime Victim Assistance	16.575	2015-264	56,900	-
<i>Total Crime Victim Assistance - CFDA No. 16.575</i>			282,983	-
State Criminal Alien Assistance Program	16.606		45,188	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<i>Passed through Arizona Criminal Justice Commission</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-17-010	58,017	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-17-031	71,582	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0810	27,778	-
<i>Total Justice Assistance Grant Program - CFDA No. 16.738</i>			157,377	-
<i>Passed through Arizona Child and Family Advocacy Network</i>				
Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	1-ELOY-SA-AZ15	9,000	-
Equitable Sharing Program	16.922	None	32,253	-
<i>Total U.S. Department of Justice</i>			643,733	-
<b>U.S. Department of Labor</b>				
<i>Passed through Arizona Department of Economic Security</i>				
WIOA Cluster				
WIA/WIOA Adult Program	17.258	DI16-002115	1,164,128	978,410
WIA/WIOA Youth Activities	17.259	DI16-002115	1,020,404	796,272
WIA/WIOA Dislocated Worker Formula Grants	17.278	DI16-002115	647,534	532,364
<i>Total WIOA Cluster - CFDA No. 17.258, 17.259 and 17.278</i>			2,832,066	2,307,046
<i>Total U.S. Department of Labor</i>			2,832,066	2,307,046
<b>U.S. Department of Transportation</b>				
Highway Safety Cluster:				
<i>Passed through Arizona Governor's Office of Highway Safety</i>				
State and Community Highway Safety	20.600	2016-PT-028	20,224	-
State and Community Highway Safety	20.600	2016-AI-006	38,941	-
State and Community Highway Safety	20.600	2017-AI-005	9,701	-
State and Community Highway Safety	20.600	2017-PT-044	37,209	-
State and Community Highway Safety	20.600	2017-AL-037	30,778	-
State and Community Highway Safety	20.600	2017-PT-043	37,682	-
State and Community Highway Safety	20.600	2017-AI-007	4,890	-
National Priority Safety Programs	20.616	2017-405d-028	41,016	-
<i>Total Highway Safety Cluster - CFDA No. 20.600 and 20.616</i>			220,441	-
<i>Passed through Arizona Emergency Response Commission</i>				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0513-15-01-00	8,947	-
<i>Total U.S. Department of Transportation</i>			229,388	-
<b>Institute of Museum and Library Services</b>				
<i>Passed through Arizona State Library, Archives and Public Records</i>				
Grants to States	45.310	2015-35017-23	4,963	-
<b>Environmental Protection Agency</b>				
<i>Passed through Arizona Department of Environmental Quality</i>				
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Related to the Clean Air Act	66.034	ADEQ-13-033141	241,963	-
<b>U.S. Department of Education</b>				
<i>Passed through Arizona Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	17FT1TTO-711475-01A	56,534	-
Special Education Cluster:				
Special Education - Grants to States	84.027	17FESCBG-711475-09A	29,401	-
<i>Total Special Education Cluster - CFDA No. 84.027</i>			29,401	-
<i>Passed through Arizona Board of Regents, University of Arizona</i>				
ARRA - Federal Work-Study Program	84.033	None	1,912	-
<i>Passed through Arizona Department of Education</i>				
Improving Teacher Quality State Grants	84.367	17FT1TII-711475-03A	11,223	-
<i>Total U.S. Department of Education</i>			99,070	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**PINAL COUNTY, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services</b>				
<i>Passed through Arizona Department of Health Services</i>				
Public Health Emergency Preparedness	93.069	ADHS17-133198	497,606	-
Hospital Preparedness Program	93.074	ADHS17-133198	106,210	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	ADHS13-049259	60,130	-
<i>Passed through Arizona Family Planning Council</i>				
Family Planning Services	93.217	None	306,268	-
<i>Passed through Arizona Department of Health Services</i>				
Immunization Cooperative Agreements	93.268	ADHS13-041546	20,174	-
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	ADHS17-133198	58,220	-
Maternal, Infant, and Early Childhood Home Visiting Cluster:				
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (MIECHV Program)	93.505	ADHS14-053780	28,312	-
<i>Total Maternal, Infant, and Early Childhood Home Visiting Cluster - CFDA No. 93.505</i>			<u>28,312</u>	<u>-</u>
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance	93.539	ADHS13-041546	327,903	-
Preventive Health and Health Services Block Grant	93.758	ADHS16-099168	26,484	-
<i>Passed through Arizona Department of Economic Security</i>				
Child Support Enforcement	93.563	G1604AZ4004	364,712	-
Grants to States for Access and Visitation Programs	93.597	1101AZSAVP & 1601AZSAVP	21,959	-
Services to Victims of a Severe Form of Trafficking	93.598		82,740	-
<i>Passed through the Arizona Department of Health Services</i>				
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs				
HIV Prevention Activities_Health Department Based	93.752	ADHS14-064600	161,994	-
Preventive Health Services_Sexually Transmitted Diseases Control Grant	93.940	ADHS13-031180	27,825	-
	93.977	ADHS14-071221	36,193	-
Maternal and Child Health Services Block Grant to the States - MCH Block Grants				
Maternal and Child Health Services Block Grant to the States - MCH Block Grants	93.994	ADHS16-099168	104,076	-
<i>Total Maternal and Child Health Services Block Grant to the States - MCH Block Grants - CFDA No. 93.994</i>	93.994	ADHS15-094988	<u>19,796</u>	<u>-</u>
			<u>123,872</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<b>2,250,602</b>	<b>-</b>
<b>Executive Office of the President</b>				
<i>Passed through the City of Tucson Police Department</i>				
High Intensity Drug Trafficking Areas Program	95.001	HT-15-2533	6,459	-
High Intensity Drug Trafficking Areas Program	95.001	HT-15-2523	76,438	-
High Intensity Drug Trafficking Areas Program	95.001	HT-16-2622	24,839	-
High Intensity Drug Trafficking Areas Program	95.001	HT-16-2634	9,025	-
<i>Total High Intensity Drug Trafficking Areas Program - CFDA No. 95.001</i>			<u>116,761</u>	<u>-</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	EMF-2016-EP-00009-S01	265,526	-
<i>Passed through the Arizona Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	16-AZDOHS-HSGP-160304-01	57,787	-
Homeland Security Grant Program	97.067	16-AZDOHS-OPSG-160304-02	293,277	-
Homeland Security Grant Program	97.067	16-AZDOHS-OPSG-160304-03	112,405	-
Homeland Security Grant Program	97.067	14-AZDOHS-OPSG-140307-05	85,612	-
Homeland Security Grant Program	97.067	15-AZDOHS-OPSG-150312-01	299,903	-
<i>Total Homeland Security Grant Program - CFDA No. 97.067</i>			<u>848,984</u>	<u>-</u>
<b>Total U.S. Department of Homeland Security</b>			<b>1,114,510</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 14,672,404</b>	<b>\$ 2,307,931</b>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**PINAL COUNTY, ARIZONA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

**NOTE 1 GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the activity of all federal awards of Pinal County (County). The County's reporting entity is defined in Note 1 to the County's basic financial statements for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's basic financial statements for the year ended June 30, 2017. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COST**

The County did not elect the 10 percent de minimus indirect cost rate.



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2017**

Pinal County, Arizona respectfully submits the following corrective action plan for the reported findings for the fiscal year ended June 30, 2017.

The findings are numbered consistently with numbers assigned in the June 30, 2017 single audit report.

**2017-001: Oversight of the Financial Reporting Process**

**Condition:** The County does not have an adequate system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with generally accepted accounting principles (GAAP). As such, there were material audit adjustments and significant changes to the financial statements, including the related footnote disclosures that were identified by the auditors.

The audit firm also proposed and the County approved and posted to its general ledger accounts, journal entries to properly record state shared revenues, pension liabilities, capital assets, grant revenues and receivables, lease revenues, investments and related income, and the Governmental Accounting Standards Board (GASB) 34 conversion entries. These entries relate to internal controls over the year-end close-out process. The absence of a complete control procedure or process in this area is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the County's internal control processes.

**Corrective Action Plan:**

Staff turnovers within the finance department caused delays in both the reconciliation and financial statement preparation. Finance was able to create an Accounting and Reporting Manager position in August of 2017 to assist in the financial statement process. Additionally, we had budgeted for an Accounting Supervisor position, but were unable to recruit a qualified candidate. This led to staffing challenges with regard to maintaining our system of internal controls with regards to financial statement preparation. It is anticipated that we will reestablish our internal controls with regards to financial statement preparation for the upcoming year.

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Levi Gibson, Finance Director



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
CORRECTIVE ACTION PLAN (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-002: Prior Period Adjustments**

**Condition:** Restatements were necessary to correct errors in the previously issued financial statements.

**Corrective Action Plan:**

Staff turnovers within the finance department caused delays in both the reconciliation and financial statement preparation. The primary person charged with the CAFR process left the department prior to the 2015-16 statements being completed. This required the new Accounting and Reporting Manager who was hired in August of 2017 to step in and finish the statements. It is anticipated that additional process will be developed and documented to ensure that restatements are not necessary for future period.

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Levi Gibson, Finance Director

**2017-003: Capital Assets**

**Condition/Context:** For the fiscal year ended June 30, 2017, the County utilized multiple Excel spreadsheets to account for all infrastructure related capital asset activity, including cumulative cost, depreciation and accumulated depreciation. Additionally, the capital asset records lacked a formal review separate from the preparer.

**Corrective Action Plan:**

The Finance Department is committed to safeguarding the capital assets of Pinal County, including Infrastructure related capital assets. During this audit year the Supervisor for Capital Assets was transferred to Pinal County IT as part of a departmental reorganization. We are establishing processes and procedures to ensure that all capital assets working documents are subject to a formal documented review process. Additionally, we are reviewing how to utilize our capital asset software for tracking infrastructure assets or utilizing a system currently being deployed by our Public Works department.

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Levi Gibson, Finance Director



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
CORRECTIVE ACTION PLAN (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-004: Cash Reconciliation**

**Condition/Context:** The County's reconciliation of the cash recorded in the general ledger to the cash held at the County Treasurer was not performed in a timely manner. Additionally, the County has various bank accounts that are not recorded within the general ledger and the payroll bank account has not been reconciled since July 2016.

**Corrective Action Plan:**

The finance department has experienced vacancies in accounting positions during the 16-17 Fiscal years. Due to the lack of qualified staff and the complexity of the reconciliation process between the general ledger and the County Treasurer office, reconciliations were not completed in a timely manner. In order to speed up the process of reconciliations between the Treasurer Office and the General Ledger we are currently working on a system modification that will allow for more automations of the reconciliation and for the reconciliation to occur within the County Financial system. This will allow us to work towards our goal of having all cash reconciliations completed within the first 10 days of the following month.

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Levi Gibson, Finance Director

**2017-005: Retainage Payable**

**Condition/Context:** Retainage payable was not properly recorded on one of the County's capital projects at fiscal year-end. An audit adjustment of \$478,045 in the Bond Funded Capital Projects Fund was necessary to properly record retainage payable. In addition, this amount was added to the construction in progress balance.

**Corrective Action Plan:**

This error was due to a change in Accounts Payable staff and Manager. Staff has turned over and in addition the Accounts Payable Manager was deployed with the Army Reserve and a temporary manager was assigned to help supervise staff and review work. Finance will establish clearer processes and ensure that employees are trained and supervised upon hire within the department.

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Levi Gibson, Finance Director



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
CORRECTIVE ACTION PLAN (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-006: Accounts Receivable**

**Condition/Context:** The County does not have processes and procedures in place to record accounts receivable and track its miscellaneous receivable balances. Accounts receivable balances are recorded based on actual cash received within 60 days after fiscal year-end.

**Corrective Action Plan:**

The Finance department will review process and procedures to ensure that accounts receivables are recorded appropriately. This will include working with departments to ensure that they notify finance of any and all receivables. Additionally, Finance will work with our ERP team to develop a project time-line for configuring and using an accounts receivable module within the general ledger portion of our ERP system.

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Levi Gibson, Finance Director

**2017-007: Pay Rate Approval**

**Condition/Context:** Documentation of employee pay rates was not always maintained in the employee file.

**Corrective Action Plan:**

Human Resources will work with departments to ensure that documentation needed to support employee pay rates are included in the employee file for new hire via an offer of employment letter and for demotions/promotions via a status change form. It is currently anticipated that a electronic status change form will be available for department use within the 2 months after year end. All status change forms will be placed in the employee personnel file. Additionally, for county wide pay adjustment via cola or compensation plan updates changes will be noted in the system and approved at the Board of Supervisors in a public meeting for which Human Resources will keep the approved minutes for those action items.

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Patrick Camunez, Human Resources Director



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
CORRECTIVE ACTION PLAN (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-008: Information Technology**

**Condition/Context:**

- The County has numerous documented policies related to IT and its functions. However, the policies are over six years old and some have not been updated since they were created.
- Financial software programmers have the ability to execute, update, and read production programs and data files. In addition, a listing of code changes is not being reviewed to prevent unauthorized changes.
- Audits of user accounts and their access levels are not performed on a regular basis for Active Directory.
- Audits of user accounts and their access levels are not performed on a regular basis for database and application administrators and service accounts.

**Corrective Action Plan:**

Work has begun on policy creation and update around information security.

Anticipated Completion Date: July, 2019

Name of Contact Person: Steve Frazier, CIO

A complete review of programmer access to the production environment will be performed and appropriate changes made based within resource limitations. A process to review code changes will be implemented.

Anticipated Completion Date: July, 2019

Name of Contact Person: SuzAnne Garcia, ERP Manager

Audits of user accounts and their access levels are not performed on a regular basis for Active Directory.

Based on a prior internal audit finding work has already begun on formalizing a regular review of Active directory accounts.

Anticipated Completion Date: July, 2019



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
CORRECTIVE ACTION PLAN (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

Name of Contact Person: Steve Frazier, CIO

Audits of user accounts and their access levels are not performed on a regular basis for database and application administrators and service accounts.

ERP Team will formalize a process to perform regular review of application administrators and service accounts.

Anticipated Completion Date: July, 2019

Name of Contact Person: SuzAnne Garcia, ERP Manager

**2017-009: Reporting**

**Federal Agency: All major federal programs**

**Program Title: All major federal programs**

**CFDA Number: All major federal programs**

**Award Period: Various**

**Condition/Context:** The financial and compliance audit was not completed within nine months of the end of the fiscal year.

**Corrective Action Plan:**

Staff turnover within the finance department caused delays in both the reconciliation and financial statement preparation. In addition due to the late issuance of the prior year CAFR reporting package we were unable to begin the audit until January of 2018. It is anticipated that for the upcoming year we will be able to meet the March 31, 2019 due date.

**Anticipated Completion Date:** December 31, 2018

**Name of Contact Person:** Levi Gibson, Finance Director



## PINAL COUNTY

WIDE OPEN OPPORTUNITY

### PINAL COUNTY, ARIZONA CORRECTIVE ACTION PLAN (CONTINUED) YEAR ENDED JUNE 30, 2017

#### **2017-010: Subrecipient Monitoring**

**Federal Agency: U.S. Department of Labor**

**Program Title: WIOA Cluster**

**CFDA Number: 17.258, 17.259 and 17.278**

**Pass Through Entity: Arizona Department of Economic Security**

**Pass Through Number: DI16-002115**

**Award Period: July 1, 2016 – June 30, 2017**

**Condition/Context:** The County did not properly monitor subrecipient activities to ensure that the program's two subrecipient's administered the Federal award in compliance with Federal requirements as fiscal monitoring was not performed for one of the subrecipients and the remaining monitoring was performed after fiscal year-end.

#### **Corrective Action Plan:**

The department agrees with this finding. Fiscal monitoring was completed for one of the subrecipients and not completed for the second. Programmatic monitoring was not completed for either subrecipient until November 2017, after fiscal year-end. The department recognizes that sub recipient monitoring must be completed annually to comply with Title 2 CFR Part 200 Subpart D. We will continue to monitor our subrecipients and stay abreast of monitoring policies. The department will start notifying subrecipients of monitoring requirements early during the year and begin the scheduling process at a minimum of 5 months before year end. In addition, the department will create a monitoring policy that includes time lines and monitoring requirements.

**Anticipated Completion Date:** December 31, 2018

**Name of Contact Person:** Randee Stinson, Finance Manager, Housing



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
CORRECTIVE ACTION PLAN (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2017-011: Eligibility**

**Federal Agency: US Department of Agriculture**  
**Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**  
**CFDA Number: 10.557**  
**Pass Through Entity: Arizona Department of Health Services**  
**Pass Through Number: ADHS14-053057**  
**Award Period: October 1, 2016 – September 30, 2018**

**Condition/Context:** For four of 60 participant files tested, the County lacked signed permission forms.

**Corrective Action Plan:**

1. WIC staff will receive training at the scheduled staff meeting in July (7/25/2018) on the importance of completing the Rights and Obligations signature.
2. WIC staff will be audited via a random selection of 5 participant files during a 6-month period on the capture of this signature.
3. WIC staff will be monitored through bi-monthly client appointment observations by the Nutrition Program Supervisors for the capture of this signature.
4. Staff who do not capture this signature on a regular basis will receive disciplinary action.

**Anticipated Completion Date:** December 31, 2018

**Name of Contact Person:** Merissa Mendoza, Public Health Manager for Nutrition Services

**2017-012 Allowable Costs**

**Federal Agency: US Department of Agriculture**  
**Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**  
**CFDA Number: 10.557**  
**Pass Through Entity: Arizona Department of Health Services**  
**Pass Through Number: ADHS14-053057**  
**Award Period: October 1, 2016 – September 30, 2018**

**Condition/Context:** For six of 60 and five of 60 payroll disbursements tested, respectively, the County overcharged and undercharged employee hours charged to the Federal program.



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
CORRECTIVE ACTION PLAN (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**Corrective Action Plan:**

1. The amount of WIC staff that will be working for more than the WIC grant will decrease from 30 to 4.
2. Timesheets will be reviewed for staff that works more than one grant before the grid is uploaded into E1.

**Anticipated Completion Date:** October 1, 2017

**Name of Contact Person:** Kandi Harris, Public Health Financial Manager

**2017-013 Reporting**

**Federal Agency:** U.S. Department of Labor  
**Program Title:** WIOA Cluster  
**CFDA Number:** 17.258, 17.259 and 17.278  
**Pass Through Entity:** Arizona Department of Economic Security  
**Pass Through Number:** DI16-002115  
**Award Period:** July 1, 2016 – June 30, 2017

**Condition/Context:** For seven of 59 monthly reports tested for the WIOA Cluster program, the County did not submit monthly financial reports to the awarding agency.

**Corrective Action Plan:**

The department agrees with this finding. The WIOA program was new to Pinal County at the time of the finding and adequate measures were not in place to ensure timely reporting. The department will develop policy and procedures to ensure that monthly reporting requirements are met to comply with 2 CFR 200.327 and WIOA Section 185(e)(2).

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Randee Stinson, Finance Manager, Housing



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2017**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Pinal County, Arizona respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2017.

Audit period: The findings below were reported in the June 30, 2016 reporting period.

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

**FINANCIAL STATEMENT FINDINGS**

**2016-001: Former Sheriff Remains as Signer on Bank Account**

**Condition:** As of June 23, 2017, the former sheriff, who no longer held that position as of January 2017, had not been removed as an authorized signer on the inmate bank account.

**Status:** Fully corrected in the current fiscal year.

**2016-002: Eloy Justice Court Bank Account Not Properly Reconciled**

**Condition:** The Eloy Justice Court bank account was not properly reconciled as of the year-end and incorrectly included both deposits-in-transit and outstanding checks that occurred after the year-end and should not have been recognized as reconciling items as of June 30, 2016.

**Status:** Fully corrected in the current fiscal year.

**2016-003: Untimely Account Reconciliation and Financial Statements Preparation**

**Condition:** Various general ledger accounts were not reconciled timely resulting in untimely preparation and issuance of the financial statements and single audit reporting.

**Status:** Not corrected. Similar findings noted as item 2017-001 and 2017-009 in the current year.

**Reason for finding's reoccurrence:** Continually staff turnover and being understaffed.



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**Corrective Action Plan:** Staff turnovers within the finance department caused delays in both the reconciliation and financial statement preparation. Finance was able to create an Accounting and Reporting Manager position in August of 2017 to assist in the financial statement process. Additionally, we had budgeted for an Accounting Supervisor position, but were unable to recruit a qualified candidate. This led to staffing challenges with regard to maintaining our system of internal controls with regards to financial statement preparation. It is anticipated that we will reestablish our internal controls with regards to financial statement preparation for the upcoming year.

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Levi Gibson, Finance Director

**2016-004: Improve Internal Controls over Reporting of Capital Assets**

**Condition:** During 2016 and consistent with prior years, restatements were made to beginning net assets to correct for errors made in the recording of capital assets and the related depreciation expense.

**Status:** Not corrected. Similar finding noted as item 2017-003 in the current year.

**Reason for finding's reoccurrence:** Staff turnover of the supervisor assigned to review capital assets preparation as part of the CAFR preparation process.

**Corrective Action Plan:** The Finance Department is committed to safeguarding the capital assets of Pinal County, including Infrastructure related capital assets. During this audit year the Supervisor for Capital Assets was transferred to Pinal County IT as part of a departmental reorganization. We are establishing processes and procedures to ensure that all capital assets working documents are subject to a formal documented review process. Additionally, we are reviewing how to utilize our capital asset software for tracking infrastructure assets or utilizing a system currently being deployed by our Public Works department.

**Anticipated Completion Date:** June 30, 2018

**Name of Contact Person:** Levi Gibson, Finance Director



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**FEDERAL AWARD FINDINGS**

**2016-101: Missing Participant Signatures**

U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)  
CFDA Number: 10.557  
Passed Through the Arizona Department of Health Services  
Pass Through Number: ADHS14-053057  
Award Period: 2014 - 2018

**Condition/Context:** Five files out of 40 did not have signed rights and obligation forms while one file out of 40 had a signed rights form for December but not for June; and two files out of 40 were missing consent forms for blood work.

**Status:** Not corrected. Similar finding noted as item 2017-011 in the current year.

**Reason for finding's reoccurrence:** Staffing turnover in the arear of public health assigned over this program.

**Corrective Action Plan:**

1. WIC staff will receive training at the scheduled staff meeting in July (7/25/2018) on the importance of completing the Rights and Obligations signature.
2. WIC staff will be audited via a random selection of 5 participant files during a 6-month period on the capture of this signature.
3. WIC staff will be monitored through bi-monthly client appointment observations by the Nutrition Program Supervisors for the capture of this signature.
4. Staff who do not capture this signature on a regular basis will receive disciplinary action.

**Anticipated Completion Date:** December 31, 2018

**Name of Contact Person:** Merissa Mendoza, Public Health Manager for Nutrition Services



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**2016-102: October 2015 Report Missed Filing Deadline**

U.S. Department of Agriculture  
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)  
CFDA Number 10.557  
Passed Through the Arizona Department of Health Services  
Pass Through Number: ADHS14-053057  
Award Period: 2014-2018

**Condition/Context:** One month (October 2015) out of 12 the contractor's expenditure reports was not issued within 30 days of the month-end.

**Status:** Fully corrected in the current fiscal year.

**2016-103: No Verification of Subrecipient Eligibility Compliance**

U.S. Department of Labor  
WIA/WIOA Cluster  
CFDA Number: 17.258, 17.259 and 17.278  
Passed Through the Arizona Department of Economic Security  
Pass Through Number: DI16-002115  
Award Period: 2016

**Condition/Context:** The County passed-through federal funding of the program to two subrecipients that manage all participants in the program. At the time of our audit compliance procedure, the County had not performed any subrecipient monitoring. In response to our observed compliance deficiency, the County immediately performed subrecipient monitoring on November 16, 2016.

**Status:** Not corrected. Similar finding noted as item 2017-010 in the current year.

**Reason for finding's reoccurrence:** Fiscal and programmatic monitoring was completed for one of the sub recipients and not completed for the second. For the fiscal monitoring requirement, the sub recipient was unable to provide support for the draw reports chosen for the monitoring visit. In addition, key staff were unavailable to meet with the County due to restructuring of the sub recipient management team. Due to a Request for Proposals for the services being provided by this sub recipient, the County determined that the contract would not be renewed and another service provider would be selected. The programmatic monitoring was completed after the fiscal year end for the previous fiscal year. Due to the change in sub recipients, the programmatic monitoring was performed with the current sub recipient and not the contracted sub recipient that performed the services during the audit period.



**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

**PINAL COUNTY, ARIZONA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**Corrective Action Plan:** The department recognizes that sub recipient monitoring must be completed annually to comply with Title 2 CFR Part 200 Subpart D. We will continue to monitor our sub recipients and stay abreast of monitoring policies. The department will start notifying sub recipients of monitoring requirements early during the year and begin the scheduling process at a minimum of 5 months before year end. In addition, the department will create a monitoring policy that includes time lines and monitoring requirements.

**Anticipated Completion Date:** December 31, 2018

**Name of Contact Person:** Adeline Allen, Housing and Workforce Director

**2016-104: Single Audit Reporting Package Not Filed Timely**

All major federal programs

**Condition/Context:** The County's single audit reporting package for the fiscal year ended June 30, 2016 was not submitted to the Federal Audit Clearinghouse within nine months after the County's year-end.

**Status:** Not corrected. Similar finding noted as item 2017-009 in the current year.

**Reason for finding's reoccurrence:** Staffing turnover and a late issuance during the prior financial statements.

**Corrective Action Plan:** Staff turnover within the finance department caused delays in both the reconciliation and financial statement preparation. In addition do to the late issuance of the prior year CAFR reporting package we were unable to begin the audit until January of 2018. It is anticipated that for the upcoming year we will be able to meet the March 31, 2019 due date.

**Anticipated Completion Date:** December 31, 2018

**Name of Contact Person:** Levi Gibson, Finance Director