



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

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

January 31, 2008

Board of Supervisors
Pinal County
P.O. Box 827
Florence, AZ 85232

Members of the Board:

Our Office has recently completed a 6-month followup of the Pinal County's implementation status for the 24 recommendations presented in the Richard M. Romley administrative report to Pinal County dated May 16, 2007.

As the enclosed grid indicates:

- 15 recommendations have been implemented, and
- 9 recommendations are in the process of being implemented.

Our Office will continue to follow up at 6-month intervals with the County on the status of those recommendations that have not yet been fully implemented.

Sincerely,

Debbie Davenport
Auditor General

Enclosure

cc: Terry Doolittle, Pinal County Manager
Victoria Prins, Chief Financial Officer, CPA, CFE, CGFM, MPA

Pinal County
6-Month Follow-Up Report To
Richard M. Romley Administrative Report Issued May 16, 2007
As of January 31, 2008

SECTION 1: Weapons

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>1. The Pinal County Board of Supervisors should consider hiring an Internal Auditor for the county. This person should not be under the supervision of the county manager but should report directly to the Board of Supervisors. This independence would allow the Board of Supervisors to randomly audit the different departments in county government and investigate allegations of misconduct.</p> <p>The Internal Auditor's Office should also provide an Ombudsman so that a county employee can report, both openly and/or anonymously, any abuse by a county employee, official and/or vendors doing business with the county.</p>	<p>Partially implemented</p>	<p>The Board of Supervisors hired an Internal Auditor who started on January 2, 2008 and reports directly to the Board. The County is currently in the process of contracting with a third party to provide an Ombudsman service for the County.</p>
<p>2. Have the county manager regularly report to the Board of Supervisors and the County Attorney his/her outside activities/memberships/affiliations. A careful review should be conducted in order to ensure that an activity would not conflict with their duties as county manager.</p>	<p>Partially implemented</p>	<p>The County Manager has reported his activities/memberships/affiliations to the Board of Supervisors and the County Attorney. In the future, the Internal Auditor will review the County Manager's activities/memberships/affiliations for any conflicts.</p>

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SECTION 1: Weapons (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
3. Ensure that training opportunities are directly related to current and future governmental responsibilities.	Implemented	The County has adopted a new travel policy for outside training sessions that requires approval prior to travel and restricts attendance to appropriate training sessions. The Finance department has implemented procedures to monitor compliance.
4. Review, evaluate and determine the protocols that should be followed before County Manager's funds may be expended for county business.	Implemented	The County has adopted a signature authorization policy that prohibits an individual employee from initiating purchases and authorizing payments. The Finance department helps to ensure compliance with this policy.
5. Policies should be reviewed, updated, enhanced and implemented to ensure that inventory controls are adequate. All county property must be properly delivered and accounted for by the appropriate Pinal County Department.	Implemented	The County has reviewed, updated, enhanced, and implemented inventory procedures specifically related to weapons and other county property exposed to greater risks, such as cell phones and computers. The County's policies and procedures for delivering and accounting for other county property were considered adequate.
6. Policies should be reviewed, updated, enhanced and implemented to ensure that procurement protocols are followed.	Implemented	The County has adopted a new procurement code and conducted initial and ongoing monthly training sessions to inform employees of the new procedures. Also, the Finance department is monitoring compliance.

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SECTION 2: Superstition Valley Transportation Project Income Tax

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Determine whether or not Pinal County has opened any other private bank accounts. If so, Pinal County should consider closing those accounts. In most instances, State law provides that public monies shall be deposited with the County Treasurer.	Implemented	After reviewing all bank accounts, the County closed numerous accounts and deposited the balances with the County Treasurer. The remaining bank accounts were not closed since the Finance department determined that they were allowed by statute or necessary for federal compliance.

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SECTION 2: Superstition Valley Transportation Project Income Tax (cont'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>2. All policies should be reviewed, updated, clarified and implemented so as to ensure that the flow of funds and disbursements are reported, tracked, monitored and reconciled by the finance department of Pinal County.</p>	<p>Partially implemented</p>	<p>The County adopted cash receipt policies for use by all county departments on October 5, 2005, that the County still considers to be adequate. However, the County's Finance department staff cannot track the flow of receipts for all county departments because of the volume of activities and relegates this responsibility to the individual departments receiving cash. Substantially all receipts are deposited with the County Treasurer's Office. The Finance department currently reconciles cash between the Treasurer's records and its accounting system. The Finance department does not anticipate implementing any additional procedures for this recommendation because it would not be cost-effective to track receipts at each individual department. However, the Internal Auditor will be performing random or risk-based audits of departmental cash receipts. To enhance controls over disbursements, the Finance department has taken additional measures to monitor disbursements by hiring a purchasing manager to perform a final review of disbursements including checking for proper authorization and public purpose.</p>

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SECTION 2: Superstition Valley Transportation Project Income Tax (concl'd)

Recommendation	Status of Implementing Recommendation	Additional Explanation
3. Consider assigning the Internal Auditor the responsibility of conducting random audits of all accounts relating to major construction projects.	Partially implemented	The Board of Supervisors hired an Internal Auditor who started on January 2, 2008, and reports directly to the Board. However, no audits have been performed or are in progress for major construction projects.

SECTION 3: State Retirement Pension Income Tax

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Separate the Pinal County Manager and the Pinal County Clerk of the Board positions into two separate and independent functionalities. The Pinal County Clerk of the Board is the official record keeper of the business conducted by the Board of Supervisors. The Pinal County Clerk of the Board should report directly to the Pinal County Board of Supervisors.	Implemented	The Pinal County Clerk of the Board position is now separate and independent of the County Manager and reports directly to the Board of Supervisors.
2. The Board of Supervisors should ensure that strict controls exist for any changes, additions and deletions to payroll codes for all employees; including contract employees.	Implemented	The Board of Supervisors approved new procedures to address changes, additions, and deletions to payroll codes. These procedures require the approval of the Human Resource Director, the Chief Financial Officer, and the Assistant County Manager for Administrative Services.
3. Ensure that the County Manager's employment contract is publicly disclosed and placed within his/her personnel file held by Human Resources.	Implemented	The County Manager's employment contract was approved by the Board of Supervisors in a public meeting and is retained in the County Manager's personnel file maintained by the Human Resources department.

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SECTION 4: Deferred Compensation Income Tax

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Ensure that legal counsel is available to answer any legal questions regarding tax and/or financial issues.	Implemented	The Finance department has been assigned a Deputy County Attorney from the Pinal County Attorney's Office for financial issues and has contracted with private counsel for tax issues.
2. The Pinal County Board of Supervisors should consider random audits of the deferred compensation program by participating management level employees.	Partially implemented	The Board of Supervisors hired an Internal Auditor who started on January 2, 2008, and reports directly to the Board. However, no audits have been performed or are in progress for the deferred compensation program.

SECTION 5: Vacation/Sick Leave

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Develop a procedure to ensure that the County Manager accurately accounts for his/her sick and vacation leave taken.	Implemented	The County Manager submits a leave request for sick or vacation time for approval by the Board of Supervisors chairman and reports all vacation and sick leave taken to the Board of Supervisors for approval at a public board meeting.

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SECTION 6: Credit Card/Travel

Recommendation	Status of Implementing Recommendation	Additional Explanation
<p>1. Policies should be created, updated, clarified and implemented for proper credit card use. These policies should include a requirement that the public purpose of purchases be appropriate, documented and approved.</p>	<p>Partially implemented</p>	<p>The County has recently created, updated, and clarified policies for credit card use. However, these policies have not been in place long enough to determine that credit cards are now being used appropriately.</p>
<p>2. Policies should be updated, clarified and implemented for travel activities. These policies should include clear guidelines for reconciling travel forms with supporting documentation and receipts.</p>	<p>Implemented</p>	<p>The County has adopted a travel policy that includes clear guidelines for reconciling supporting documentation and receipts to the travel forms. The Finance department monitors this activity.</p>
<p>3. Consideration should be given to segregate among several employees the various activities related to credit cards and travel; including but not limited to:</p> <ul style="list-style-type: none"> • Approving the appropriateness of the travel request. • Recording travel expenditures. • Reconciling original receipts to travel forms. • Authorizing credit card issuance. • Receiving credit card statements. • Reconciling credit card statements to receipts and invoices. • Reviewing credit card usage to ensure that it is for an appropriate county purpose. • Authorizing payment. 	<p>Implemented</p>	<p>The County has adopted new policies for credit card and travel expenditures, and the Finance department has implemented procedures to help ensure compliance.</p>

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SECTION 7: Carpentry

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Obtain a legal opinion from the Pinal County Attorney's Office regarding what is an appropriate gift under state law and the Arizona Constitution. All departments should be advised of the opinion and be required to comply with its provisions.	Implemented	The County has adopted a new policy regarding employee recognition and awards. This new policy and the County's current gifts policy were reviewed by and considered to be a comprehensive approach by the Pinal County Attorney's Office.
2. Consideration should be given to prohibiting the County Manager from providing personal services to any county department or county employee.	Partially implemented	The Outside Employment and Code of Ethics policies currently under revision severely limits the County Manager from providing any personal services to any county department or employee. However, the County has not specifically documented their consideration of prohibiting the County Manager from providing personal services to county departments.
3. Policies should be reviewed, updated, enhanced and implemented to ensure that inventory controls are adequate. All county property must be properly delivered and accounted for by the appropriate Pinal County Department.	Implemented	The County has reviewed, updated, enhanced, and implemented inventory procedures specifically related to weapons and other county property exposed to greater risks, such as cell phones and computers. The County's policies and procedures for delivering and accounting for other county property were considered adequate.
4. Policies should be reviewed, updated, enhanced and implemented to ensure that procurement protocols are followed.	Implemented	The County has adopted a new procurement code and conducted initial and ongoing monthly training sessions to inform employees of the new procedures. Also, the Finance department is monitoring compliance.

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SECTION 8: Home Improvements

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Policies should be reviewed, updated, enhanced and implemented to ensure that employees seeking to “moonlight” outside of Pinal County government be required to disclose these activities to their appropriate department manager for approval.	Partially implemented	The County is currently reviewing its policies relating to outside employment, but has not submitted the proposed changes to the Board of Supervisors for review and approval.

SECTION 9: Maricopa Road Public Improvement Project—No Recommendations

SECTION 10: Michelle Milton, Née Griffis

Recommendation	Status of Implementing Recommendation	Additional Explanation
1. Pinal County should consider adopting a Code of Ethics for all county employees.	Partially implemented	The County has drafted a Code of Ethics that is currently being circulated for comments. After addressing the comments, the County will present the Code of Ethics to the Board of Supervisors for review and approval. Also, the County is providing ethics training to county employees.