

PINAL COUNTY, ARIZONA
SINGLE AUDIT ACT REPORTS
YEAR ENDED JUNE 30, 2019

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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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 15, 2020. 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 2019-001 through 2019-004 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 2019-005 and 2019-006 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 Responses 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 were 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
April 15, 2020



**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, 2019, 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 provide a reasonable basis for our opinion on compliance for major federal programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, based on our audit and the report of other auditors, Pinal County, Arizona 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 major federal programs for the year ended June 30, 2019.

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.

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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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, 2019, 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 April 15, 2020, 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
April 15, 2020

**PINAL COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

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

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

Unmodified opinion for all major programs

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

 yes X no

Identification of major programs:

CFDA Numbers

10.557

14.871

17.258, 17.259, 17.278

Name of Federal Program or Cluster

Special Supplement Nutrition Program for Women, Infants, and Children (WIC)

Housing Voucher Cluster

WIOA Cluster

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

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

Other Matters

Auditee’s summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.511(b)?

 X yes no

**PINAL COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001: Oversight of the Financial Reporting Process

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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 capital assets, grant revenues and receivables, lease revenues, enterprise revenues, accounts payable, 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 capital assets, grant revenues and receivables, lease revenues, enterprise revenues, accounts payable, 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.

Repeat Finding: This finding is similar to prior-year finding 2018-001.

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, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002: Capital Assets

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition/Context: For the fiscal year ended June 30, 2019, 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 were required to present capital asset activity in accordance with GAAP.

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

Repeat Finding: This finding is similar to prior-year finding 2018-003.

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, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-003: Cash Reconciliation

Type of Finding: Material Weakness in Internal Control over Financial Reporting

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 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.

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.

Repeat Finding: This finding is similar to prior-year finding 2018-004.

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, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-004: Accounts Payable

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition/Context: The County does not have adequate processes and procedures in place to ensure that accounts payable amounts are properly recorded at year-end. In addition, the general ledger balances for accounts payable did not agree to the County's reconciliation.

Criteria: GAAP requires expenditures to be recognized when goods and/or services are received.

Effect: Expenditures, accounts payable and capital assets were understated as a result. Audit adjustments were proposed and subsequently approved and recorded by the County to correct the applicable account balances.

Cause: The County has limited resources within its Finance Department and accounts payable schedules were not reviewed by an employee independent of the accounts payable process.

Recommendation: The County should strengthen its processes and procedures over accounts payable to ensure that expenditures are properly accrued at year-end in accordance with GAAP. In addition, the County should perform a reconciliation of accounts payable at year-end.

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

**PINAL COUNTY, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-005: Accounts Receivable

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

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 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.

Repeat Finding: This finding is similar to prior-year finding 2018-005.

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, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-006: Information Technology

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition/Context:

- The County has numerous documented policies related to IT and its functions. However, the policies are over seven 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: Unauthorized access could result in 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.

Repeat Finding: This finding is similar to prior-year finding 2018-006.

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 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, 2019**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

**PINAL COUNTY, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
<i>Passed through Arizona Department of Education</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	ED09-0001	\$ 31,171	\$ -
National School Lunch Program	10.555	ED09-0001	130,810	-
Summer Food Service Program for Children	10.559	ED09-0001	2,094	-
<i>Total Child Nutrition Cluster - CFDA No. 10.553, 10.555 and 10.559</i>			164,075	-
<i>Passed through Arizona Department of Health Services</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	ADHS14-053057	1,474,950	-
Forest Service Schools and Roads Cluster:				
Schools and Roads—Grants to States	10.665	NA	27,726	-
<i>Total Forest Service Schools and Roads Cluster - CFDA No. 10.665</i>			27,726	-
Law Enforcement Agreement—Tonto National Forest	10.unknown	NA	6,469	-
<i>Total U.S. Department of Agriculture</i>			1,673,220	-
U.S. Department of Defense				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	NA	250,976	-
U.S. Department of Housing and Urban Development				
<i>Passed through the Arizona Department of Housing</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				
	14.228	122-18	85,448	-
Public and Indian Housing	14.850	NA	659,960	-
Residential Opportunity and Supportive Services - Service Coordinators	14.870	NA	80,542	-
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	NA	3,491,252	-
<i>Total Housing Voucher Cluster - CFDA No. 14.871</i>			3,491,252	-
Public Housing Capital Fund	14.872	NA	204,088	-
<i>Total U.S. Department of Housing and Urban Development</i>			4,521,290	-
U.S. Department of Justice				
<i>Passed through the Phoenix Federal Bureau of Investigation</i>				
FBI Phoenix Child Exploitation Task Force Agreement	16.unknown	31E-PX-C2475025	20,802	-
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>				
National Criminal History Improvement Program (NCHIP)	16.554	NCP-18-20-003	53,119	-
<i>Total National Criminal History Improvement Program (NCHIP) - CFDA No. 16.554</i>			53,119	-
<i>Passed through the Arizona Department of Public Safety</i>				
Crime Victim Assistance	16.575	2018-326	377,421	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**PINAL COUNTY, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

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 the National Association of VOCA Assistance Administrators Crime Victim Assistance/Discretionary Grants</i>	16.582	18-047	\$ 5,139	-
<i>Passed through Arizona Criminal Justice Commission Edward Byrne Memorial Justice Assistance Grant Program</i>	16.738	DC-19-010	200,840	-
Total U.S. Department of Justice			<u>657,321</u>	-
U.S. Department of Labor				
<i>Passed through Arizona Department of Economic Security</i>				
WIA/WIOA Cluster				
WIA/WIOA Adult Program	17.258	DI16-002115	768,696	598,524
WIA/WIOA Youth Activities	17.259	DI16-002115	948,029	720,909
WIA/WIOA Dislocated Worker Formula Grants	17.278	DI16-002115	434,844	318,183
<i>Total WIA/WIOA Cluster - CFDA No. 17.258, 17.259 and 17.278</i>			<u>2,151,569</u>	<u>1,637,616</u>
Total U.S. Department of Labor			2,151,569	1,637,616
U.S. Department of Transportation				
Highway Planning and Construction Cluster:				
<i>Passed through Maricopa Association of Governments</i>				
Highway Planning and Construction	20.205	FY 2018 CMAQ	255,664	-
<i>Total Highway Planning and Construction Cluster - CFDA No. 20.205</i>			<u>255,664</u>	-
Highway Safety Cluster:				
<i>Passed through Arizona Governor's Office of Highway Safety</i>				
State and Community Highway Safety	20.600	2018-OP-012	79,547	-
National Priority Safety Programs	20.616	2018-405d-039	106,581	-
<i>Total Highway Safety Cluster - CFDA No. 20.600 and 20.616</i>			<u>186,128</u>	-
Total U.S. Department of Transportation			441,792	-
Federal Aviation Administration				
FAA Airport Improvement Grant	20.106	N/A	<u>278,465</u>	-
Environmental Protection Agency				
<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-18-179166	441,728	-
U.S. Department of Education				
<i>Passed through Arizona Department of Education</i>				
IDEA - Preschool	84.173	19FT4TIV-811475-04A	1,516	-
Rural and Low Income Schools	84.358	19FT4TIV-811475-04A	5,711	-
Special Education Cluster:				
Special Education - Grants to States	84.027	19FT4TIV-811475-01A	41,897	-
<i>Total Special Education Cluster - CFDA No. 84.027</i>			<u>41,897</u>	-
Improving Teacher Quality State Grants	84.367	19FT1TII-811475-03A	6,142	-
Title IV-A Student Support & Academic Enrichment	84.424	19FT1TII-811475-01A	24,078	-
Total U.S. Department of Education			<u>79,344</u>	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**PINAL COUNTY, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
<i>Passed through Arizona Department of Health Services</i>				
Public Health Emergency Preparedness	93.069	ADHS17-133198	\$ 549,142	-
Environmental Public Health and Emergency Response	93.070	ADHS17-133198	15,954	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	ADHS18-188132	60,584	-
CDC Crisis CO AG	93.283	ADHS18-180024	69,581	-
<i>Passed through Arizona Family Planning Council</i>				
Family Planning Services	93.217	None	385,989	-
<i>Passed through Arizona Department of Health Services</i>				
Immunization Cooperative Agreements	93.268	ADHS18-177686	322,931	-
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	ADHS17-163352	5,274	-
Preventive Health and Health Services Block Grant	93.758	ADHS16-099168	103,314	-
<i>Passed through Arizona Department of Economic Security</i>				
Child Support Enforcement	93.563	G1604AZ4004	527,231	-
Grants to States for Access and Visitation Programs	93.597	G1101AZSAVP & 1601AZSAVP	31,639	-
<i>Passed through the Arizona Department of Health Services</i>				
HIV Prevention Activities_Health Department Based	93.940	ADHS18-188826	25,948	-
Preventive Health Services_Sexually Transmitted Diseases Control Grant	93.977	ADHS14-071221	86,916	-
Maternal and Child Health Services Block Grant to the States - MCH Block Grants	93.994	ADHS16-099168	238,689	-
Total U.S. Department of Health and Human Services			2,423,192	-
Executive Office of the President				
<i>Passed through the City of Tucson Police Department</i>				
High Intensity Drug Trafficking Areas Program	95.001	HT-17-2734	116,702	-
U.S. Department of Homeland Security				
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>				
Emergency Management Performance Grants	97.042	EMF-2017-EP-00008-S01	244,723	-
<i>Passed through the Arizona Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	15-AZDOHS-OPSG-150312-04	1,115,549	-
Total U.S. Department of Homeland Security			1,360,272	-
Total Expenditures of Federal Awards			\$ 14,395,871	\$ 1,637,616

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, 2019

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, 2019. 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, 2019. Such expenditures are recognized following 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 INDIRECT COST

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



PINAL COUNTY
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**PINAL COUNTY, ARIZONA
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

Pinal County, Arizona respectfully submits the following corrective action plan for the reported findings for the fiscal year ended June 30, 2019.

The findings are numbered consistently with numbers assigned in the June 30, 2019 single audit report.

2019-001: 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 capital assets, grant revenues and receivables, lease revenues, enterprise revenues, accounts payable, 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:

The County's system for internal controls related to financial statement preparation and related disclosures are mainly inadequate due to staffing issues such as turnover, training and the number of staff assigned to these tasks. For the Fiscal Year 2019 audit, there were two new staff members who were new to critical positions in preparing audit schedules, adjusting entries and grant revenues and receivables. In addition, one of these staff members left in the middle of the audit and the position remained unfilled. Other staff members have less than two years of governmental accounting experience and there is a need for additional staff to participate in the financial reporting process. In order to reestablish our internal controls with regards to financial statement preparation for the upcoming year, the County will do the following: 1) the County as a whole and the Finance Department will continue to look for ways to mitigate staff turnover, which has been an ongoing issue; 2) the Finance Department has recently sent two staff members to GFOA trainings and will continue to identify training opportunities for staff in order to enhance their ability to perform tasks related to financial reporting; and 3) look to distribute financial reporting tasks to other staff members in order to reduce the time necessary to prepare the financial statements and give management more time to review supporting schedules and adjustments.

Anticipated Completion Date: June 30, 2020

Name of Contact Person: Levi Gibson, Finance Director

FINANCE



PINAL COUNTY
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**PINAL COUNTY, ARIZONA
CORRECTIVE ACTION PLAN (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019-002: Capital Assets

Condition/Context: For the fiscal year ended June 30, 2019, 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 the Infrastructure related capital assets. The County uses cost centers to set up projects within the financial system for infrastructure related capital asset activity. However, spreadsheets are used to provide supporting schedules and cumulative amounts for infrastructure. We are establishing processes and procedures to ensure that all capital asset working documents are subject to a formal documented review process. Additionally, the County is reviewing how to utilize our capital asset software for tracking infrastructure assets more efficiently and utilizing a system currently deployed by our Public Works department.

Anticipated Completion Date: June 30, 2020

Name of Contact Person: Levi Gibson, Finance Director

2019-003: 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 experienced staff turnover in accounting positions during Fiscal Year 2019. Due to the lack of qualified staff, the number of funds to be reconciled, 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 be timely regarding the reconciliation process between the Treasurer's Office and the General Ledger, the Finance Department will have more staff participate in the cash reconciliation process by splitting up the funds being reconciled. In addition, we will revisit the work done to create 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.



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**PINAL COUNTY, ARIZONA
CORRECTIVE ACTION PLAN (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Anticipated Completion Date: June 30, 2020

Name of Contact Person: Levi Gibson, Finance Director

2019-004: Accounts Payable

Condition/Context: The County does not have adequate processes and procedures in place to ensure that accounts payable amounts are properly recorded at year-end. In addition, the general ledger balances for accounts payable did not agree to the County's reconciliation.

Corrective Action Plan:

The Finance department will review process and procedures to ensure that accounts payables are recorded appropriately. This will include working with departments to ensure that they notify finance of any and all invoices received after fiscal year end that need to be accrued back to the prior fiscal year. Additionally, Finance will work with our ERP team to develop a project time-line for configuring and using a 13th period to post accounts payable items within the general ledger portion of our ERP system.

Anticipated Completion Date: June 30, 2020

Name of Contact Person: Levi Gibson, Finance Director

2019-005: 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, 2020

Name of Contact Person: Levi Gibson, Finance Director

FINANCE



PINAL COUNTY
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**PINAL COUNTY, ARIZONA
CORRECTIVE ACTION PLAN (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019-006: 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, 2020

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, 2020

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, 2020

FINANCE

Louis Andersen
County Manager

Levi Gibson
Finance Director



PINAL COUNTY
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Leo Lew
Assistant County Manager

Himanshu Patel
Assistant County Manager

**PINAL COUNTY, ARIZONA
CORRECTIVE ACTION PLAN (CONTINUED)
YEAR ENDED JUNE 30, 2019**

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, 2020

Name of Contact Person: SuzAnne Garcia, ERP Manager

FINANCE



PINAL COUNTY

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PINAL COUNTY, ARIZONA SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2019

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, 2019.

Audit period: The findings below were reported in the June 30, 2018 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

2018-001: 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.

Status: Not corrected. Similar finding noted as item 2019-001 in the current year.

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

2018-002: Prior Period Adjustments

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

Status: Fully corrected.

FINANCE



PINAL COUNTY
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**PINAL COUNTY, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2018-003: Capital Assets

Condition/Context: For the fiscal year ended June 30, 2018, 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.

Status: Not corrected. Similar finding noted as item 2019-002 in the current year.

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

2018-004: 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.

Status: Not corrected. Similar finding noted as item 2019-003 in the current year.

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

2018-005: 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.

Status: Not corrected. Similar finding noted as item 2019-005 in the current year.

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



PINAL COUNTY
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**PINAL COUNTY, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2018-006: 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.

Status: Not corrected. Similar finding noted as item 2019-006 in the current year.

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



PINAL COUNTY
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**PINAL COUNTY, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

FEDERAL AWARD FINDINGS

2018-007: Section-8 Tenant Files

**Federal Agency: U.S. Department of Housing and Urban Development
Program Title: Section 8 Housing Choice Vouchers
CFDA Number: 14.871
Award Period: July 1, 2017 – June 30, 2018**

Condition/Context: We reviewed 30 tenant files and found the following issues:

- One tenant annual certification had not been complete or documented for the current year, yet the information had been entered into the PIC system using the prior year information.
- One tenant file had no evidence that an EIV system was used to verify tenant income.
- Two tenant files did not have the Rent reasonableness in the current file to show it was considered in the current year re-certification

Status: Fully corrected in the current fiscal year.