

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

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**Year ended June 30, 2020**

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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 Arizona Auditor General

Board of Supervisors  
Pinal County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Pinal County, Arizona (Pinal County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pinal County's basic financial statements, and have issued our report thereon dated July 30, 2021. Our report includes a reference to other auditors who audited the financial statements of Pinal County Housing Authority, as described in our report on Pinal 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 Pinal County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pinal County's internal control. Accordingly, we do not express an opinion on the effectiveness of Pinal 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 cost, we did identify certain deficiencies in internal control over financial reporting 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 Pinal County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-2004, 2020-005 and 2020-006 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Pinal 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 financial statements. 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's Response to Findings**

Pinal County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. Pinal County is responsible for preparing a corrective action plan to address each finding. Pinal County's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of the basic 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 results of that testing, and not to provide an opinion on the effectiveness of Pinal 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 Pinal County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phoenix, Arizona  
July 30, 2021



**Independent Auditors’ Report on Compliance for Each Major Federal Program;  
Report on Internal Control over Compliance; and Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

The Arizona Auditor General

Board of Supervisors  
Pinal County, Arizona

We have audited Pinal County, Arizona’s (Pinal County) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020, except for the Section 8 Housing Choice Vouchers Program (CFDA No. 14.871). That 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. Pinal 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors’ Responsibility**

Our responsibility is to express an opinion on compliance for each of Pinal 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 U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Pinal 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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pinal County's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, based on our audit and the report of the other auditors, Pinal 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 major federal programs for the year ended June 30, 2020.

### **Other matters**

The results of our auditing procedures disclosed an instance of noncompliance that is required to be reported in accordance with the Uniform Guidance and that is described as item 2020-101 in the accompanying schedule of findings and questioned costs. Our opinion on each major federal program is not modified with respect to these matters.

### **Report on Internal Control over Compliance**

Pinal County's management 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 Pinal 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 Pinal 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

We and the report of the other auditors did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we and the report of the other auditors did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-101, that we consider to be a significant deficiency.

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.

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

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

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

We have audited the financial statements of Pinal County's governmental activities, business-type activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Pinal County's basic financial statements. We issued our report thereon dated July 30, 2021, 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 our opinions on the financial statements that collectively comprise Pinal County's 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 Pinal 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 basic 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 U.S. generally accepted auditing standards 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Walton & Armstrong, LLP*

Phoenix, Arizona  
July 30, 2021

## **Schedule of Findings and Questioned Costs**



**Pinal County, Arizona**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2020**

**A. Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with U.S. generally accepted accounting principles

Unmodified	
Yes	No

***Internal Control over Financial Reporting***

Material weaknesses identified?

X	_____
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Significant deficiencies identified?

X	_____
	None reported

Noncompliance material to the financial statements noted?

_____	X
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***Federal Awards***

Material weaknesses identified?

_____	X
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Significant deficiencies identified?

X	_____
	None reported

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

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

X	_____
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Identification of major programs:

CFDA No.	Program Description
14.871	Section 8 Housing Choice Vouchers
14.871	COVID19 - Section 8 Housing Choice Vouchers
21.019	COVID19 - Coronavirus Relief Fund
93.563	Child Support Enforcement
97.067	Homeland Security Grant Program

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

\$ 875,800
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Auditee qualified as a low risk auditee?

_____	X
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## Schedule of Findings and Questioned Costs - Continued

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### B. Financial Statement Findings

#### **Finding 2020-001 - Oversight of the Financial Reporting Process (Repeat Finding)**

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

**Condition/Context:** The County's year-end closing process was insufficient to allow for the timely and accurate preparation of the financial statements. Material corrections were being made to accounts balances several months after year-end which affected the timely issuance of the annual audit.

**Criteria:** Timely financial reporting is a critical component of fiscal accountability and federal regulations typically require the issuance of the financial statements and single audit reports within nine months of year-end. For June 30, 2020 year-ends, the federal deadline was extended to September 30, 2021. However, debtors required audited financial statements sooner and the County was unable to meet their reporting obligations due to an insufficient year-end closing process.

**Effect:** The effect was that material corrections were being made to the accounting records several months after year-end and the completion of the audit was delayed. This caused the County to be unable to meet its annual reporting obligations in a timely manner.

**Cause:** The County's finance department has experienced significant turnover, particularly at the manager level. This has resulted in delays in the monthly reconciliation and year-end closing process.

**Repeat Finding:** This finding is similar to prior-year finding 2019-001.

**Recommendation:** We recommend that the County devote sufficient resources to performing monthly account reconciliations and year-end closing. The annual closing process should begin soon after year-end and a closing checklist should be used to assist the County in identifying all accounts and areas to be reconciled and reviewed.

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

#### **Finding 2020-002 - Capital Assets (Repeat Finding)**

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

**Condition/Context:** During the year ended June 30, 2020, the County included in its accounting software program all infrastructure related capital asset activity, including cumulative cost and depreciation. However, a formal review process to verify the accuracy and completeness of the capital asset records did not exist and material errors resulted in the capital asset records that were not corrected until several months after year-end.

## Schedule of Findings and Questioned Costs - Continued

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**Criteria:** Capital asset records should be maintained in a manner that is complete, accurate and reviewed by knowledgeable personnel.

**Effect:** The effect was that material undetected errors in the capital asset records were noted several months after year-end.

**Cause:** The County has encountered significant turnover at the manager level in the Finance Department which has affected its resources necessary to properly perform its accounting function.

**Repeat Finding:** This finding is similar to prior year finding 2019-002.

**Recommendation:** We recommend that the County establish and follow policies and procedures related to maintaining and reviewing capital asset records. Doing so will reduce the risk of material errors.

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

### **Finding 2020-003 - Cash Reconciliation (Repeat Finding)**

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

**Condition/Context:** The reconciliation of the cash recorded in the general ledger to the cash reported by the County Treasurer was not performed in an accurate manner. We noted \$391,777 in unreconciled differences between Finance and Treasurer's cash that were not investigated during the year. The majority of these differences reversed in later months but the cause was not researched and documented. Furthermore, the County has various bank accounts that were not recorded within the general ledger and the payroll bank account was not reconciled since July 2016, which resulted in corrections totaling \$6,023,000 with an offsetting correction to accounts payable, accrued salaries and wages and expenditures.

**Criteria:** Generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties (UAMAC) requires counties to reconcile its general ledger accounts, including cash monthly to identify and resolve discrepancies in a timely manner.

**Effect:** The effect is that material corrections to cash for unreconciled accounts were required several months after year-end. In addition to delaying the completion of the annual audit, errors in cash that are not investigated in a timely manner could result in undetected misappropriation.

## Schedule of Findings and Questioned Costs - Continued

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### **Finding 2020-003 - Cash Reconciliation (Repeat Finding) - Continued**

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

**Repeat Finding:** This finding is similar to prior year finding 2019-003.

**Recommendation:** We recommend the County finance personnel implement policies and procedures to reconcile all cash accounts on a monthly basis. The monthly reconciliation process should encompass reconciling between the general ledger and the Treasurer's system. 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.

### **Finding 2020-004 – Receivables (Repeat Finding)**

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

**Condition/Context:** The County accrues court and other miscellaneous receivables at year-end based on assumptions regarding when the cash was actually received by the court or the department. For example, the County assumes that cash received in July and August pertains to the June 30<sup>th</sup> fiscal year-end and accrues the revenue into that year. However, verification to the court or department's records to determine when they were entitled to or earned the revenue does not occur. As a result, errors in the accruals could occur and not be detected.

**Criteria:** Generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties (UMAC) requires counties to accrue revenues based on the period in which the County was entitled to the revenue or when the revenue was earned.

**Effect:** The effect is the increased risk of errors in the amounts accrued at year-end.

**Cause:** The County has incurred turnover within its Finance Department and has not yet addressed this finding.

**Repeat Finding:** This finding is similar to prior-year finding 2019-005.

**Recommendation:** We recommend that the County finance personnel implement policies and procedures to properly identify when the County was entitled to or earned the revenue and record the revenue in correct period.

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

## Schedule of Findings and Questioned Costs - Continued

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### **Finding 2020-005 - Information Technology (Repeat Finding)**

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

**Condition/Context:**

During 2020, the County's policies and procedures related to information technology were outdated and several policies have not been updated since they were initially created.

In addition, segregation of duties needs improvement to limit financial software programmers from having the ability to execute, update, and read production programs and data files. Furthermore, a listing of code changes is not being reviewed to detect unauthorized changes.

Also, the County does not have a process in place to regularly audit user accounts and their access levels for existing employees, contractors, application administrators and service accounts.

During August 2020, the County's information technology policies and procedures were formally updated to implement the recommended policies.

**Criteria:** The County should review its policies and procedures annually to assess whether proper internal control and safeguards are in place to prevent and detect unauthorized access to the County's systems, improper modifications of data, and where necessary, restrict access to systems where such access is not necessary.

**Effect:** Security risks applicable to information technology continues to be prevalent for many organizations including governments. Outdated policies and procedures and unauthorized access increases an existing risk and could result in data loss or undetected data changes.

**Cause:** During 2020, the County did not have current information technology policies and procedures. For access controls, the County did not follow existing policies and procedures and in the instance of programmers, lacked policies and procedures to restrict access to inquiry-only.

**Repeat Finding:** This finding is similar to prior year finding 2019-006.

**Recommendation:** We recommend that the County review its information technology policies and procedures annually and make the necessary updates. In addition, the County should review programmer and user access rights and limit such rights based on the needs of their position. Programmers and users should not have access that is unnecessary for their job function. At least annual, the Information Technology Department should compare access rights reported on the information system and those listed on their access form including verification of the user's access rights with their departmental manager.

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

## Schedule of Findings and Questioned Costs - Continued

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### C. Federal Award Program Findings

#### Finding 2020 – 101 - Schedule of Expenditures of Federal Awards

<b>CFDA Number and Title:</b>	14.871 - Section 8 Housing Choice Vouchers 14.871 – COVID19 - Section 8 Housing Choice Vouchers 21.019 – COVID19 - Coronavirus Relief Fund 93.563 - Child Support Enforcement 97.067 - Homeland Security Grant Program
<b>Award Years:</b>	2017 through 2020
<b>Award Numbers:</b>	ERMT-20-071; G1604AZ4004; G1804AZ4004; 17-AZDOHS-HSGP-170304-02; 17-AZDOHS-OPSG-170305-06; 18-AZDOHS-OPSG-180425-01; 18-AZDOHS-OPSG-180425-02; 19-AZDOHS-OPSG-190425-02
<b>Pass-through Grantor:</b>	Coronavirus Relief Fund – passed through the Arizona Governor’s Office Child Support Enforcement – passed through the Arizona Department of Economic Security Homeland Security Grant Program – passed through the Arizona Department of Homeland Security
<b>Compliance Requirement:</b>	Reporting
<b>Questioned Costs:</b>	None
<b>Condition and Context:</b>	The original reporting of expenditures on the schedule of expenditures of federal awards (SEFA) incorrectly included \$404,726 in matching costs.
<b>Effect:</b>	Expenditures as reported on the SEFA were overstated and the error was not noted during the County’s preparation and review process.
<b>Cause:</b>	The error was caused by an oversight in the preparation of the SEFA as reliance was placed on the accounting system’s summary of expenditures that included matching expenses.
<b>Criteria:</b>	2 CFR §200.29 defines cost sharing or matching to mean the portion of projects costs not paid by federal funds. Matching costs are costs of a specified amount or percentage used to match federal awards, and therefore in and of themselves are not reimbursable costs to be recognized as expenditures of federal awards.
<b>Recommendation:</b>	We recommend removing the matching costs from the calculation of the allowable expenditures when preparing the SEFA.

**County's Section**

**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2020**

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<b><u>U.S. Department of Agriculture</u></b>				
<i>Passed through the Arizona Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	11-01-00	\$ 48,535	\$ -
National School Lunch Program	10.555	11-01-00		
		ED098-0001	93,539	-
Summer Food Service Program for Children	10.559	11-01-00	<u>50,003</u>	-
<i>Total Child Nutrition Cluster</i>			192,077	-
<i>Passed through the Arizona Department of Health Services</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS19-207422/ CTR040850	1,327,887	-
<i>Passed through St. Mary's Food Bank Alliance</i>				
<i>Food Distribution Cluster:</i>				
Commodity Supplemental Food Program	10.565	None	<u>12,931</u>	-
<i>Total Food Distribution Cluster</i>			12,931	-
Law Enforcement Agreement - Tonto National Forest	10.16-LE-11031200-003		<u>8,651</u>	-
<i>Total U.S. Department of Agriculture</i>			1,541,546	-
<b><u>U.S. Department of Defense</u></b>				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	N/A	<u>160,553</u>	-
<i>Total U.S. Department of Defense</i>			160,553	-
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<i>Passed through the Arizona Department of Housing</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	122-18; 121-19	106,722	-
Continuum of Care Program	14.267	519-19	4,996	-
Public and Indian Housing	14.850	N/A	711,130	- *
COVID19 - Public Housing	14.850	N/A	<u>1,795</u>	- *
<i>Total CFDA 14.850</i>			712,925	-
Residential Opportunity and Supportive Services - Service Coordinators	14.870	N/A	78,028	- *
<i>Housing Voucher Cluster:</i>				
Section 8 Housing Choice Vouchers	14.871	N/A	3,953,551	- *
COVID19 - Section 8 Housing Choice Vouchers	14.871	N/A	<u>6,775</u>	- *
<i>Total Housing Voucher Cluster</i>			3,960,326	-
Public Housing Capital Fund	14.872	N/A	<u>135,165</u>	- *
<i>Total U.S. Department of Housing and Urban Development</i>			4,998,162	-
<b><u>U.S. Department of Justice</u></b>				
FBI Phoenix Child Exploitation Task Force Agreement	16.unknown	N/A	19,046	-
<i>Passed through the City of Phoenix Police Department</i>				
Missing Children's Assistance	16.543	None	5,000	-
<i>Passed through the Arizona Criminal Justice Commission</i>				
National Criminal History Improvement Program (NCHIP)	16.554	NCP-18-20-003; NCP-18-20-005	263,299	-

\*Audited by other auditors.

The accompanying notes are an integral  
part of this schedule.



**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards - Continued**  
**Year Ended June 30, 2020**

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<b><i>Passed through the Arizona Department of Public Safety</i></b>				
Crime Victim Assistance	16.575	2015-441; 2018-321; 2018-322; 2018-323; 2018-324; 2018-326	\$ 421,905	\$ -
Drug Court Discretionary Grant Program	16.585	N/A	65,598	-
State Criminal Alien Assistance Program	16.606	N/A	113,306	-
<b><i>Passed through the Arizona Criminal Justice Commission</i></b>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-19-010; DC-20-031	132,353	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	8,207	-
<i>Total CFDA No. 16.738</i>			<u>140,560</u>	-
Justice Reinvestment Initiative	16.827	N/A	68,045	-
<b><i>Passed through National Children's Alliance</i></b>				
Domestic Trafficking Victim Program	16.834	QUEE-AZ-TDTVF20	2,498	-
<i>Total U.S. Department of Justice</i>			<u>1,099,257</u>	-
<b><u>U.S. Department of Labor</u></b>				
<b><i>Passed through the Arizona Department of Economic Security</i></b>				
<i>WIOA Cluster:</i>				
WIOA Adult Program	17.258	DI19-002206	724,200	598,489
WIOA Youth Activities	17.259	DI19-002206	667,638	541,977
WIOA Dislocated Worker Formula Grant	17.278	DI19-002206	607,705	465,149
<i>Total WIOA Cluster</i>			<u>1,999,543</u>	<u>1,605,615</u>
<i>Total U.S. Department of Labor</i>			1,999,543	1,605,615
<b><u>U.S. Department of Transportation</u></b>				
Airport Improvement Program	20.106	N/A	267,646	-
<b><i>Passed through Arizona Governor's Office of Highway Safety</i></b>				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	2019-PTS-039; 2020-PTS-046; 2020-405d-032	65,257	-
National Priority Safety Programs	20.616	2019-405d-032; 2020-405d-033; 2020-402-PTS	105,702	-
<i>Total Highway Safety Cluster</i>			<u>170,959</u>	-
<i>Total U.S. Department of Transportation</i>			438,605	-
<b><u>U.S. Department of the Treasury</u></b>				
<b><i>Passed through the Arizona Governor's Office</i></b>				
COVID19 - Coronavirus Relief Fund	21.019	ERMT-20-071	12,491,391	-
<i>Total U.S. Department of the Treasury</i>			<u>12,491,391</u>	-

The accompanying notes are an integral part of this schedule.

**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards - Continued**  
**Year Ended June 30, 2020**

Federal Grantor/Program Title/Pass-Through Grantor	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<b><u>Environmental Protection Agency</u></b>				
<i>Passed through the 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	\$ 204,557	\$ -
<i>Total Environmental Protection Agency</i>			204,557	-
<b><u>U.S. Department of Education</u></b>				
<i>Passed through the Arizona Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	20FT1TTI-011475-01A	160,331	-
<i>Special Education Cluster:</i>				
Special Education - Grants to States	84.027	20FESCBG-011475-09A	41,321	-
<i>Total Special Education Cluster</i>			41,321	-
Rural Education	84.358	20FT1RLC-011475-04A	5,711	-
Supporting Effective Instruction State Grants				
(formerly Improving Teacher Quality State Grants)	84.367	20FT1TII-011475-03A	6,923	-
Student Support & Academic Enrichment Program	84.424	20FT4TIV-011475-01A	8,816	-
<i>Total U.S. Department of Education</i>			223,102	-
<b><u>U.S. Department of Health and Human Services</u></b>				
<i>Passed through the Arizona Department of Health Service</i>				
Public Health Emergency Preparedness	93.069	ADHS17-133198	446,154	-
Environmental Public Health and Emergency Response	93.070	ADHS18-188826	22,960	-
Project Grants and Cooperative Agreements for Tuberculosis: Control Programs	93.116	ADHS18-188132	38,674	-
<i>Passed through the Arizona Family Planning Council</i>				
Family Planning Services	93.217	None	581,712	-
<i>Passed through the Arizona Department of Health Service</i>				
Immunization Cooperative Agreements	93.268	ADHS18-177686	224,381	-
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	ADHS17-133198	484,060	-
<i>Passed through the Arizona Department of Economic Security</i>				
Child Support Enforcement	93.563	G1604AZ4004; G1804AZ4004	452,679	-
Grants to States for Access and Visitation Programs	93.597	G1101AZSAVP; G1601AZSAVP	28,346	-
<i>Passed through the Arizona Department of Health Service</i>				
Preventive Health and Health Services Block Grant	93.758	CTR042478	57,226	-
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	CTR041779-1	124,643	-
HIV Prevention Activities - Health Department Based	93.940	ADHS18-188826	11,915	-
Preventive Health Services - Sexually Transmitted Diseases Control Grant	93.977	CTR040479	18,680	-
Maternal and Child Health Services Block Grant to States MCH Block Grants	93.994	CTR042478	224,030	-
<i>Total U.S. Department of Health and Human Services</i>			2,715,460	-

The accompanying notes are an integral  
part of this schedule.

**Pinal County, Arizona**  
**Schedule of Expenditures of Federal Awards - Continued**  
**Year Ended June 30, 2020**

<b>Federal Grantor/Program Title/Pass-Through Grantor</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal Expenditures</b>	<b>Amount Provided to Subrecipients</b>
<b><u>Executive Office of the President</u></b>				
<i>Passed through the City of Tucson Police Department</i>				
High Intensity Drug Trafficking Areas Program	95.001	HT-18-2823; HT-18-2833; HT-19-2911; HT-19-2929	\$ 116,881	\$ -
<i>Total Executive Office of the President</i>			116,881	-
<b><u>U.S. Department of Homeland Security</u></b>				
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>				
State and Local Homeland Security Training Program	97.005	17-AZDOHS-HSGP- 170304-02	10,216	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	347,394	-
Emergency Management Performance Grants	97.042	EMF-2016-EP-00009-A22 EMF-2019-EP-00010	455,323	-
<i>Passed through the Arizona Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	17-AZDOHS-HSGP- 170304-02; 17-AZDOHS-OPSG- 170305-06; 18-AZDOHS-OPSG- 180425-01; 18-AZDOHS-OPSG- 180425-02; 19-AZDOHS-OPSG- 190425-02	2,391,342	-
<i>Total U.S. Department of Homeland Security</i>			3,204,275	-
Total expenditures of federal awards			<b><u>\$ 29,193,332</u></b>	<b><u>\$ 1,605,615</u></b>

The accompanying notes are an integral  
part of this schedule.

**Pinal County, Arizona**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended June 30, 2020**

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes Pinal County, Arizona's federal grant activity for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

**Note 2 – Indirect Cost Rate**

Pinal County, Arizona did not use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

**Note 3 – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, 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 4 –Catalog of Federal Domestic Assistance Numbers**

The program titles and Catalog of Federal Domestic Assistance numbers were obtained from the federal or pass-through grantor or the 2020 Catalog of Federal Domestic Assistance. When no Catalog of Federal Domestic Assistance number has been assigned to a program, the 2-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier and the word "unknown" were used.



## Corrective Action Plan

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by 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). Specifically, for each finding we are providing you with the name of the contact individual responsible for corrective action, the corrective action planned, and the anticipated completion date. The findings below are consistently numbered with the finding numbers assigned in the schedule of findings and questioned costs.

### Financial Statement Findings:

#### **Finding 2020-001 – Oversight of the Financial Reporting Process (Repeat Finding)**

**Condition/Context:** The County's year-end closing process was insufficient to allow for the timely and accurate preparation of the financial statements. Material corrections were being made to accounts balances several months after year-end which affected the timely issuance of the annual audit.

**Recommendation:** The auditors recommended that the County devote sufficient resources to performing monthly account reconciliations and year-end closing. The annual closing process should begin soon after year-end and a closing checklist should be used to assist the County in identifying all accounts and areas to be reconciled and reviewed.

**Contact Name:** Randee Stinson, Accounting and Reporting Manager

**Corrective Action Planned:** For the Fiscal Year 2020 audit, there was turnover in critical management positions that disrupted the County's internal controls related to the financial statement preparation and related disclosures. As a result of the staffing shortage and limited experience of the existing staff, financial reviews, adjustments and schedules were not completed in a timely manner. The county will strengthen and improve our internal controls with regards to the financial statement preparation for the upcoming year by doing the following: 1) Add additional staff to support and assist in the financial statement preparation and ongoing maintenance of financial operations; 2) Provide ongoing training to new and existing staff to stay abreast of policies relating to financial reporting and procedures; 3) create, monitor and adhere to time lines for producing accurate financial reports; and 4) communicate with upper management on a regular basis to identify areas of improvement and support needed.

**Anticipated Completion Date:** June 30, 2021

## Corrective Action Plan – Continued

### **Finding 2020-002 – Capital Assets (Repeat Finding)**

**Condition/Context:** During the year ended June 30, 2020, the County included in its accounting software program all infrastructure related capital asset activity, including cumulative cost and depreciation. However, a formal review process to verify the accuracy and completeness of the capital asset records did not exist and material errors resulted in the capital asset records that were not corrected until several months after year-end.

**Recommendation:** The auditors recommended that the County establish and follow policies and procedures related to maintaining and reviewing capital asset records. Doing so will reduce the risk of material errors.

**Contact Name:** Randee Stinson, Accounting and Reporting Manager

**Corrective Action Planned:** 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. For the Fiscal year 2020 audit, the County was able to use capital asset software to accurately and efficiently report and track capital assets. To further safeguard the assets, the County will strengthen and improve internal controls by: 1) Establishing policies and procedures to ensure that all capital asset reporting are subject to review; 2) Add additional staff to create a check and balance system; and 3) provide training specific to capital asset reporting and best practices.

**Anticipated Completion Date:** June 30, 2021

### **Finding 2020-003 – Cash Reconciliation (Repeat Finding)**

**Condition/Context:** The reconciliation of the cash recorded in the general ledger to the cash reported by the County Treasurer was not performed in an accurate manner. The auditors noted \$391,777 in unreconciled differences between Finance and Treasurer's cash that were not investigated during the year. The majority of these differences reversed in later months but the cause was not researched and documented. Furthermore, the County has various bank accounts that were not recorded within the general ledger and the payroll bank account was not reconciled since July 2016, which resulted in corrections totaling \$6,023,000 with an offsetting correction to accounts payable, accrued salaries and wages and expenditures.

**Recommendation:** The auditors recommended that the County finance personnel implement policies and procedures to reconcile all cash accounts on a monthly basis. The monthly reconciliation process should encompass reconciling between the general ledger and the Treasurer's system. Any differences between the Treasurer and general ledger should be investigated and resolved during the monthly reconciliation process.

**Contact Name:** Randee Stinson, Accounting and Reporting Manager

## **Corrective Action Plan - Continued**

**Corrective Action Planned:** The Finance Department experienced staff turnover in accounting positions during Fiscal Year 2020. Due to the lack of 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. The Finance Department has budgeted additional staff to alleviate the lack of resources in the department. There will be additional staff trained and dedicated to focus on the cash reconciliation and to have it performed on a monthly basis. In addition, the county will continue to review the cash reconciliation process to identify opportunities to for improvement.

**Anticipated Completion Date:** June 30, 2021

### **Finding 2020-004 – Receivables (Repeat Finding)**

**Condition/Context:** The County accrues court and other miscellaneous receivables at year-end based on assumptions regarding when the cash was actually received by the court or the department. For example, the County assumes that cash received in July and August pertains to the June 30<sup>th</sup> fiscal year-end and accrues the revenue into that year. However, verification to the court or department's records to determine when they were entitled to or earned the revenue does not occur. As a result, errors in the accruals could occur and not be detected.

**Recommendation:** The auditors recommended that the County finance personnel implement policies and procedures to properly identify when the County was entitled to or earned the revenue and record the revenue in correct period.

**Contact Name:** Randee Stinson, Accounting and Reporting Manager

**Corrective Action Planned:** 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.

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 by providing documentation of when revenues are earned. Additionally, Finance will continue to 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, 2021

## Corrective Action Plan – Continued

### **Finding 2020-005 - Information Technology (Repeat Finding)**

**Condition/Context:** During 2020, the County’s policies and procedures related to information technology were outdated and several policies have not been updated since they were initially created. In addition, segregation of duties needs improvement to limit financial software programmers from having the ability to execute, update, and read production programs and data files. Furthermore, a listing of code changes is not being reviewed to detect unauthorized changes. Also, the County does not have a process in place to regularly audit user accounts and their access levels for existing employees, contractors, application administrators and service accounts.

**Recommendation:** The auditors recommended that the County review its information technology policies and procedures annually and make the necessary updates. In addition, the County should review programmer and user access rights and limit such rights based on the needs of their position. Programmers and users should not have access that is unnecessary for their job function. At least annual, the Information Technology Department should compare access rights reported on the information system and those listed on their access form including verification of the user’s access rights with their departmental manager.

**Contact Name:** Steve Frazier, Chief Information Office

**Corrective Action Planned:** County policies will be reviewed and modified as needed and through County policy update procedure. Programmer permissions are closely monitored and processes are in place that limit deploying code without permission or that is not fully tested. Given limited staffing levels complete segregation is not operationally possible or feasible. IT will however review the processes in place and make appropriate changes.

**Anticipated Completion Date:** December 31, 2021

**Corrective Action Planned:** Annual review of user access rights - User access rights are reviewed but not every user, in every system, annually. There are also security products in place that assist in identifying issues (i.e. segregation of duties. etc.). IT will attempt to do a full review of all Financial System users as resources allow.

**Anticipated Completion Date:** June 30, 2022



## Corrective Action Plan – Continued

### Federal Award Findings:

#### **Finding 2020 – 101 Schedule of Expenditures of Federal Awards Reporting**

<b>CFDA Number and Title:</b>	14.871 - Section 8 Housing Choice Vouchers 21.019 - Coronavirus Relief Fund 93.563 - Child Support Enforcement 97.067 - Homeland Security Grant Program
<b>Condition and Context:</b>	The original reporting of expenditures on the schedule of expenditures of federal awards (SEFA) incorrectly included \$404,726 in matching costs.
<b>Recommendation:</b>	The auditors recommended removing the matching costs from the calculation of the allowable expenditures when preparing the SEFA.
<b>Contact Name:</b>	Randee Stinson, Accounting and Reporting Manager
<b>Corrective Action Planned:</b>	The County's system for internal controls related to preparation of the SEFA reporting are mainly due to inadequate staffing and training issues for Fiscal Year 2020 Audit. Staff was able to identify matching costs and report accordingly after the issue was brought to our attention. In order to correctly report matching expenditures, additional staff will review the preparation of the SEFA and a correct template with instructions will be developed to accurately report SEFA expenditures.
<b>Anticipated Completion Date:</b>	June 30, 2021



## Summary Schedule of Prior Audit Findings Year ended June 30, 2020

We have prepared the following summary schedule of prior audit findings as required by 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*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs and includes the status of any audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

### Financial Statement Findings:

#### **Finding 2019-001 – Oversight of the Financial Reporting Process (Repeat Finding)**

This finding was initially reported in fiscal year 2016.

**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.

**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.

**Status:** Not corrected; See finding 2020-001.

## Summary Schedule of Prior Audit Findings - Continued

### **Finding 2019-002 – Capital Assets (Repeat Finding)**

This finding was initially reported in fiscal year 2012.

**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.

**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.

**Status:** Partially corrected, see finding 2020-002.

### **Finding 2019-003 – Cash Reconciliation (Repeat Finding)**

This finding was initially reported in fiscal year 2012.

**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.

**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.

**Status:** Not corrected; See finding 2020-003.

### **Finding 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.

**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.

**Contact Name:** Corrected during 2020.

## Summary Schedule of Prior Audit Findings - Continued

### **Finding 2019-005 – Accounts Receivable (Repeat Finding)**

This finding was initially reported in fiscal year 2017.

**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.

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

**Status:** Not corrected; See finding 2020-004.

### **Finding 2019-006 – Information Technology (Repeat Finding)**

This finding was initially reported in fiscal year 2017.

**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.

**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.

**Status:** Not fully corrected until August 2020, see finding 2020-005