

Pinal County, Arizona
Single Audit Reporting Package

Year ended June 30, 2021

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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, 2021, 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 29, 2022. 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 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 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 2021-002 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 2021-001, 2021-003 and 2021-004 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 and those of the other auditors 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.

Walker & Armstrong, LLP

Phoenix, Arizona
July 29, 2022

**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

Report on Compliance for Each Major Federal Program

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, 2021, 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, 2021.

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 2021-101 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 2021-101, 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 response to the finding identified in our audit is 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 response and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on it.

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, 2021, and the related notes to the financial statements, which collectively comprise Pinal County's basic financial statements. We issued our report thereon dated July 29, 2022, 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.

Walker & Armstrong, LLP

Phoenix, Arizona
August 31, 2022

Schedule of Findings and Questioned Costs

Pinal County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

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	_____
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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	_____
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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:

FAL No.	Program Description
14.218	Community Development Block Grant / Entitlement Grants
14.871*	Section 8 Housing Choice Vouchers
14.871*	COVID19 - Section 8 Housing Choice Vouchers
21.019	COVID19 - Coronavirus Relief Fund
21.023	COVID19 - Emergency Rental Assistance Program
93.268	COVID19 - Immunization Cooperative Agreements
93.323	COVID19- Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)

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

\$ 1,366,764	_____
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Auditee qualified as a low risk auditee?

_____	X
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*Audited by other auditors

Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings

Finding 2021-001 - Oversight of the Financial Reporting Process (Repeat Finding)

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

Condition/Context: As in prior year, 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 account 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 the year ended June 30, 2021, the federal deadline was extended to September 30, 2022. 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 2020-001.

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: See the County's corrective action plan.

Finding 2021-002 - 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 unreconciled differences between Finance and Treasurer's cash that were not investigated and corrected during the year. The majority of these differences were reversed in later months, but the cause was not researched and documented. Furthermore, the County has a payroll bank account that has not been fully reconciled since July 2016, which has continued to build a surplus of funds related to payroll related expenditures in which the County has not determined the source.

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.

Schedule of Findings and Questioned Costs - Continued

Finding 2021-002 - Cash Reconciliation (Repeat Finding) - Continued

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.

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 2020-003.

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: See the County's corrective action plan.

Finding 2021-003 – 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 30th 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.

Also, during 2021, we noted \$502,300 in accounts receivable that was recorded during 2020 in error due to not reversing the 2019 accounts receivable.

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 2020-004.

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 the correct period.

Views of Responsible Officials: See the County's corrective action plan.

Schedule of Findings and Questioned Costs - Continued

Finding 2021-004 – Improve Payroll Documentation

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

Condition/Context: During the audit, we noted that for 2 out of sixty-four transactions tested, the County could not locate the timecards supporting the hours worked. Also, for 4 out of sixty-four transactions tested, there was no signature from the employee's supervisor approving the hours worked.

Criteria: The County's policies and procedures section 3.50 *Hours of Work*, require all employees to maintain the hours of attendance on County approved payroll documents and such hours must be verified and approved by an immediate supervisor.

Effect: The effect is an increased risk that employee costs are incurred but not supported by hours actually worked.

Cause: The cause is a lack of adherence with established County policies and procedures.

Recommendation: We recommend that the County adhere to its policy of obtaining and retaining copies of timecards that are approved by the employee and their immediate supervisors.

Views of Responsible Officials: See the County's corrective action plan.

C. Federal Award Program Findings

Finding 2021 – 101 – Improve Subrecipient Monitoring

FAL Number and Title: 21.023 – COVID19 - Emergency Rental Assistance Program
Award Year: 2021
Award Number: N/A
Federal Agency: U.S. Department of Treasury
Pass-through Grantor: N/A
Compliance Requirement: Sub-Recipient Monitoring
Questioned Costs: None

Condition and Context: The County passed program funding to a subrecipient without performing the required subrecipient monitoring during the year. Upon discussing this matter with County personnel, the County implemented procedures to perform subrecipient monitoring.

Effect: Not performing subrecipient monitoring increases the risk that its subrecipient did not comply with the program's requirements.

Cause: The error was caused by an oversight in the monitoring of the subrecipient as the County misunderstood that the audit from the subrecipient was sufficient.

Schedule of Findings and Questioned Costs - Continued

Finding 2021 – 101 – Improve Subrecipient Monitoring - Continued

Criteria: 2 CFR §332 (b) requires the County to evaluate each subrecipient's risk on noncompliance with federal statutes, regulations, and terms and conditions of the subaward. Also, 2 CFR §332 (d) requires the County to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes.

Recommendation: We recommend monitoring all subawards and verifying that the County completes the required monitoring of all subrecipients.

County's Section

Pinal County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Grantor/Program Title/Pass-Through Grantor	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through the Arizona Department of Education</i>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	11-01-00	\$ 77,820	\$ -
National School Lunch Program	10.555	11-01-00	2,496	-
Summer Food Service Program for Children	10.559	11-01-00	92,104	-
<i>Total Child Nutrition Cluster</i>			172,420	-
<i>Passed through the Arizona Department of Health Services</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS19-207422/ CTR040850	1,554,490	-
<i>Passed through St. Mary's Food Bank Alliance</i>				
<i>Food Distribution Cluster:</i>				
Commodity Supplemental Food Program	10.565	None	18,682	-
<i>Total Food Distribution Cluster</i>			18,682	-
<i>Passed through Arizona State Treasurer</i>				
Schools and Roads-Grants to States	10.665	None	1,092	-
Watershed Protection & Flood Preventior	10.904	N/A	771,442	-
Law Enforcement Agreement - Tonto National Forest	10.21-LE-11031200-039	N/A	66	-
Law Enforcement Agreement - Tonto National Forest	10.16-LE-11031200-003	N/A	5,599	-
<i>Total U.S. Department of Agriculture</i>			2,523,791	-
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant / Entitlement Grants	14.218	N/A	1,603,146	1,186,620
<i>Passed through the Arizona Department of Housing</i>				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	121-19	72,830	-
Continuum of Care Program	14.267	525-21	5,800	-
Home Investments Partnership Program	14.239	N/A	14,190	-
Public and Indian Housing	14.850	N/A	711,130	- *
Residential Opportunity and Supportive Services - Service Coordinators	14.870	N/A	94,787	- *
<i>Housing Voucher Cluster:</i>				
COVID-19 - Section 8 Housing Choice Vouchers	14.871	N/A	582,806	- *
Section 8 Housing Choice Vouchers	14.871	N/A	3,962,471	- *
<i>Total Housing Voucher Cluster</i>			4,545,277	-
Public Housing Capital Fund	14.872	N/A	81,808	- *
<i>Total U.S. Department of Housing and Urban Development</i>			7,128,968	1,186,620

*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, 2021

Federal Grantor/Program Title/Pass-Through Grantor	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Justice</u>				
DEA Task Force	16.unknown	N/A	\$ 3,825	\$ -
DEA Task Force	16.unknown	N/A	19,169	-
<i>Passed through the Arizona Criminal Justice Commission</i>				
COVID19 - Coronavirus Emergency Supplemental Funding Program	16.034	ACESF-21-043	120,029	-
National Criminal History Improvement Program (NCHIP)	16.554	NCHIP-20-22-004	162,484	-
<i>Passed through the Arizona Department of Public Safety</i>				
Crime Victim Assistance	16.575	2020-244	432,527	-
Drug Court Discretionary Grant Program	16.585	N/A	148,434	-
<i>Passed through the State of Arizona</i>				
Violence Against Women Formula Grants	16.588	ST-WSG-20-1010121-16	9,645	-
Bulletproof Vest Partnership Program	16.607	N/A	2,593	-
<i>Passed through the Arizona Criminal Justice Commission</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-22-031	142,184	-
NCA Equipment Support Grant	16.758	N/A	4,999	-
Justice Reinvestment Initiative	16.827	N/A	403,023	-
<i>Passed through National Children's Alliance</i>				
Domestic Trafficking Victim Program	16.834	FLOR-AZ-TDTVF21	12,921	-
<i>Total U.S. Department of Justice</i>			<u>1,461,833</u>	-
<u>U.S. Department of Labor</u>				
<i>Passed through the Arizona Department of Economic Security</i>				
<i>WIOA Cluster:</i>				
WIOA Adult Program	17.258	DI21-002287	735,416	599,122
WIOA Youth Activities	17.259	DI21-002287	709,324	573,045
WIOA Dislocated Worker Formula Grant	17.278	DI21-002287	613,449	472,498
<i>Total WIOA Cluster</i>			<u>2,058,189</u>	<u>1,644,665</u>
<i>Total U.S. Department of Labor</i>			2,058,189	1,644,665
<u>U.S. Department of Transportation</u>				
Airport Improvement Program	20.106	N/A	619,315	-
<i>Highway Planning and Construction Cluster:</i>				
<i>Passed through Arizona Department of Transportation</i>				
Highway Planning and Construction	20.205	IGA-20-07709-I	219,979	-
<i>Highway Safety Cluster:</i>				
<i>Passed through Arizona Governor's Office of Highway Safety</i>				
State and Community Highway Safety	20.600	2021-PTS-051	86,300	-
National Priority Safety Programs	20.616	2021-405c-011	311,750	-
<i>Total Highway Safety Cluster</i>			<u>398,050</u>	-
National Infrastructure Investment	20.933	N/A	1,112,251	-
<i>Total U.S. Department of Transportation</i>			2,349,595	-

The accompanying notes are an integral part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2021

Federal Grantor/Program Title/Pass-Through Grantor	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of the Treasury</u>				
<i>Passed through the Arizona Governor's Office</i>				
COVID19 - Coronavirus Relief Fund	21.019	ERMT-CTR-21-1009	\$ 14,944,290	\$ -
COVID19 - Emergency Rental Assistance Program	21.023	N/A	<u>6,257,998</u>	<u>6,249,162</u>
<i>Total U.S. Department of the Treasury</i>			21,202,288	6,249,162
<u>Environmental Protection Agency</u>				
<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	<u>283,597</u>	-
<i>Total Environmental Protection Agency</i>			283,597	-
<u>U.S. Department of Education</u>				
<i>Passed through the Arizona Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	21FT1TTI-011475-01A	113,910	-
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	21FT1TII-011475-03A	7,719	-
Student Support & Academic Enrichment Program	84.424	21FT4TIV-011475-01A	91	-
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200038	<u>57,576</u>	-
<i>Total U.S. Department of Education</i>			179,296	-
<u>U.S. Election Assistance Commission</u>				
<i>Passed through the Arizona Secretary of State, State of Arizona</i>				
Help America Vote Act Requirements Payments	90.401	None	308	-
2018 HAVA Election Security Grant	90.404	AZ18101001	<u>280,287</u>	-
<i>Total U.S. Election Assistance Commission</i>			280,595	-
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through the Arizona Department of Health Service</i>				
Public Health Emergency Preparedness	93.069	CTR055218	451,158	-
Injury Prevention and Control Research and State and Community Based Programs.	93.116	ASHS18-180024	360,266	-
<i>Passed through the Arizona Family Planning Council</i>				
Family Planning Services	93.217	None	393,431	-
<i>Passed through the Arizona Department of Health Service</i>				
COVID19 - Immunization Cooperative Agreements	93.268	ADHS18-177686	1,026,949	-
COVID19 - Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	ADHS17-133198	112,392	-
COVID19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	IGA2021-064	1,670,138	-
<i>Passed through the Arizona Department of Economic Security</i>				
Child Support Enforcement	93.563	G1804AZ4004	497,116	-
Grants to States for Access and Visitation Programs	93.597	G1101AZSAVP & 1601AZSAVP	28,721	-

The accompanying notes are an integral part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2021

Federal Grantor/Program Title/Pass-Through Grantor	Federal Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<i>Passed through the Arizona Department of Health Service</i>				
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	CTR041779	\$ 156,550	\$ -
HIV Prevention Activities - Health Department Based Preventive Health Services - Sexually Transmitted Diseases Control Grant	93.940	ADHS18-188826	17,729	-
Maternal and Child Health Services Block Grant to States - MCH Block Grants	93.977	CTR040479	48,480	-
	93.994	CTR042478	<u>125,209</u>	<u>-</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>4,888,139</u>	<u>-</u>
<u>Executive Office of the President</u>				
<i>Passed through the City of Tucson Police Department</i>				
High Intensity Drug Trafficking Areas Program	95.001	HT-20-2945	<u>121,087</u>	<u>-</u>
<i>Total Executive Office of the President</i>			<u>121,087</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	930,480	-
Emergency Management Performance Grants	97.042	EMF-2020-EP-00009	316,094	-
Fire Management Assistance Grant	97.046	N/A	156,582	-
<i>Passed through the Arizona Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	20-AZDOHS-OPSG-200429-02	<u>1,678,250</u>	<u>-</u>
<i>Total U.S. Department of Homeland Security</i>			<u>3,081,406</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 45,558,784</u>	<u>\$ 9,080,447</u>

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, 2021

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, 2021. 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 – Federal Assistance Listings Number

The program titles and Federal Assistance Listings (FAL) numbers were obtained from the federal or pass-through grantor or the 2021 *Federal Assistance Listings*. When no FAL 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 2021-001 – Oversight of the Financial Reporting Process (Repeat Finding)

Condition/Context: As in prior year, 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 account 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 2021 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, 2022

Corrective Action Plan - Continued

Finding 2021-002 – 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 unreconciled differences between Finance and Treasurer’s cash that were not investigated and corrected during the year. The majority of these differences were reversed in later months, but the cause was not researched and documented. Furthermore, the County has a payroll bank account that has not been fully reconciled since July 2016, which has continued to build a surplus of funds related to payroll related expenditures in which the County has not determined the source.

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 Planned: The Finance Department experienced staff turnover in accounting positions during Fiscal Year 2021. 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 for improvement.

Anticipated Completion Date: June 30, 2022

Finding 2021-003 – 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 30th 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.

Also, during 2021, the auditors noted \$502,300 in accounts receivable that was recorded during 2020 in error due to not reversing the 2019 accounts receivable.

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 the correct period.

Corrective Action Plan – Continued

Finding 2021-003 – Receivables (Repeat Finding) - Continued

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 Budget and Finance department will review, identify, and evaluate current processes and procedures relating to accounts receivables and recordation. This will include working with departments to ensure that they notify Budget and Finance of any and all receivables by providing documentation of when revenues are earned. This will allow Budget and Finance to identify alternative solutions.

Currently, Budget and Finance are working with our ERP team and outside consultants to develop an accounts receivable module within the general ledger portion of our ERP system.

Anticipated Completion Date for Review, Identify and Evaluate: June 30, 2023

Anticipated Completion Date for AR Module and Alternative Solution Implementation: June 30, 2024

Finding 2021-004 – Improve Payroll Documentation

Condition/Context: During the audit, the auditors noted that for 2 out of sixty-four transactions tested, the County could not locate the timecards supporting the hours worked. Also, for 4 out of sixty-four transactions tested, there was no signature from the employee's supervisor approving the hours worked.

Recommendation: The auditors recommended that the County adhere to its policy of obtaining and retaining copies of timecards that are approved by the employee and their immediate supervisors.

Contact Name: Randee Stinson, Accounting and Reporting Manager

Corrective Action Planned: Payroll review is done on the department level and processed through the Budget and Finance payroll team, The Budget and Finance department will provide training to remind the departments the importance of supervisor approval for the department's timesheets as well as record retention.

Anticipated Completion Date: June 30, 2022

Corrective Action Plan – Continued

Federal Award Findings:

Finding 2020 – 101 Improve Subrecipient Monitoring

FAL Number and Title: 21.023 – COVID19 - Emergency Rental Assistance Program

Condition and Context: The County passed the federal funding to a subrecipient without performing the required subrecipient monitoring during the year. Upon discussing this matter with County personnel, the County implemented procedures to perform subrecipient monitoring.

Recommendation: The auditors recommended monitoring all subawards and verifying that the County completes the required monitoring of all subrecipients.

Contact Name: Rande Stinson, Accounting and Reporting Manager

Corrective Action Planned: The County has created a subrecipient monitoring procedure to provide guidance to departments that utilize subrecipients for federal grants. In addition, this procedure allows the County to track grants that are passed through to subrecipients to monitor the completion of the required review of subawards.

Anticipated Completion Date: June 30, 2022



Summary Schedule of Prior Audit Findings Year ended June 30, 2021

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

This finding was initially reported in fiscal year 2016.

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.

Status: Not corrected; See finding 2021-001.

Finding 2020-002 – Capital Assets (Repeat Finding)

This finding was initially reported in fiscal year 2012.

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. The auditors stated that by doing so will reduce the risk of material errors.

Status: Corrected during 2021.

Summary Schedule of Prior Audit Findings - Continued

Finding 2020-003 – Cash Reconciliation (Repeat Finding)

This finding was initially reported in fiscal year 2012.

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.

Status: Not corrected; See finding 2021-002.

Finding 2020-004 – Receivables (Repeat Finding)

This finding was initially reported in fiscal year 2017.

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 30th 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: Not corrected; See finding 2021-003.

Finding 2020-005 – Information Technology (Repeat Finding)

This finding was initially reported in fiscal year 2017.

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.

Summary Schedule of Prior Audit Findings - Continued

Finding 2020-005 – Information Technology (Repeat Finding) - Continued

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.

Status: Corrected during 2021.

Federal Award Findings:

Finding 2020 – 101 Schedule of Expenditures of Federal Awards Reporting

CFDA Number and Title: 14.871 - Section 8 Housing Choice Vouchers
21.019 - Coronavirus Relief Fund
93.563 - Child Support Enforcement
97.067 - Homeland Security Grant Program

Condition and Context: The original reporting of expenditures on the schedule of expenditures of federal awards (SEFA) incorrectly included \$404,726 in matching costs.

Recommendation: The auditors recommended removing the matching costs from the calculation of the allowable expenditures when preparing the SEFA.

Status: Corrected during 2021.