

Pinal County, Arizona
Single Audit Reporting Package

Year ended June 30, 2015

Pinal County, Arizona
Single Audit Reporting Package
Year ended June 30, 2015

Table of Contents

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
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 OMB Circular A-133.....	3-6
Schedule of Expenditures of Federal Awards.....	7-10
Notes to Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs:	
Summary of Auditors' Results.....	12
Financial Statement Findings	13
Federal Award Findings and Questioned Costs	14-17
Summary Schedule of Prior Audit Findings.....	18-19
Corrective Action Plan.....	20-22

Report Issued Separately

Comprehensive Annual Financial Report



3838 North Central Avenue

Suite 1700

Phoenix, Arizona 85012

602.230.1040

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Pinal County, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pinal County, Arizona (the County), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 24, 2016. Our report includes a reference to other auditors who audited the financial statements of the Housing and Community Development Fund and the Employee Benefit Trust Fund, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors. However, our report, insofar as it relates to the results of the other auditors, is based solely on the reports of other auditors. In addition, our report included an emphasis of a matter paragraphs for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and certain restatements of beginning net position/fund balances of the County's financial statements for the year ended June 30, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we and the other auditors, identified 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 the County's basic 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 2015-001 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-101.

County Responses to Findings

The County's responses to the findings identified in our audit are presented on pages 20 through 21. The County's responses 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 the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Phoenix, Arizona
June 24, 2016

**Independent Auditor's 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 OMB Circular A-133**

The Auditor General of the State of Arizona

The Honorable Board of Supervisors of
Pinal County, Arizona

Report on Compliance for Each Major Federal Program

We have audited Pinal County's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015, except for the U.S. Housing and Urban Development, Section 8 Housing Choice Vouchers Program (CFDA No. 14.871) and the Capital Fund Program (CFDA No. 14.872).

Those major programs were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those major programs' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, is based solely on the report of the other auditors. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred.

An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on the Section 8 Housing Choice Vouchers Program (CFDA #14.871)

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding activities allowed or unallowed, eligibility, reporting, and special tests and provisions for the Section 8 Housing Choice Vouchers Program (CFDA#14.871) as described in finding 2015-102. Compliance with such requirement is necessary, in our opinion, based on our audit and the report of the other auditors, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the Section 8 Housing Choice Vouchers Program (CFDA# 14.871)

In our opinion, based on our audit and the report of the other auditors, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 Housing Choice Vouchers Program (CFDA# 14.871) for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the report of the other auditors, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-101 and 2015-103. Our opinion on each major federal program is not modified with respect to this matter.

The County's responses to the noncompliance findings identified in our audit are presented on page 22. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

The 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 the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We, and the report of other auditors, consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-102 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-101 and 2015-103 to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are presented on page 22. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2015, and the related notes to the financial statement, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 24, 2016, that contained unmodified opinions on those financial statements. Our report included a reference to our reliance on other auditors and an emphasis of a matter paragraph for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and certain restatements of beginning net position/fund balances of its financial statements for the year ended June 30, 2015.

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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
June 24, 2016

Pinal County, Arizona
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through Arizona Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	ED09-0001	\$ 26,083
National School Lunch Program	10.555	ED09-0001	105,524
Summer Food Service Program for Children	10.559	ED09-0001	1,928
Total Child Nutrition Cluster			133,535
<i>Passed through Arizona Department of Health Services</i>			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS11-004679	1,286,791
Commodity Supplemental Food Program	10.565	ADHS12-010886	43,178
Schools and Roads—Grants to States	10.665		224,007
Law Enforcement Agreement—Tonto National Forest	10.11-LE- 11031200-003		6,722
<i>Total U.S. Department of Agriculture</i>			1,694,233
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through the Arizona Department of Housing</i>			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	137-12, 104-14, 116-15	167,753
Public and Indian Housing	14.850		569,448
Residential Opportunity and Supportive Services - Service Coordinators	14.870		54,409
Section 8 Housing Choice Vouchers	14.871		3,268,641 *
Public Housing Capital Fund	14.872		353,623 *
<i>Total U.S. Department of Housing and Urban Development</i>			4,413,874
<u>U.S. Department of the Interior</u>			
Payments in Lieu of Taxes	15.226		1,119,899
<u>U.S. Department of Justice</u>			
<i>Passed through the Phoenix Federal Bureau of Investigation</i>			
FBI Phoenix Child Exploitation Task Force Agreement	16.unknown	31E-PX-C2475025	11,084
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
Juvenile Accountability Block Grants	16.523	JB-CSG-14-1365-08	4,946
<i>Passed through the City of Phoenix Police Department</i>			
Missing Children's Assistance	16.543	2012-MC-FX-K008	20,486
<i>Passed through the Arizona Governor's Office for Children, Youth and Families</i>			
National Criminal History Improvement Program (NCHIP)	16.554	NCP-14-15-005	19,079
ARRA - Violence Against Women Formula Grants	16.588	ST-WSG-12-2366-02Y3 ST-WSG-12-2366-06Y3	111,759

* 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, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Justice - Continued</u>			
Justice Assistance Grant Program Cluster:			
State Criminal Alien Assistance Program	16.606		\$ 50,354
Edward Byrne Memorial Justice Assistance Grant Program	16.738		18,432
<i>Passed through Arizona Criminal Justice Commission</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-15-010, DC-15-031	154,437
Total Justice Assistance Grant Program Cluster			223,223
<i>Passed through Western Regional Children's Advocacy Center</i>			
Imporvoing the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	16.758	None	3,471
Equitable Sharing Program	16.922	None	116,777
Total U.S. Department of Justice			510,825
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106		78,360
<i>Passed through Maricopa Association of Governments</i>			
Highway Planning and Construction Federal-Aid Hwy Program, Federal Lands Highway Program	20.205	None	225,784
Highway Safety Cluster:			
<i>Passed through Arizona Governor's Office of Highway Safety</i>			
State and Community Highway Safety	20.600	2015-A1-009 2015-PT-030 2014A-PT-089 2014-PT-009	104,192
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	2014-164-067	14,181
National Priority Safety Programs	20.616	215-405d-015	80,125
Total Highway Safety Cluster			198,498
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2014A-164-129 (405d, 402)	38,096
<i>Passed through Arizona Emergency Response Commission</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0454-14-01-00	1,662
Total U.S. Department of Transportation			542,400
<u>Environmental Protection Agency</u>			
<i>Passed through Arizona Department of Environmental Quality</i>			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Related to the Clean Air Act	66.034	ADEQ-13-033141	27,446
<u>U.S. Department of Education</u>			
<i>Passed through Arizona Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	15FT1TTI-511475-01A	83,999

The accompanying notes are an integral
part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Education - Continued</u>			
Special Education__ Grants to States	84.027	15FESCBG-514475-09A	\$ 28,198
<i>Passed through Arizona Board of Regents, University of Arizona</i>			
ARRA - Federal Work-Study Program	84.033	None	3,490
<i>Passed through Arizona Department of Education</i>			
Improving Teacher Quality State Grants	84.367	14FT1II-460979-03A	10,102
<i>Total U.S. Department of Education</i>			<u>125,789</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through Arizona Department of Health Services</i>			
Public Health Emergency Preparedness	93.069	ADHS 12-007895	433,908
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	ADHS13-049259	30,065
<i>Passed through Arizona Family Planning Council</i>			
Family Planning_Services	93.217	None	257,184
<i>Passed through Arizona Department of Health Services</i>			
Immunization Cooperative Agreements	93.268	ADHS 13-041546	169,607
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	ADHS14-053780	144,341
<i>Passed through Arizona Department of Economic Security</i>			
Child Support Enforcement	93.563	DE111173001	
		AZ1104AZ4004	314,025
Grants to States for Access and Visitation Programs	93.597	DE111151001	30,424
Services to Victims of a Severe Form of Trafficking	93.598		87,882
<i>Passed through the Arizona Governor's Office for Children, Youth, and Families</i>			
Children's Justice Grants to States	93.643	CJ-CSG-15-010115-05	
		CJ-CSG-13-3365-06Y2	26,054
<i>Passed through the Arizona Department of Health Services</i>			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	ADHS14-00003240	143,839
HIV Prevention Activities_Health Department Based	93.940	ADHS13-031180	12,529
Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	ADHS13-049618	37,564
Maternal and Child Health Services Block Grant to the States - MCH Block Grants	93.994	ADHS12-022141	19,815
<i>Total U.S. Department of Health and Human Services</i>			<u>1,707,237</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-13-2327, HT-14-2327 HT-15-2327, HT-13-2533, HT-14-2305, HT-15-2533, HT-14-2346	122,684

The accompanying notes are an integral
part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>			
Emergency Management Performance Grants	97.042	EMW-2013-EP-000024	\$ 250,880
Cooperating Technical Partners, CTP	97.045		48,829
<i>Passed through the Arizona Department of Homeland Security</i>			
Homeland Security Grant Program	97.067	13-AZDOHS-OPSG-130305-02 12-AZDOHS-OPSG-999315-03 12-AZDOHS-OPSG-999315-04 12-AZDOHS-OPSG-999315-05 11-AZDOHS-HSGP-888307-04 14-AZDOHS-HSGP-140307-01 14-AZDOHS-HSGP-140307-02 14-AZDOHS-HSGP-140307-03 13-AZDOHS-HSGP-140307-04 13-AZDOHS-OPSG-130305-05	676,654
<i>Total U.S. Department of Homeland Security</i>			976,363
Total Expenditures of Federal Awards			\$ 11,240,750

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, 2015

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pinal County, Arizona and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

Note 3 - Subrecipient

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
National Forest Fees	10.665	\$ 48,538
Federal Equitable Sharing Program Sheriff's Office	16.922	2,500

Pinal County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

	Unmodified	
	Yes	No
Internal control over financial reporting:		
Material weaknesses identified	X	
Significant deficiencies identified	X	
Noncompliance material to the financial statements noted?		None reported

Federal Awards

Internal control over major programs:

Material weaknesses identified

	X	
--	---	--

Significant deficiencies

	X	
--	---	--

Type of auditor's report issued on compliance for major programs:

Unmodified for all major programs except for the Section 8 Housing Choice Vouchers program, CFDA No. 14.871, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?

	X	
--	---	--

Identification of major programs:

CFDA No.	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
14.872	Capital Fund Program
15.226	Payments in Lieu of Taxes
93.069	Public Health Emergency Preparedness
97.067	Homeland Security Grant Program

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

	\$ 337,223	
--	------------	--

Auditee qualified as a low risk auditee?

		X
--	--	---

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?

	X	
--	---	--

Schedule of Findings and Questioned Costs - Continued

B. Financial Statement Findings

2015-001 – Improve Internal Controls over Reporting of Capital Assets

Condition: During 2015, restatements were made to beginning net assets to correct for infrastructure assets not previously recorded. Such restatements resulted from assets that were purchased or contributed several years ago. In addition, an error was made in the recording of the purchase of an aircraft that required an adjustment as part of the audit.

Criteria, Cause and Effect: U.S. generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties require that all assets meeting the criteria for capitalization be recorded in the County's accounting records. The cause is from the County not having a capital asset inventory system sufficient to properly identify and record all County assets meeting the criteria for capitalization. The effect is that material corrections to the prior and current period were necessary to correctly record capital assets.

Recommendation: We recommend that the County improve its process for identifying and recording of capital assets. Doing so will reduce the risk that material corrections are necessary to the reported amount of capital assets.

2015-002 – Improve Monitoring Procedures over Bank Reconciliations

Condition: Consistent with prior year, the County's finance department did not obtain, review and record in a timely manner cash in bank based on the book balances reported by certain outside departments and courts. As a result, certain accounts with reconciling items were not being reviewed for reasonableness prior to recording the year-end balances.

Criteria, Cause and Effect: U.S. generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties requires that all County bank accounts be recorded in the County's accounting records. The cause is from the County not receiving completed bank account information from outside departments in a timely manner. The effect is an increased risk of errors and misappropriation on County cash that are not detected in a timely manner.

Recommendation: To reduce the risk of material errors in cash, we recommend that the County's finance department implement procedures to obtain, at least on a quarterly basis, bank reconciliations for all accounts held in the County's name. Implementing this procedure will reduce the risk of undetected errors and misappropriation of cash.

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Findings

2015-101 - Improve the Timeliness of the Submittal of the Single Audit Reporting Package

CFDA Numbers: All federal programs

Program Titles and

Federal Agencies: All federal programs

Award Years: Various

Award Numbers: Various

Compliance Requirements Affected: Reporting

Questioned Costs: None

Condition: The County's single audit reporting package for the fiscal year ended June 30, 2015 was not submitted within nine months after the County's year-end.

Criteria, Cause and Effect: The terms of the County's federally funded grants and contracts and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* require the submission of a single audit reporting package within nine months of the auditees' fiscal year end. The cause is primarily a lack of resources in the finance department, particularly due to the constraints caused from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which ultimately affected the timeliness of the financial reporting process.

The effect is the untimely submission of the single audit reporting package and related noncompliance with federal requirements.

Recommendation: We recommend that the County evaluate its staffing in light of its workload and consider the need to devote additional resources to the financial reporting process.

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Findings – Continued

2015-102 – Improve the Tenant Files and Administration of the Waiting List (Other Auditors)

CFDA Numbers: 14.871

Program Titles and

Federal Agencies: Section 8 Housing Choice Vouchers Program – U.S. Department of Housing and Urban Development

Award Years: 2015

Award Numbers: Various

Compliance Requirements Affected: Allowable/Unallowable Activities, Eligibility, Reporting, and Special Tests and Provisions

Questioned Costs: None

Condition: There were numerous errors in the Housing Choice Vouchers (HCV) tenant files and in the administration of the waiting list.

Criteria, Cause and Effect: The County is required by regulation and their own administrative policies to perform certain procedures to ensure that the program is administered in accordance with U.S. Department of Housing and Urban Development (HUD) regulations (24 CFR sections 5.410, 982.54(d), 982.201 through 982.207 and 24 CFR Section 982.517).

Tenant Files

Several instances were noted in which the County did not comply with their policies or HUD regulations in maintaining the following documentation :

- One (1) utility allowance verification was not completed
- Two (2) files were missing the fair market rent to gross rent comparison
- Two (2) files were missing the rent reasonableness verification
- Two (2) social security cards not verified
- One (1) Form HUD 9886 not completed
- Two (2) lead based paint notifications were not obtained
- One (1) Section 214 citizenship status was not completed
- Seven (7) criminal history checks were not documented
- One (1) income was not verified

Schedule of Findings and Questioned Costs - Continued

C. Federal Award Findings – Continued

2015-102 – Improve the Tenant Files and Administration of the Waiting List (Other Auditors) - Continued

Waiting List

The County's policy is that the waiting list only provides for a local preference, not additional preferences such as for working families, disabled persons, victims of domestic violence, etc. Furthermore, personnel did not understand how their system pertaining to the waiting list functioned. However, they did know that their system included preferences not allowed by their policy and took no steps to correct the error.

In addition, selections from the waiting list must be in order of the date and time of the application. However, the other auditors noted tenants whose date and time indicated that they should have been removed from the waiting list but were not, while others who completed the application at a later date and time were removed from the waiting list.

Utility Allowance

HUD regulations (24 CFR Section 982.517) require PHAs to maintain up-to-date utility allowances. PHAs must review utility rates each year and, if there has been a rate change of 10 percent or more for a utility category, must adjust its utility allowance schedule accordingly. The County could not provide evidence that a utility allowance was performed during the fiscal year ended June 30, 2015.

The cause was inadequate internal controls to comply with federal regulations. The effect was several deficiencies noted by the other auditors in which the County did not comply with the program's documentation requirements and required selection criteria.

Recommendation: The other auditor recommend that the County correct its waiting list, perform the required utility study and establish and enforce a monitoring program to ensure that personnel are complying with County policy and HUD regulations. They also recommend that the individual appointed to monitor the HCV program not be an individual working in the HCV program.

Schedule of Findings and Questioned Costs - Continued

2015-103 – Maintain a General Depository Agreement Covering all Housing Department Accounts

CFDA Numbers: 14.850, 14.871

Program Titles and

Federal Agencies: Public and Indian Housing and the Section 8 Housing Choice Voucher Program - U.S. Department of Housing and Urban Development

Award Years: 2015

Award Numbers: Various

Compliance Requirements Affected: Special Tests and Provisions

Questioned Costs: None

Condition: The County's Housing Department is required to maintain a general depository agreement with financial institutions in which it maintains its bank accounts. The agreement is a standard form created by the U.S. Department of Housing and Urban Development (HUD) that prescribes specific requirements related to collateral, withdrawals and other provisions necessary to safeguard HUD monies.

Criteria, Cause and Effect: 24 CFR Section 982.156 and Section 19, Part A of the Annual Contributions Contract (ACC) requires that public housing authorities enter into depository agreements with their financial institution using HUD-51999 Form, *General Depository Agreement*, (OMB No. 2577-0270) or a form required by HUD in the ACC. The cause was an account with one financial institution in which the County's Housing Department did not realize that a general depository agreement was not in place. The effect is that one bank account was not covered by this agreement which potentially exposes the HUD monies to increased risk of loss.

Recommendation: We recommend that the County's Housing Department maintain general depository agreements covering its bank accounts.

**Pinal County, Arizona
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015**

2013-101 and 2014-101 - Improve the Timeliness of the Submittal of the Single Audit Reporting Package

CFDA Numbers: All federal programs

Program Titles and

Federal Agencies: All federal programs

Award Years: Various

Award Numbers: Various

Compliance Requirements Affected: Reporting

Questioned Costs: None

Condition: The County's single audit reporting package for the fiscal year ended June 30, 2013 was not submitted within nine months after the County's year-end.

Criteria, Cause and Effect: The terms of the County's federally funded grants and contracts and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations* require the submission of a single audit reporting package within nine months of the auditees' fiscal year end. The cause is primarily turnover at various levels within the organization that ultimately affected the timeliness of the financial reporting process.

The effect is the untimely submission of the single audit reporting package and related noncompliance with federal requirements.

Recommendation: We recommend that the County evaluate its staffing in light of its workload and consider the need to devote additional resources to the financial reporting process.

Status: This finding still exists (see 2015-101).

2014-003 and 2013-104 – Improve Internal Controls over Maintaining Property Records.

CFDA Number: 95.001

Program Title and Federal Agency: Executive Office of the President,

Office of National Drug Control Policy High Intensity Drug Trafficking Area Program

Pass-through Grantor: City of Tucson Police Department and Maricopa County Sheriff's Office

Pass-through Grantor Number: Various

Award Number: Various

Award Period: Various

Compliance Requirement Affected: Equipment and Real Property Management

Questioned Costs: None

Summary Schedule of Prior Audit Findings - Continued

Condition: As noted in finding 2013-02, the program responsible for administering this grant did not include a \$52K equipment purchase on its asset listing.

Criteria, Cause and Effect: Federal regulations applicable to this grant and the grant agreement itself require that the County maintain records for all property and equipment purchased with grant funding. The cause was a misunderstanding regarding the need to include this particular asset on the equipment listing. The effect is an increased risk that assets purchased with federal monies are not being properly tracked and monitored.

Recommendation: We recommend that the County improve its method for identifying property and equipment purchased with federal monies and include such purchases on the equipment and property listing.

Status: This finding was corrected.



PINAL COUNTY
wide open opportunity

June 24, 2016

Walker & Armstrong LLP
4000 North Central Avenue, #1100
Phoenix, AZ, 85012-1989

Dear Sirs:

The accompanying responses to the financial statement findings and to the federal award finding have been prepared as required by U.S. Office of Management and Budget Circular A-133 and are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's financial statement findings and Schedule of Findings and Questioned Costs. Responses have been prepared by the responsible departments or office(s) of elected officials, as identified in the respective findings.

Sincerely,

Levi D. Gibson, CPA, M.Acc., CFIP
Pinal County Finance Director



PINAL COUNTY
wide open opportunity

Responses to Financial Statement Findings

2015-001

Improve Internal Controls over Reporting of Capital Assets

Responses are shown by department/elected official below.

Department: Finance

Contact person: Levi D. Gibson, Finance Director

Anticipated Completion date: 12/31/2016

The Finance Department is committed to safeguarding the capital assets of Pinal County. In order to ensure that capital assets are safeguarded against loss and to ensure proper recording of those asset on the financial statement the Finance Department is in the process of reviewing and streamlining how capital assets are captured and included in the annual financial statements. This review should identify additional procedures and provide the basis for any updates to current policy to resolve this audit finding.

2015-002

Improve Monitoring Procedures over Bank Reconciliations

Contact person: Levi D. Gibson, Finance Director

Anticipated Completion date: 9/30/2016

The County finance department will implement procedures to obtain, on a quarterly basis the bank reconciliations and bank statements for all accounts held in the County's name. This will be reviewed by an accountant within the Finance Department for reasonableness and any issues addressed with the Department in charge of the outside bank account.



PINAL COUNTY
wide open opportunity

Responses to Federal Award Findings

2015-101

The County should improve the Timeliness of the Submittal of the Single Audit Reporting Package
CFDA No: All major federal programs
Contact Person: Levi D. Gibson, Finance Director
Anticipated Completion Date: 12/31/2016

Corrective Action: The County experienced turnover in various levels of the organization that affected the timeliness of the financial reporting process. The County will evaluate the staffing levels within the Finance Department to determine if additional resources can be dedicated to the financial reporting process.

2015-102

Improve the Tenant Files and Administration of the Waiting List (Other Auditors)
CFDA No: 14.871 Housing Choice Voucher Program – Department of Housing and Urban Development
Contact Person: Jayson Vowell – Accounting Manager Housing
Anticipated Completion Date: 12/31/2016

Corrective Action: Updates to processes are currently under way. Some of the issues have already been corrected. Any outstanding issues will be addressed by December 2016. The Authority will establish and enforce a monitoring process to ensure that personnel are complying with Authority policy and HUD regulations. Also, the Authority will provide requested documentation supporting the required information within the tenant files. The Authority will correct the waiting list issue and perform the required utility allowance reviews.

2015-103

Maintain a General Depository Agreement Covering all Housing Department Accountings
CFDA No: 14.850, 14.871 Public and Indian Housing and Section 8 Housing Choice Voucher Program
Contact Person: Jayson Vowell – Accounting Manager Housing
Anticipated Completion Date: 12/31/2016

Corrective Action: This is in process and should be completed by December 31, 2016. Staff will contact the financial institution that has an executed General Depository Agreement and set up a new account for the tenant's security deposits. Staff will close the account in question and deposit funds to the new account. Staff will ask the financial institution to sign and updated General Depository Agreement that includes the new account number for the tenant security deposits.