

## Pinal County

### Annual financial statement and compliance audits

The County’s fiscal year 2023 reported financial information is reliable. However, the County’s auditors reported deficiencies and noncompliance over financial reporting and federal programs, summarized on the next page.<sup>1</sup>

#### Audits’ purpose

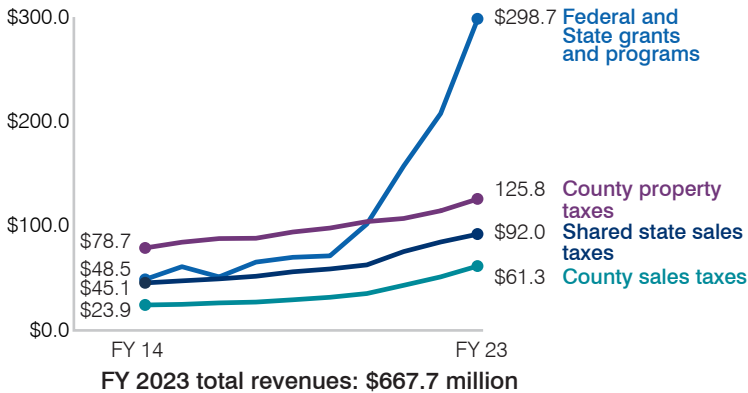
To express opinions on the County’s financial statements and on compliance with certain federal requirements and, if applicable, to report findings over noncompliance with certain laws and regulations or other financial deficiencies.

#### Primary revenue sources and how they were spent

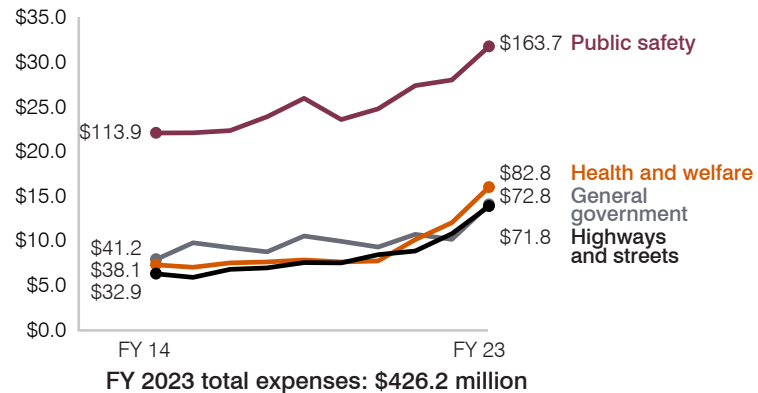
##### Fiscal years (FY) 2014 through 2023

(In millions)

##### Primary revenue sources



##### Primary expense purposes



Source: Auditor General staff summary of information obtained from the County’s financial statements.

#### Largest primary revenue sources FY 2023

- **Federal and State grants and programs 44.7%**—Includes federal and State government grants and programs awarded as assistance to the County and its residents, including highway user tax revenues for authorized transportation purposes. This balance has increased in recent years due to increases in federal funding for the Emergency Rental Assistance Program, American Rescue Plan Act (ARPA), National Infrastructure (Build) Grant, as well as other State and federal operating grants.
- **County property taxes 18.8%**—Levied and collected from property owners based on the assessed value of real and personal property within the County.

#### Largest primary expense purposes FY 2023

- **Public safety 38.4%**—Costs for protecting the County’s persons and property with the largest portion for County jail operations, County Sheriff’s office services, probation services, and Flood Control District operations.
- **Health and welfare 19.4%**—Public assistance and institutional care for individuals who are economically unable to provide for themselves, including required State shared sales taxes withheld for Arizona’s long-term care system.

#### County’s net position increased in FY 2023

County revenues were \$241.5 million greater than its expenses, increasing total net position to \$983.0 million at June 30, 2023. Net position includes all assets, such as buildings, vehicles, and cash and investments, less all liabilities, such as unpaid pension and other payroll obligations, long-term debt, and accounts payable. None of this net position is unrestricted, meaning some is not in spendable form, and the rest is restricted by external parties.

<sup>1</sup> The certified public accounting firm Walker & Armstrong, LLP conducted these audits under contract with the Arizona Auditor General in accordance with Arizona Revised Statutes §41-1279.21.

## Auditor findings and recommendations

The County's auditors reported several findings and recommendations that are included in the County's [Single Audit Report](#), where there is further information and the County's responses. Some of these findings and recommendations are summarized below. The County needs to devote appropriate resources and implement policies and procedures to:

- Develop and update policies and procedures over information technology (IT). The County's auditors noted that the County does not have comprehensive IT policies and procedures over risk management, logical access, change and configuration management, contingency planning, and security of significant systems and data. Not having robust IT policies and procedures results in a heightened risk of security breaches and potential loss of County data.
- Reconcile all cash accounts monthly and investigate and resolve unreconciled differences in a timely manner. The County's auditors reported that the County had not reconciled its payroll bank account since July 2016. Further, during fiscal year 2023, the County identified additional education service departments that should be included in County's financial statements, including \$3,196,453 in cash and investments, \$3,370,329 in revenues, and \$3,037,113 in expenditures. Also, the County did not accurately identify the available revenues on a fund basis, resulting in necessary adjustments at the fund-based level of reporting to properly reflect available versus unavailable revenues. A similar finding was reported in prior years.
- Perform year-end closing and financial statement preparation procedures so that it can meet its annual financial and federal reporting deadlines and provide its Board of Supervisors with timely, accurate, and complete financial information for decision making purposes. The County's auditors reported that the County was unable to meet its financial and federal reporting deadlines and could not provide critical information to the Board of Supervisors because the County did not devote sufficient resources to financial reporting for the size of the organization. A similar finding was reported in prior years.
- Record revenues and accrue receivables in the correct fiscal year by identifying when the County has earned the revenues it collects based on its review of court and other departments' records, rather than based on assumption. A similar finding was reported in prior years.
- Improve controls over its Housing Voucher Cluster of federal programs that include a process for identifying and monitoring compliance with various program requirements, including properly calculating and reporting restricted net position. If these deficiencies are not corrected, the County could be at risk of losing future federal funding. Similar findings were reported in prior years.

## Auditor General website report links

- The June 30, 2023, Pinal County Annual Comprehensive Financial Report and Single Audit Report that are summarized in these highlights can be found at this [link](#). These reports should be read to fully understand the County's overall financial picture and the County auditors' reporting responsibilities.
- The County's reports from prior years are available at this [link](#).
- For help in understanding important information presented in these reports, please refer to our user guides at the following links:
  - [Financial Report User Guide for State and Local Governments](#).
  - [Internal Control and Compliance Reports User Guide](#).