

Pinal County, Arizona
Single Audit Reporting Package

Year ended June 30, 2023

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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 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, 2023, and the related notes to the financial statements, which collectively comprise Pinal County's basic financial statements, and have issued our report thereon dated January 28, 2025. Our report includes a reference to other auditors who audited the financial statements of the Pinal County Housing Authority and the Pinal County Health Benefits Trust, 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.

Report on 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-006 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 2023-001 through 2023-005 to be significant deficiencies.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on Pinal County's responses to the findings identified in our audit that 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 other 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
January 28, 2025

**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

Opinion on Each Major Federal Program

We have audited Pinal County, Arizona's (Pinal County) compliance with the types of compliance requirements identified as subject to audit 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, 2023, except for the Housing Voucher Cluster (FAL No. 14.871) administered by the Pinal County Housing Authority. 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.

In our opinion, based on our audit and the report of the other auditors, Pinal County complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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 U.S. Comptroller General, 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). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of Pinal County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pinal County's compliance with the compliance requirements referred to above.

Management's Responsibilities for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Pinal County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pinal County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pinal County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pinal County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pinal County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Pinal County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures and those of the other auditors disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described as items 2023-101 through 2023-103 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

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we and the report of the other auditors 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. The other auditors considered the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-102 and 2023-103 to be material weaknesses.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-101 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Government Auditing Standards requires the auditor to perform limited procedures on Pinal County's responses to the noncompliance and internal control over compliance findings that 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 other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

We have audited the financial statements of Pinal County's governmental activities, business-type activities, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Pinal County's basic financial statements. We issued our report thereon dated January 28, 2025, which contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. Our audit was performed 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
January 28, 2025

Schedule of Findings and Questioned Costs

Pinal County, Arizona
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

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

Is a going concern emphasis-of-matter paragraph included in the auditors' report?

	X
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Internal Control over Financial Reporting

Material weaknesses identified?

	X
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Significant deficiencies identified?

	X
--	---

Noncompliance material to the financial statements noted?

	X
--	---

Federal Awards

Material weaknesses identified?

	X
--	---

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
10.923	Emergency Watershed Protection Program
14.239	Home Investment Partnerships Program
	<i>Housing Voucher Cluster:</i>
14.871*	Section 8 Housing Choice Vouchers
20.106	COVID-19 - Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
20.106	Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
20.933	National Infrastructure Investment
21.023	COVID19 - Emergency Rental Assistance Program
21.027	COVID19 - Coronavirus State and Local Fiscal Recovery Funds
97.067	Homeland Security Grant Program

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

	\$ 2,855,692
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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 2023-001 – Cash Reconciliation (Significant Deficiency) (Repeat Finding)

Condition and Context - The County has a payroll bank account that has not been fully reconciled since July 2016, which left a surplus of funds related to payroll related expenditures in which Pinal County has not determined the source.

Effect - The effect is potential material corrections to cash for unreconciled accounts. 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 - Pinal County has limited resources and did not accurately perform reconciliations between cash reported at the Treasurer and the general ledger.

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

Repeat Finding - This finding is similar to prior year finding 2022-002.

Recommendation - We recommend Pinal County finance personnel implement policies and procedures to reconcile all cash accounts on a monthly basis.

Views of Responsible Officials - See Pinal County's corrective action plan.

Finding 2023-002 – Receivables (Significant Deficiency) (Repeat Finding)

Condition and Context - Pinal 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, Pinal 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.

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

Cause - Pinal County Office of Budget and Finance does not have access to the financial system in which the revenues are received. Therefore they have not been able to determine a mechanism that identifies which revenues received should be accrued to the prior year.

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

Repeat Finding - This finding is similar to prior year finding 2022-003.

Schedule of Findings and Questioned Costs - Continued

Finding 2023-002 – Receivables (Significant Deficiency) (Repeat Finding) – Continued

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

Views of Responsible Officials - See Pinal County's corrective action plan.

Finding 2023-003 – Improve the Timing and Effectiveness of Financial Reporting (Significant Deficiency)(Repeat Finding)

Condition and Context - Pinal County is a rapidly growing county and economic estimates suggest that the population and economic growth will continue based on Pinal County's strategic location and its ability to attract large employers. With such growth, it is critical to continuously evaluate whether Pinal County's support services are sufficient.

For several years, Pinal County has missed critical reporting deadlines. This includes providing audited financial statements to the Arizona Office of the Auditor General and the single audit reporting package to the Federal Single Audit Clearinghouse within nine months following the fiscal year-end.

In addition, while Pinal County has met its statutory reporting requirements to the Board of Supervisors, the information provided is limited to cash and investments held by Pinal County's Treasurer, budgetary comparison information and certain financial information necessary for the Board to make specific decisions. And while monthly budgetary comparisons are provided to the Board, meetings are not held to discuss the information provided. Such dialogue does not begin until December following the fiscal year-end when Pinal County is preparing for the next year's budget. Furthermore, information regarding assets such as non-Treasurer's cash and investments, receivables, capital assets, and liabilities such as bonds and certain pension related liabilities are typically not reported on until the audit is completed which is often more than 12 months after year-end. Strong governance necessitates not only receiving timely, accurate and complete financial information but also having active dialogue between management and the board regarding this information. During November 2023, the County reported quarterly financial information for the first quarter ended September 30, 2023, however, no other quarterly reports were provided to the board.

The above conditions suggest that Pinal County's resources devoted to financial reporting are inadequate for its accounting and reporting needs.

Effect - The effect is that critical deadlines are being missed and the Board of Supervisors may not be sufficiently informed in a timely manner to make decisions.

Cause - Pinal County's resources devoted to financial reporting are insufficient for the size of the organization.

Criteria - The state of Arizona, Office of the Auditor General and Title 2 CFR Part §200.512 requires receipt of the audited financial statements and the single audit reports no later than nine months after the year-end.

Schedule of Findings and Questioned Costs - Continued

Finding 2023-003 – Improve the Timing and Effectiveness of Financial Reporting (Significant Deficiency) (Repeat Finding) – Continued

In addition, 2 CFR §200.303, *Internal Controls*, requires that non-federal entities establish and maintain effective internal control over the Federal awards. These internal controls should follow guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

This guidance includes internal controls related to information and communication which encompasses governance receiving timely, meaningful, and accurate information pertaining to Pinal County’s financial results and having active dialogue about the financial information.

Repeat Finding - This finding is similar to prior year finding 2022-004.

Recommendation - We recommend that Pinal County (1) devote the necessary resources to the finance department to adequately perform monthly and annual financial closes and (2) evaluate the sufficiency of the communication of financial information to the Board. At a minimum, the finance department should present quarterly financial information to the Board that includes (a) budget versus actual results and (b) preferably quarterly but no later than 120 days of year-end present information regarding cash and investments including those accounts held outside of the Treasurer’s Office, outstanding receivables, payables, capital assets and long-term liabilities including pension obligations.

Views of Responsible Officials - See Pinal County’s corrective action plan.

Finding 2023-004 – Perform a Comprehensive Risk Assessment over Information Technology and Create Policies and Procedures (Significant Deficiency)

Condition - During our audit, opportunities exist for Pinal County to improve its internal control over information technology. Specifically, Pinal County should perform and document a risk assessment and develop corresponding policies and procedures over the following information technology areas:

Security Policy Areas	
Security awareness and training	Password and creation
Change management	Access authorization including multi-factor authentication
Back-up and recovery	Data classification, inventorying, retention, and encryption
Vendor management	Contingency planning

Schedule of Findings and Questioned Costs - Continued

Finding 2023-004 – Perform a Comprehensive Risk Assessment over Information Technology and Create Policies and Procedures (Significant Deficiency) – Continued

Effect - The effect of not performing a comprehensive risk assessment over information technology and developing policies and procedures in response to the identified risks is an increased risk of security breaches and a possible loss of Pinal County data.

Cause - The cause is insufficient processes, policies and procedures and other resources devoted to information technology security.

Criteria - The National Institute of Standards and Technology (NIST) provides guidance on establishing and maintaining policies and procedures, known as the NIST IT framework. In NIST SP 500-53, NIST provides guidance on establishing and maintaining a comprehensive risk assessment.

Recommendation - We recommend that Pinal County perform a comprehensive risk assessment over critical information technology security areas and develop policies and procedures in response to the identified risk. We also recommend that Pinal County implement a process of reviewing compliance with the policy on an annual basis and reporting the results to the County Manager and the Board of Supervisors.

Finding 2023-005 – Improve Information Technology Policies and Procedures Over Granting and Managing Access to Significant Systems and Data, Change and Configuration Management, Securing the System and Data, and Continuity Planning (Significant Deficiency)

Condition - Pinal County's internal control over information technology does not follow the practices set forth by NIST in the following areas:

1. Granting and Managing Access to Significant Systems and Data
 - i. Pinal County lacked sufficient logical access controls over significant systems and data.
 - ii. Pinal County did not perform a review of users with physical access to information technology infrastructure.
2. Change and Configuration Management
 - i. Pinal County lacked documentation of testing of major changes to their IT systems.
3. Securing the System and Data
 - i. Pinal County lacked proper review of administrative accounts to determine if access is still required.
 - ii. Pinal County lacked proper review of service vendor organization controls as they relate to the security of Pinal County data.

Schedule of Findings and Questioned Costs - Continued

Finding 2023-005 – Improve Information Technology Policies and Procedures Over Granting and Managing Access to Significant Systems and Data, Change and Configuration Management, Securing the System and Data, and Continuity Planning (Significant Deficiency) – Continued

4. Contingency Planning

- i. Pinal County lacks a formal disaster recovery and contingency plan.
- ii. Pinal County does not routinely test backed-up data to ensure data is usable.

Effect - Insufficient logical and physical access controls pose a heightened cyber-security risk due to unauthorized access to significant systems and data.

The lack of logical access controls for change and configuration management elevates the risk of unauthorized changes to essential systems and data.

The lack of a review of service vendor organization controls in relation to Pinal County data security increases the risk of regulatory noncompliance and jeopardizes data security.

The effect of not testing data backups increases the risk of being susceptible to loss of confidential information and increased recovery times.

Cause - The cause is outdated policies and procedures and insufficient resources devoted to information technology security.

Criteria - The National Institute of Standards and Technology (NIST) provides guidance on establishing and maintaining policies and procedures, known as the NIST IT framework.

Recommendation - We recommend that Pinal County:

1. Implement policies and procedures for the security of sensitive data and determine that users have the proper training and accountability to reduce the risk of unauthorized access to significant systems. Pinal County should assign and periodically review employee user access to determine appropriateness and compatibility with their job responsibilities and determine whether the employees have the correct access privileges.
2. Implement a routine review of physical access rights to IT infrastructure to assess whether access is appropriate and necessary.
3. Establish an additional step to retain documentation of testing completed of major changes to the IT system.
4. Establish a process to review administrative accounts to determine if administrative access is still required for each user.
5. Establish a process for determining that third-party data hosts have the necessary information technology internal controls in place including whether a service organization audit is performed.
6. Establish policies and procedures to test the encrypted backups to determine if data is usable.
7. Develop and implement a disaster recovery and contingency plan in accordance with recommended industry standards.

Schedule of Findings and Questioned Costs - Continued

Finding 2023-006 – Improve Internal Controls over Account Reconciliations (Material Weakness)

Condition and Context - During 2023, the County identified additional departments of the education services that should be included in the 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 and the accounting records required an adjustment to properly report the revenues and unavailable revenues. These adjustments were made as a result of audit procedures.

Effect - The effect is a correction to cash, receivables, revenues and expenditures. In addition, the errors delayed the completion of the annual audit.

Cause - Pinal County has limited resources and did not accurately identify all departments under the County or all available revenues.

Criteria - Generally accepted accounting principles and the Uniform Accounting Manual for Arizona Counties (UAMAC) requires counties to reconcile their general ledger accounts monthly, including cash, receivables, revenues and expenditures.

Recommendation - We recommend Pinal County finance personnel implement policies and procedures to identify all departments of the County that should be reported within the County's financial statements. We also recommend the County review all accounts receivable to determine the availability of the revenues for proper financial reporting.

Views of Responsible Officials - See Pinal County's corrective action plan.

C. Federal Award Program Findings

Finding 2023-101 – Improve the Timeliness of Filing the Annual Audit (Significant Deficiency) (Repeat Finding)

FAL Numbers: 10.923; 14.239; 14.871; 20.106; 20.933; 21.023; 21.027; 97.067

Program Titles: Emergency Watershed Protection Program
Home Investment Partnerships Program
Housing Voucher Cluster
COVID-19 - Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
National Infrastructure Investment
COVID-19 - Emergency Rental Assistance Program
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Homeland Security Grant Program

Schedule of Findings and Questioned Costs - Continued

Finding 2023-101 – Improve the Timeliness of Filing the Annual Audit (Significant Deficiency) (Repeat Finding) - Continued

Federal Agencies: U.S. Department of Agriculture
U.S. Department of Housing and Urban Development
U.S. Department of Transportation
U.S. Department of the Treasury
U.S. Department of Homeland Security

Pass-Through Entities: Arizona Department of Homeland Security
Arizona Administrative Office of the Courts

Award Years: 2020, 2022 and 2023

Award Numbers: 10.923: NR229457XXXXC009
14.239: M20-UC040222; B-21-UC-04-0503; M22-UC040222
14.871: N/A
20.106: 3-04-0055-001-2020; 3-04-0055-002-2020; 3-04-0080-008-2020; 3-04-0055-004-2021; 3-04-0080-009-2021; 3-04-0055-006-2022
20.933: 693JJ32040011
21.023: N/A
21.027: 221100CB01; 221100CB02
97.067: EMW-2019-SS-0002, EMW-2020-SS-00017-S01, EMW-2021-SS-00005

Compliance Requirements: Reporting

Questioned Costs: None

Condition and Context - Pinal County's single audit reporting package for the fiscal year ended June 30, 2023, was not submitted to the Federal Audit Clearinghouse by the required deadline of March 31, 2024.

Effect - The effect of the untimely submission of the single audit reporting package is noncompliance with Federal requirements.

Cause - Pinal County's staffing and expertise in some areas is not adequate to meet the accuracy and timing required.

Criteria - The terms of Pinal County's federally funded grants and contracts and the Uniform Guidance require the submission of a single audit reporting package to the Federal Audit Clearinghouse within nine months of the auditee's fiscal year end.

Repeat Finding - This finding is similar to prior year finding 2022-102.

Recommendation - We recommend that Pinal County devote the necessary resources to the accounting function to meet its reporting obligations. Doing so will improve the timeliness of Pinal County's submittal to the Federal Audit Clearinghouse.

Views of Responsible Officials - See Pinal County's corrective action plan.

Schedule of Findings and Questioned Costs - Continued

Finding 2023-102 – Inaccurate Amount on the Voucher Management System Submissions (Material Weakness) (Repeat Finding)

FAL Number: 14.871
Program Title: Housing Voucher Cluster
Federal Agency: U.S. Department of Housing and Urban Development
Pass-Through Entity: N/A
Award Year: 2023
Award Number: N/A
Compliance Requirements: Reporting
Questioned Costs: None

Condition and Context - The U.S. Department of Housing and Urban Development uses the Voucher Management System (VMS) to collect Public Housing Agency's (PHA) data that enables HUD to fund, obligate, and disburse funding. For the fiscal year, the Housing Authority did not submit the correct restricted net position amounts.

Effect - With incorrect amounts submitted in the VMS, the PHA could receive funds based on incorrect restricted net position amounts.

Cause - The Housing Authority lacked the ability to correctly calculate restricted net position amounts in the monthly VMS submission.

Criteria - According to the Voucher Management Systems (VMS) User Manual, PHA's should enter accurate amounts in the monthly VMS submissions.

Repeat Finding - This finding is similar to prior year finding 2022-104.

Recommendation - The other auditors recommended management hire and retain competent individuals to handle the monthly VMS submission.

Note - Finding noted by other auditors as finding 2023-001.

Views of Responsible Officials - See Pinal County's corrective action plan.

Schedule of Findings and Questioned Costs - Continued

Finding 2023-103 – Spending not in Compliance with Activities Allowed by the Compliance Requirements (Material Weakness) (Repeat Finding)

FAL Number: 14.871
Program Title: Housing Voucher Cluster
Federal Agency: U.S. Department of Housing and Urban Development
Pass-Through Entity: N/A
Award Year: 2023
Award Number: N/A
Compliance Requirements: Activities Allowed or Unallowed
Questioned Costs: None

Condition and Context - As of June 30, 2023, the restricted cash for the housing program does not exceed the ending housing assistance payment (HAP) restricted net position.

Effect - The Housing Authority was not in compliance with the activities allowed by the Housing Voucher program.

Cause - The Authority lacked the ability to correctly manage HAP funding by properly reporting the restricted net position.

Criteria - 24 CFR §886.309, *Housing assistance payment to owners*, Public Housing Agency's may use housing funds only for HAP participating owners. Furthermore, the current year HAP funding must be used for current year HAP expenses. The PHA's restricted net position provides the balance in future years of the prior unspent funding.

Repeat Finding - This finding is similar to prior year finding 2022-105.

Recommendation - The other auditors recommended management hire and retain competent individuals to calculate the restricted net position, HAP reserves and properly manage spending of funds.

Note - Finding noted by other auditors as finding 2023-002.

Views of Responsible Officials - See Pinal County's corrective action plan.

County's Section

Pinal County, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Program Title/Pass-Through Grantor	Federal Assistance Listings Number	Pass-Through Grantor's Number(s)	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	ED09-0001	\$ 59,463	\$ -
National School Lunch Program	10.555	ED09-0001	<u>175,050</u>	<u>-</u>
<i>Total Child Nutrition Cluster</i>			234,513	-
<i>Passed through the Arizona Department of Health Services</i>				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ADHS19-207422 CTR040850	1,362,551	-
Schools and Roads - Grants to States	10.665	N/A	95,384	
Law Enforcement Agreements	10.704	N/A	14,515	-
Emergency Watershed Protection Program	10.923	N/A	<u>6,753,596</u>	<u>6,618,524</u>
<i>Total U.S. Department of Agriculture</i>			8,365,175	6,618,524
<u>U.S. Department of Defense</u>				
Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies	12.610	N/A	<u>204,592</u>	<u>-</u>
<i>Total U.S. Department of Defense</i>			204,592	-
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant / Entitlement Grants	14.218	N/A	2,727,687	585,227
Emergency Solutions Grant Program	14.231	N/A	87,659	-
Home Investment Partnerships Program	14.239	N/A	1,381,067	613,853
<i>Passed through the Arizona Department of Housing</i>				
Continuum of Care Program	14.267	536-23 522-22	13,700	-
Public Housing Operating Fund	14.850	N/A	692,841	- *
Resident Opportunity and Supportive Service Coordinators	14.870	N/A	93,081	- *
<i>Housing Voucher Cluster:</i>				
Section 8 Housing Choice Vouchers	14.871	N/A	<u>7,198,458</u>	<u>- *</u>
<i>Total Housing Voucher Cluster</i>			7,198,458	-
Public Housing Capital Fund	14.872	N/A	<u>562,477</u>	<u>- *</u>
<i>Total U.S. Department of Housing and Urban Development</i>			12,756,970	1,199,080
<u>U.S. Department of Interior</u>				
<i>Passed through the Arizona Sports and Tourism Authority</i>				
Outdoor Recreation Acquisition Development and Planning	15.916	014-00750	<u>1,437,541</u>	<u>-</u>
<i>Total U.S. Department of Interior</i>			1,437,541	-
<u>U.S. Department of Justice</u>				
DEA Task Force	16.U01	N/A	11,788	-
<i>Passed through the City of Phoenix Police Department</i>				
FBI Phoenix Transnational Organized Crime Task Force	16.U02	281-PX-C3507760	11,737	-

*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, 2023

Federal Grantor/Program Title/Pass-Through Grantor	Federal Assistance Listings Number	Pass-Through Grantor's Number(s)	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Justice - Continued</u>				
USMS Sex Offender (Short-Term Joint Operation)	16.U03	N/A	\$ 13,476	\$ -
<i>Passed through the Arizona Criminal Justice Commission</i>				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	ACESF-21-042 ACESF-21-043	74,893	-
National Criminal History Improvement Program (NCHIP)	16.554	NCHIP-20-22-003 NCHIP-20-22-004	175,855	-
<i>Passed through the Arizona Department of Public Safety</i>				
Crime Victim Assistance	16.575	2018-V2-GX-0012 2020-188 2020-189 2020-190 2020-191 2020-193 2019-V2-GX-0041	470,607	-
<i>Passed through the Arizona Criminal Justice Commission</i>				
Crime Victim Compensation Program - ARPA Funds	16.576	VC-23-012	88,000	-
<i>Passed through the National Association of VOCA Assistance Administration</i>				
Crime Victim Assistance - Discretionary Grants	16.582	CAP 23-1242	4,767	-
<i>Passed through the Pinal County Drug Court Enhancement</i>				
Drug Court Discretionary Grant Program	16.585	2019-DC-BX-0039	39,291	-
<i>Passed through the Governor's Office for Children, Youth, and Families</i>				
Violence Against Women Formula Grants	16.588	ST-WSG-20-1010121-16Y2	19,585	-
<i>Passed through the Arizona Criminal Justice Commission</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-23-010 CJI-22-001 DC-23-031	220,557	-
Justice Reinvestment Initiative	16.827	N/A	268,372	-
<i>Passed through National Children's Alliance</i>				
Victims of Child Abuse Act Training and Technical Assistance for Child Abuse Professionals	16.758	FLOR-AZ-EQUIP22 FLOR-AZ-PDR22	40,424	-
Domestic Trafficking Victim Program	16.834	SANT-AZ-DTVF23	5,810	-
<i>Total U.S. Department of Justice</i>			1,445,162	-
<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	DI19-002206	1,499,430	1,344,250
WIOA Youth Program	17.259	DI19-002206	896,219	754,456
WIOA Dislocated Worker Program	17.278	DI19-002206	618,707	384,024
<i>Total WIOA Cluster</i>			3,014,356	2,482,730
<i>Total U.S. Department of Labor</i>			3,014,356	2,482,730

The accompanying notes are an integral part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2023

Federal Grantor/Program Title/Pass-Through Grantor	Federal Assistance Listings Number	Pass-Through Grantor's Number(s)	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Transportation</u>				
COVID-19 - Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	N/A	\$ 55,388	\$ -
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	N/A	5,496,855	-
<i>Total FAL 20.106</i>			5,552,243	-
<i>Passed through Arizona Governor's Office of Highway Safety</i>				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600	2023-PTS-048 2022-PTS-051 2022-PTS-079	167,859	-
National Priority Safety Programs	20.616	2022-405d-038 2022-405c-007 2023-CIOT-020 2023-405D-034	352,024	-
<i>Total Highway Safety Cluster</i>			519,883	-
National Infrastructure Investment	20.933	N/A	12,299,689	-
<i>Total U.S. Department of Transportation</i>			18,371,815	-
<u>U.S. Department of the Treasury</u>				
COVID-19 - Emergency Rental Assistance Program	21.023	N/A	28,560,580	28,489,000
<i>Passed through Arizona Administrative Office of the Courts</i>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	221100CB01 221100CB02	124,034	-
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	12,627,578	1,032,197
<i>Total FAL 21.027</i>			12,751,612	1,032,197
<i>Total U.S. Department of the Treasury</i>			41,312,192	29,521,197
<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	117,037	-
Performance Partnership Grants	66.605	ADEQ-18-179166	192,248	-
<i>Total Environmental Protection Agency</i>			309,285	-
<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	22FT1TTI-211475-01A	118,973	-
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A	22FLCCC-213321-02A	40,264	-
<i>Special Education Cluster (IDEA):</i>				
COVID-19 - Special Education Grants to States	84.027	23FARPIB-311475-01A	7,207	-
Special Education Grants to States	84.027	22FESCBG-211475-09A	53,661	-
<i>Total FAL 84.027</i>			60,868	-

The accompanying notes are an integral part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2023

Federal Grantor/Program Title/Pass-Through Grantor	Federal Assistance Listings Number	Pass-Through Grantor's Number(s)	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Education - Continued</u>				
<i>Passed through the Arizona Department of Education</i>				
<i>Special Education Cluster (IDEA) - Continued:</i>				
Special Education Preschool Grants	84.173	23FECCBP-311475-37A	\$ 2,647	\$ -
COVID-19 - Special Education Preschool Grants	84.173X	23FARPIP-311475-01A	571	-
<i>Total Special Education Cluster (IDEA)</i>			64,086	-
Rural Education	84.358A	None	21,111	-
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	22FTIRLC-211475-04A	10,684	-
School Improvement Grants	84.377A	22FT1TII-211475-03A	35,444	-
COVID-19 - Education Stabilization Fund	84.425D	21FEIINT-113321-01A	58,915	-
COVID-19 - Education Stabilization Fund	84.425U	21FESIII-111475-01A	93,359	-
<i>Total U.S. Department of Education</i>			442,836	-
<u>U.S. Election Assistance Commission</u>				
<i>Passed through the Arizona Secretary of State, State of Arizona</i>				
HAVA Election Security Grant	90.404	AZ20101001	152,871	-
<i>Total U.S. Election Assistance Commission</i>			152,871	-
<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	515,818	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	ASHS18-188132 CTR038385-2	83,723	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	ASHS18-180024	253,141	-
<i>Passed through the Arizona Family Planning Council</i>				
Family Planning Services	93.217	RFGA2022-004-01	496,915	-
<i>Passed through the Arizona Department of Health Service</i>				
COVID-19 - Immunization Cooperative Agreements	93.268	ADHS18-177686 CTR037846	300,490	-
COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	CTR 057422 CTR 057224	938,725	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	CTR 055218	273,929	-
Activities to Support State, Tribal, Local and Territorial Health Department Response to Public Health or Healthcare Crises	93.391	CTR 055999	70,861	-
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	N/A	10,302	-
<i>Passed through the Arizona Department of Economic Security</i>				
Child Support Enforcement	93.563	G1804AZ4004 DI18-002173	459,126	-
Grants to States for Access and Visitation Programs	93.597	DI16-002151	26,526	-
<i>Passed through the Arizona Association of Counties</i>				
Foster Care Title IV-E	93.658	SC010-20	200,407	-

The accompanying notes are an integral part of this schedule.

Pinal County, Arizona
Schedule of Expenditures of Federal Awards - Continued
Year Ended June 30, 2023

Federal Grantor/Program Title/Pass-Through Grantor	Federal Assistance Listings Number	Pass-Through Grantor's Number(s)	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Health and Human Services - Continued</u>				
<i>Passed through the Arizona Department of Health Service</i>				
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	CTR059650	\$ 299,245	\$ -
HIV Prevention Activities - Health Department Based	93.940	ADHS18-188826	17,072	-
<i>Passed through the Arizona Department of Health Service</i>				
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	CTR043556	71,974	-
Maternal and Child Health Services Block Grant to States	93.994	IGA2020-043 CTR055262	134,633	-
<i>Total U.S. Department of Health and Human Services</i>			4,152,887	-
<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-20-2945A HT-21-2945A HT-22-2945A	165,038	-
<i>Total Executive Office of the President</i>			165,038	-
<u>U.S. Department of Homeland Security</u>				
Cyber Fraud Task Force	97.U01	N/A	799	-
<i>Passed through the Arizona Department of Emergency and Military Affairs</i>				
Emergency Management Performance Grant (EMPG)	97.042	EMF-2021-EP-00016-S01/18	254,085	-
<i>Passed through the Arizona Department of Homeland Security</i>				
Homeland Security Grant Program	97.067	EMW-2019-SS-0002 EMW-2020-SS-00017-S01 EMW-2021-SS-00005	2,903,294	-
<i>Total U.S. Department of Homeland Security</i>			3,158,178	-
Total expenditures of federal awards			\$ 95,288,898	\$ 39,821,531

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, 2023

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, 2023. 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 – 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 3 – Federal Assistance Listings Number

The program titles and Federal Assistance Listings (FAL) numbers were obtained from the federal or pass-through grantor or the 2023 *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 letter "U" followed by a two digit number to identify one or more federal awards from the same federal agency was used.

Note 4 – Indirect Cost Rate

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



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 our responsible officials' views, the names of the contract people 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 2023-001 – Cash Reconciliation (Significant Deficiency) (Repeat Finding)

Condition and Context: The County has a payroll bank account that has not been fully reconciled since July 2016, which left a surplus of funds related to payroll related expenditures in which Pinal County has not determined the source.

Recommendation: The auditors recommended Pinal County finance personnel implement policies and procedures to reconcile all cash accounts on a monthly basis.

Contact Name: Randee Stinson, Accounting and Reporting Manager

Corrective Action Planned: An additional staff member has been hired to focus on the reconciliation of the payroll bank account on a monthly basis. In order to reconcile monthly, the staff member has been identifying the variances between payments and deposits in the payroll bank account. The staff member has been working on finding documentation or reports from our financial system to resolve the variances in the current fiscal year and will work toward reconciling previous months back to July 2016. This will take a considerable amount of time as the payroll process is complex and has changed over the years.

Anticipated Completion Date: June 30, 2026

Corrective Action Plan – Continued

Finding 2023-002 – Receivables (Significant Deficiency) (Repeat Finding)

Condition and Context: Pinal 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, Pinal 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 Pinal County finance personnel implement policies and procedures to properly identify when Pinal County was entitled to or earned the revenue and record the revenue in the correct period.

Contact Name: Randee Stinson, Accounting and Reporting Manager

Corrective Action Planned: The Office of Budget and Finance will review, identify, and evaluate current technology, reports, processes and procedures relating to accounts receivables and recordation with entities that do not utilize the countywide financial system. This will include working with departments to ensure that they notify the Office of Budget and Finance of any and all receivables by providing documentation as to when revenues are earned.

Included in the fiscal year 2023 – 2024 budget is the addition of a Judicial Administrative unit. This new unit within the Justice Courts will serve as a point of contact between the Office of Budget and Finance and the State. The two departments will be working together to identify a mechanism to identify the appropriate revenues to accrue.

Anticipated Completion Date: June 30, 2025

Finding 2023-003 – Improve the Timing and Effectiveness of Financial Reporting (Significant Deficiency)(Repeat Finding)

Condition and Context: Pinal County is a rapidly growing county and economic estimates suggest that the population and economic growth will continue based on Pinal County's strategic location and its ability to attract large employers. With such growth, it is critical to continuously evaluate whether Pinal County's support services are sufficient.

For several years, Pinal County has missed critical reporting deadlines. This includes providing audited financial statements to the Arizona Office of the Auditor General and the single audit reporting package to the Federal Single Audit Clearinghouse within nine months following the fiscal year-end.

In addition, while Pinal County has met its statutory reporting requirements to the Board of Supervisors, the information provided is limited to cash and investments held by Pinal County's Treasurer, budgetary comparison information and certain financial information necessary for the Board to make specific decisions.

Corrective Action Plan – Continued

Finding 2023-003 – Improve the Timing and Effectiveness of Financial Reporting **(Significant Deficiency)(Repeat Finding) - Continued**

And while monthly budgetary comparisons are provided to the Board, meetings are not held to discuss the information provided. Such dialogue does not begin until December following the fiscal year-end when Pinal County is preparing for the next year's budget. Furthermore, information regarding assets such as non-Treasurer's cash and investments, receivables, capital assets, and liabilities such as bonds and certain pension related liabilities are typically not reported on until the audit is completed which is often more than 12 months after year-end. Strong governance necessitates not only receiving timely, accurate and complete financial information but also having active dialogue between management and the board regarding this information. During November 2023, the County reported quarterly financial information for the first quarter ended September 30, 2023, however, no other quarterly reports were provided to the board.

The above conditions suggest that Pinal County's resources devoted to financial reporting are inadequate for its accounting and reporting needs.

Recommendation: The auditors recommended that Pinal County (1) devote the necessary resources to the finance department to adequately perform monthly and annual financial closes and (2) evaluate the sufficiency of the communication of financial information to the Board. At a minimum, the finance department should present quarterly financial information to the Board that includes (a) budget versus actual results and (b) preferably quarterly but no later than 120 days of year-end present information regarding cash and investments including those accounts held outside of the Treasurer's Office, outstanding receivables, payables, capital assets and long-term liabilities including pension obligations.

Contact Name: Angeline Woods, Director Office of Budget and Finance

Corrective Action Planned: Historically, the Office of Budget and Finance has completed all reconciliations, corrections, monthly and year-end financial close processes centrally even though there was not adequate resources available to complete these tasks timely. County departments were not expected, and did not have the training and resources needed, to complete their accounting work correctly or complete reconciliations timely.

In the last two years, the focus has been on educating, training, and providing tools for departments to accurately record and reconcile the general ledger for the purpose of financial reporting. This has had the effect of increasing the resources available to perform the financial reporting. Additionally it has had the effect of producing a more accurate financial report, even though it has taken longer to complete.

Corrective Action Plan – Continued

Finding 2023-003 – Improve the Timing and Effectiveness of Financial Reporting (Significant Deficiency)(Repeat Finding) - Continued

Some of the tools and resources that have been implemented include:

1. Utilizing outside accounting services to enhance the accounting and reporting team.
2. Adding additional accountants to the accounting and reporting team.
3. Creating a grants policy that requires monthly reconciliation for all grants.
4. Creating a position of grants manager to monitor and standardize grant compliance.
5. Monthly meetings with departments specifically discussing grant compliance and reconciliation.
6. Departmental education and training. This includes adding additional resources to educate newly hired staff members that have limited experience with governmental accounting.
7. Creation of a year-end closing check list.
8. Creation of a timeline to identify when closing tasks need to be completed in order to report timely.
9. Communication between the central accounting team and department leadership occurs to educate, inform and follow-up on closing tasks with the purpose of holding those responsible for the completion of tasks accountable.
10. Job duties and classifications for central accounting positions were reviewed and updated to ensure the proper level of expertise is assigned to the work.
11. Constant communication with management to ensure improvement and support is optimal.

With the implementation of additional staff, these tools and resources, the Office of Budget and Finance realizes that continued collaboration with county departments will need to occur until a timely financial report will be achieved.

Furthermore, the Office of Budget and Finance will work with the County Manager's office to formalize a manner in which financial information will be communicated to the Board of Supervisors to aid in the effectiveness of financial reporting.

Anticipated Completion Date: June 30, 2026

Finding 2023-004 – Perform a Comprehensive Risk Assessment over Information Technology and Create Policies and Procedures (Significant Deficiency)

Condition: During our audit, opportunities exist for Pinal County to improve its internal control over information technology. Specifically, Pinal County should perform and document a risk assessment and develop corresponding policies and procedures over certain information technology areas.

Corrective Action Plan – Continued

Finding 2023-004 – Perform a Comprehensive Risk Assessment over Information Technology and Create Policies and Procedures (Significant Deficiency) – Continued

Recommendation: The auditors recommended that Pinal County perform a comprehensive risk assessment over critical information technology security areas and develop policies and procedures in response to the identified risk. The auditors also recommended that Pinal County implement a process of reviewing compliance with the policy on an annual basis and reporting the results to the County Manager and the Board of Supervisors.

Contact Name: Jason Cantrell, Deputy Director IT

Corrective Action Planned: While Pinal County IT does have a number of Risk Assessments performed by various agencies including AZDHS, and CISA, we have not performed a full Comprehensive Risk Assessment. The County will develop a Statement of Work for a comprehensive risk assessment and budget accordingly to complete this assessment with our partner vendors.

Anticipated Completion Date: June 30, 2025

Finding 2023-005 – Improve Information Technology Policies and Procedures Over Granting and Managing Access to Significant Systems and Data, Change and Configuration Management, Securing the System and Data, and Contingency Planning (Significant Deficiency)

Condition: Pinal County’s internal control over information technology does not follow the practices set forth by NIST in the following areas:

1. Granting and Managing Access to Significant Systems and Data
 - i. Pinal County lacked sufficient logical access controls over significant systems and data.
 - ii. Pinal County did not perform a review of users with physical access to information technology infrastructure.
2. Change and Configuration Management
 - i. Pinal County lacked documentation of testing of major changes to their IT systems.
3. Securing the System and Data
 - i. Pinal County lacked proper review of administrative accounts to determine if access is still required .
 - ii. Pinal County lacked proper review of service vendor organization controls as they relate to the security of Pinal County data.
4. Contingency Planning
 - i. Pinal County lacks a formal disaster recovery and contingency plan.
 - ii. Pinal County does not test backed-up data to ensure data is usable.

Corrective Action Plan – Continued

Finding 2023-005 – Improve Information Technology Policies and Procedures Over Granting and Managing Access to Significant Systems and Data, Change and Configuration Management, Securing the System and Data, and Contingency Planning (Significant Deficiency) – Continued

Recommendation: The auditors recommended that Pinal County:

1. Implement policies and procedures for the security of sensitive data and determine that users have the proper training and accountability to reduce the risk of unauthorized access to significant systems. Pinal County should assign and periodically review employee user access to determine appropriateness and compatibility with their job responsibilities and determine whether the employees have the correct access privileges.
2. Implement a routine review of physical access rights to IT infrastructure to assess whether access is appropriate and necessary.
3. Establish an additional step to retain documentation of testing completed of major changes to the IT system.
4. Establish a process to review administrative accounts to determine if administrative access is still required for each user.
5. Establish a process for determining that third-party data hosts have the necessary information technology internal controls in place including whether a service organization audit is performed.
6. Establish policies and procedures to test the encrypted backups to determine if data is usable.
7. Develop and implement a disaster recovery and contingency plan in accordance with recommended industry standards.

Contact Name: Jason Cantrell, Deputy Director IT

Corrective Action Planned: The County has completed the majority of the items requiring corrective action including Continuity of Operations; however, they were completed outside of the Audit Dates. The County will continue to implement the recommendations from the auditors, and will work towards choosing a vendor to assist in creating an updated Disaster Recovery Plan.

Anticipated Completion Date: June 30, 2025

Finding 2023-006 – Improve Internal Controls over Account Reconciliations (Material Weakness)

Condition and Context - During 2023, the County identified additional departments of the education services that should be included in the 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 and the accounting records required an adjustment to properly report the revenues and unavailable revenues. These adjustments were made as a result of audit procedures.

Corrective Action Plan – Continued

Finding 2023-006 – Improve Internal Controls over Account Reconciliations (Material Weakness) – Continued

Recommendation: The auditors recommended Pinal County finance personnel implement policies and procedures to identify all departments of the County that should be reported within the County’s financial statements. The auditors also recommended the County review all accounts receivable to determine the availability of the revenues for proper financial reporting.

Contact Name: Randee Stinson, Deputy Director Budget and Finance

Corrective Action Planned: During fiscal year 2024, as a part of a financial and operational review, the County identified the departments of the education services that should be included in the County’s Financial Statements. Through this review, the County has brought the departments for the education services under the County umbrella and restated the financial statements for fiscal year 2022-2023. The financial statements moving forward will continue to include the education services department.

Historically, the Office of Budget and Finance has completed all reconciliations, corrections, monthly and year-end financial close processes centrally even though there was not adequate resources available to complete these tasks timely. County departments were not expected to, and did not have the training and resources needed to complete their accounting work correctly or complete reconciliations timely.

We continue to focus on educating, training, and providing tools for departments to accurately record and reconcile the general ledger for the purpose of financial reporting. This has had the effect of increasing the resources available to perform the financial reporting. In addition to monthly reconciliations, training will be updated to educate the County departments as well as staff of the Office of Budget and Finance to review unavailable revenue immediately starting the 3rd month after fiscal year end.

Anticipated Completion Date: December 31, 2024

Corrective Action Plan – Continued

Federal Award Findings:

Finding 2023-101 – Improve the Timeliness of Filing the Annual Audit (Significant Deficiency) (Repeat Finding)

FAL Numbers: 10.923; 14.239; 14.871; 20.106; 20.933; 21.023; 21.027; 97.067

Program Titles: Emergency Watershed Protection Program
Home Investment Partnerships Program
Housing Voucher Cluster
COVID-19 - Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs
National Infrastructure Investment
COVID-19 - Emergency Rental Assistance Program
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds
Homeland Security Grant Program

Condition and Context: Pinal County’s single audit reporting package for the fiscal year ended June 30, 2023, was not submitted to the Federal Audit Clearinghouse by the required deadline of March 31, 2024.

Recommendation: The auditors recommended that Pinal County devote the necessary resources to the accounting function to meet its reporting obligations. Doing so will improve the timeliness of Pinal County’s submittal to the Federal Audit Clearinghouse.

Contact Name: Randee Stinson, Deputy Director Budget and Finance

Corrective Action Planned: Historically, the Office of Budget and Finance was trying to complete all reconciliations and corrections centrally. County departments were not expected to, and did not have the training and resources needed to complete their accounting work correctly or reconciliation timely. In the last two years, the focus has been on educating, training, and providing tools for departments to accurately record and reconcile the general ledger for grants. This has had the effect of more accurate reporting, even though it has taken longer to complete financial statements.

Some of the tools and resources that have been implemented include:

1. Utilizing outside accounting services to enhance the accounting and reporting team.
2. Adding additional accountants to the accounting and reporting team.
3. Creating a grants policy that requires monthly reconciliation for all grants.
4. Creating a position of grants manager to monitor and standardize grant compliance.
5. Monthly meetings with departments specifically discussing grant compliance and reconciliation.
6. Departmental education and training. This includes adding additional resources to educate newly hired staff members that have limited experience with governmental accounting.

Corrective Action Plan – Continued

Finding 2023-101 – Improve the Timeliness of Filing the Annual Audit (Significant Deficiency) (Repeat Finding) - Continued

7. Creation of a year-end closing check list.
8. Creation of a timeline to identify when closing tasks need to be completed in order to report timely.
9. Communication between the central accounting team and department leadership occurs to educate, inform and follow-up on closing tasks with the purpose of holding those responsible for the completion of tasks accountable.
10. Job duties and classifications for central accounting positions were reviewed and updated to ensure the proper level of expertise is assigned to the work.
11. Constant communication with management to ensure improvement and support is optimal.

The Office of Budget and Finance has implemented the above and will need to continue to collaborate with county departments until we can achieve timely reconciliations and year end closeout.

Anticipated Completion Date: June 30, 2026

Finding 2023-102 - Inaccurate Amount on the Voucher Management System Submissions (Material Weakness) (Repeat Finding)

FAL Number: 14.871
Program Title: Housing Voucher Cluster

Note: Finding noted by other auditors as finding 2023-001.

Condition and Context: The U.S. Department of Housing and Urban Development uses the Voucher Management System (VMS) to collect Public Housing Agency's (PHA) data that enables HUD to fund, obligate, and disburse funding. For the fiscal year, the Housing Authority did not submit the correct restricted net position amounts.

Recommendation: The other auditors recommended management hire and retain competent individuals to handle the monthly VMS submission.

Contact Name: Rolanda Cephas, Housing Director

Corrective Action Planned: The Housing Authority has recruited a Finance Manager who has demonstrated that she has strong financial skills and has sufficient knowledge and understanding of the factors that determine the Housing Authority's restricted net positions to accurately report in the Voucher Management System.

Anticipated Completion Date: June 30, 2025

Corrective Action Plan – Continued

Finding 2023-103 – Spending not in Compliance with Activities Allowed by the Compliance Requirements (Material Weakness) (Repeat Finding)

FAL Number: 14.871

Program Title: Housing Voucher Cluster

Note: Finding noted by other auditors as finding 2023-002.

Condition and Context – As of June 30, 2023, the restricted cash for the housing program does not exceed the ending housing assistance payment (HAP) restricted net position.

Recommendation – The other auditors recommended management hire and retain competent individuals to calculate the restricted net position, HAP reserves and properly manage spending of funds.

Contact Name: Rolanda Cephas, Housing Director

Corrective Action Planned: The Housing Authority has recruited a Finance Manager who has demonstrated that she has strong financial skills and has sufficient knowledge and understanding of the factors that determine the Housing Authority's restricted net positions.

Anticipated Completion Date: June 30, 2025



Summary Schedule of Prior Audit Findings Year ended June 30, 2023

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 2022-001 - Improve Internal Control over Procurement Cards (Significant Deficiency)

This finding was initially reported in fiscal year 2022.

Condition and Context - During the audit, the auditors noted weaknesses in internal controls over the procurement cards (P-cards). One out of 25 purchase cards (P-card) transactions tested did not have an application documenting approval for issuance by the director of finance. This was also a department P-card, with no individual employees designated by the department director or finance department.

Recommendation: The auditors recommended that Pinal County perform a comprehensive review of its policies and procedures related to P-cards and determine whether Pinal County is complying with such policies and procedures.

Status: Corrected.

Finding 2022-002 - Cash Reconciliation (Material Weakness)(Repeat Finding)

This finding was initially reported in fiscal year 2012.

Condition and Context - The reconciliation of the cash recorded in the general ledger to the cash reported by the Pinal 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 in a timely manner. There are ongoing material uncorrected reconciling items that have not been investigated and corrected. Furthermore, Pinal County has a payroll bank account that has not been fully reconciled since July 2016, which left a surplus of funds related to payroll related expenditures in which Pinal County has not determined the source.

Recommendation: The auditors recommended Pinal 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: Partially Corrected; See finding 2023-001.

Summary Schedule of Prior Audit Findings - Continued

Finding 2022-003 – Receivables (Significant Deficiency)(Repeat Finding)

This finding was initially reported in fiscal year 2017.

Condition and Context - Pinal 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, Pinal 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 Pinal County finance personnel implement policies and procedures to properly identify when Pinal County was entitled to or earned the revenue and record the revenue in the correct period.

Status: Not corrected; See finding 2023-002.

Finding 2022-004 - Improve the timing and Effectiveness of Financial Reporting (Significant Deficiency)(Partial Repeat Finding)

This finding was initially reported in fiscal year 2016.

Condition and Context – Pinal County is a rapidly growing county and economic estimates suggest that the population and economic growth will continue based on Pinal County's strategic location and its ability to attract large employers. With such growth, it is critical to continuously evaluate whether Pinal County's support services are sufficient.

For several years, Pinal County has missed critical reporting deadlines. This includes providing audited financial statements to the Arizona Office of the Auditor General and the single audit reporting package to the Federal Single Audit Clearinghouse within nine months following the fiscal year-end.

Finally, while Pinal County has met its statutory reporting requirements to the Board of Supervisors, the information provided is limited to cash and investments held by Pinal County's Treasurer, budgetary comparison information and certain financial information necessary for the Board to make specific decisions. And while monthly budgetary comparisons are provided to the Board, this information, meetings are not held to discuss the information provided. Such dialogue does not occur until December following the fiscal year-end when Pinal County is preparing for the next year's budget. Furthermore, information regarding assets such as non-Treasurer's cash and investments receivables, capital assets, and liabilities such as bonds and pension related liabilities are typically not reported on until the audit is completed which is often more than 12 months after year-end. Strong governance necessitates not only receiving timely, accurate and complete financial information but also having active dialogue between management and the board regarding this information. This is not occurring.

The above conditions suggest that Pinal County's resources devoted to financial reporting are inadequate for its accounting and reporting needs.

Summary Schedule of Prior Audit Findings - Continued

Finding 2022-004 - Improve the timing and Effectiveness of Financial Reporting (Significant Deficiency)(Partial Repeat Finding)- Continued

Recommendation: The auditors recommended that Pinal County (1) devote the necessary resources to the finance department to adequately perform monthly and annual financial closes and (2) evaluate the sufficiency of the communication of financial information to the Board. At a minimum, the finance department should present quarterly financial information to the Board that includes (a) budget versus actual results and (b) preferably quarterly but no later than 120 days of year-end present information regarding cash and investments including those accounts held outside of the Treasurer's Office, outstanding receivables, payables, capital assets and long-term liabilities including pension obligations.

Status: Not corrected; See finding 2023-003.

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.

Status: Corrected

Federal Award Findings:

Finding 2022-101 - Improve the Timeliness and Accuracy of Financial and Programmatic Reports (Significant Deficiency)

FAL Numbers: 17.258, 17.259, 17.278

Program Title: Workforce Investment Opportunities Act (WIOA) Cluster

This finding was initially reported in fiscal year 2022.

Condition and Context: Two of three monthly programmatic reports tested were submitted past the deadline for the WIOA Cluster. Specifically, the January 2022 and June 2022 reports were submitted 9 days late and 26 days late, respectively.

Recommendation: The auditors recommend that Pinal County improve controls over grant reporting that includes a process for identifying reporting requirements and monitoring the timely grant reporting. The system of control should include evaluating and documenting the reporting requirements of each grant and, assignment of both the employees responsible for preparation of the grant reports and a secondary employee assignment for overall monitoring of the timeliness of all grant reports.

Status: Corrected.

Summary Schedule of Prior Audit Findings - Continued

Finding 2022-102 - Improve the Timeliness of Filing the Annual Audit (Significant Deficiency)

FAL Numbers: 10.557; 14.871*; 17.258, 17.259, 17.278; 21.023; 21.027; 93.217

Program Titles: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Housing Voucher Cluster*
Workforce Investment Opportunities Act (WIOA) Cluster
Emergency Rental Assistance Program (ERAP)
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)
Family Planning Services

This finding was initially reported in fiscal year 2022.

Condition and Context: Pinal County’s single audit reporting package for the fiscal year ended June 30, 2022, was not submitted to the Federal Audit Clearinghouse by the required deadline of March 31, 2023.

Recommendation: The auditors recommended that Pinal County devote the necessary resources to the accounting function to meet its reporting obligations. Doing so will improve the timeliness of Pinal County’s submittal to the Federal Audit Clearinghouse.

Status: Not Corrected, See Finding 2023-101.

Finding 2022-103 - Improve Eligibility Screening and Documentation (Significant Deficiency)

FAL Number: 10.557

Program Title: Special Supplemental Nutrition Program for Women, Infants, and Children

This finding was initially reported in fiscal year 2022.

Condition and Context: For two of 40 selected participants, the rights and obligations form was unsigned.

Recommendation: The auditors recommended that Pinal County devote the necessary resources to the department to ensure all eligibility screenings are being performed and the rights and obligations form is signed prior to participants receiving benefits.

Status: Corrected.

Summary Schedule of Prior Audit Findings - Continued

Finding 2022-104 - Inaccurate Amount on the Voucher Management System Submissions (Material Weakness)

FAL Number: 14.871

Program Title: Housing Voucher Cluster

Note: Finding noted by other auditors as finding 2022-002.

This finding was initially reported in fiscal year 2022.

Condition and Context: The U.S. Department of Housing and Urban Development uses the Voucher Management System (VMS) to collect Public Housing Agency's (PHA) data that enables HUD to fund, obligate, and disburse funding. For the fiscal year, the Housing Authority did not submit the correct restricted net position amounts.

Recommendation: The other auditors recommended management hire and retain competent individuals to handle the monthly VMS submission.

Status: Not Corrected, See Finding 2023-102

Finding 2022-105 – Spending not in Compliance with Activities Allowed by the Compliance Requirements (Material Weakness)

FAL Number: 14.871

Program Title: Housing Voucher Cluster

Note: Finding noted by other auditors as finding 2022-003.

This finding was initially reported in fiscal year 2022.

Condition and Context: As of June 30, 2022, the restricted cash for the housing program does not exceed the ending housing assistance payment (HAP) restricted net position.

Recommendation: The other auditors recommended management hire and retain competent individuals to calculate the restricted net position, HAP reserves and properly manage spending of funds.

Status: Not Corrected, See Finding 2023-103