A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pima County

Year Ended June 30, 2003

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Debra K. Davenport
Auditor General

Pima County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2003

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STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 1, 2003, which was modified due to our reliance on the reports of other auditors as described therein. We conducted our audit 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.

Compliance

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the reports of the other auditors disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We and the reports of the other auditors noted no matters involving internal control over financial reporting and its operation that we and the other auditors consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we will report to the County's management in a separate letter.

2910 NORTH 44TH STREET ▪ SUITE 410 ▪ PHOENIX, ARIZONA 85018 ▪ (602) 553-0333 ▪ FAX (602) 553-0051

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

December 1, 2003

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

Compliance

We have audited the compliance of Pima County with the types of compliance requirements described in the *U.S. Office of Management and Budget* (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The County's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in item 03-102 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding reporting that are applicable to its WIA Cluster. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program cluster.

In our opinion, except for the noncompliance described in the preceding paragraph, Pima County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as item 03-101.

2910 NORTH 44TH STREET ▪ SUITE 410 ▪ PHOENIX, ARIZONA 85018 ▪ (602) 553-0333 ▪ FAX (602) 553-0051

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-101 and 03-102.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 03-102 to be a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2003, and have issued our report dated December 1, 2003, which was modified due to our reliance on the reports of our auditors. Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Pima County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

March 3, 2004, except for the
Schedule of Expenditures of Federal Awards,
for which the date is December 1, 2003

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number/ Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas	07.I3PSAP549		$ 7,274,752
Passed through the City of San Diego			
High Intensity Drug Trafficking Areas	07.I3PSAP549	C.D. NO. 2002-197	79,905
Total High Intensity Drug Trafficking Areas			7,354,657
U.S. Department of Agriculture			
National Forest System—Law Enforcement	10.unknown		60,120
Passed through the Arizona Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	C143042, KR10358	80,930
National School Lunch Program	10.555	C143042, KR10358	146,322
Total Child Nutrition Cluster			227,252
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	761096-2, 761096-5, HG361077	1,491,304
Commodity Supplemental Food Program	10.565	HG361103	80,421
WIC Farmers' Market Nutrition Program (FMNP)	10.572	261167	569
Passed through the Arizona State Treasurer			
Schools and Roads Cluster			
Schools and Roads—Grants to States	10.665	1491, 1556	72,907
Schools and Roads—Grants to Counties	10.666	AZ453311R	10,436
Total Schools and Roads Cluster			83,343
Watershed Protection and Flood Prevention	10.904		409,459
Total U.S. Department of Agriculture			2,352,468
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		3,016,838
Passed through the City of Tucson			
Community Development Block Grants/Entitlement Grants	14.218	16-03, 0021-03, 0022-03, 0023-03, 0024-03, 0025-03	216,800
Total Community Development Block Grants/ Entitlement Grants			3,233,638
Emergency Shelter Grants Program	14.231		86,822
Supportive Housing Program	14.235		1,412,940
Passed through the City of Tucson			
Supportive Housing Program	14.235	AZ-01-B901002, 0209-01	210,967
Total Supportive Housing Program			1,623,907
Passed through the City of Tucson			
HOME Investment Partnerships Program	14.239	0190-02	572,960
Passed through the Arizona Governor's Office of Housing Development			
HOME Investment Partnerships Program	14.239	152-02H	77,502
Total HOME Investment Partnerships Program			650,462

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number/ Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
HOPE for Homeownership of Single Family Homes	14.240		$ 161,428
Housing Opportunities for Persons with AIDS	14.241		233,594
Opportunities for Youth—Youthbuild Program	14.243		280,530
Total U.S. Department of Housing and Urban Development			6,270,381
U.S. Department of the Interior			
Challenge Cost Share Program	15.unknown		3,354
Central Arizona Project Trail Development	15.unknown		28,310
Sonoran Desert Conservation Plan	15.FFB		360,345
Payments in Lieu of Taxes	15.226		3,529,075
Total U.S. Department of the Interior			3,921,084
U.S. Department of Justice			
Federal Equitable Sharing Program	16.unknown		428,603
Prisoner Housing Contract	16.unknown		17,734
Southwest Border Local Assistance Initiative	16.unknown		137,913
Passed through Pinal County			
Cannabis Eradication	16.unknown	2001-09	8,333
Passed through the Arizona Governor's Office for Children, Youth and Familes, Division for Community and Youth Development			
Juvenile Accountability Incentive Block Grants	16.523	98-JAIBG-10, JA-IGA-01-2304-00 JB-GRA-01-4182-10	394,469
Passed through the Arizona Department of Administration			
Title V—Delinquency Prevention Program	16.548	AD000299-01	131,872
Passed through the Arizona Criminal Justice Commission			
National Criminal History Improvement Program (NCHIP)	16.554	NCH-03-098	147,500
Passed through the Arizona Department of Public Safety			
Crime Victim Assistance	16.575	129-211	80,940
Passed through the Arizona Criminal Justice Commission			
Crime Victim Compensation	16.576	VC-01-059	66,822
Passed through the Arizona Criminal Justice Commission			
Byrne Formula Grant Program	16.579	PG030-03, CFR-03-360 CRI-03-061	596,652
Passed through the City of Tucson			
Byrne Formula Grant Program	16.579	AL-060-99	328,828
Total Byrne Formula Grant Program			925,480
Passed through the Arizona Governor's Community Policy Office, Division for Prevention of Family Violence			
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	RD-GRA-03-4091-01	5,105
Local Law Enforcement Block Grants Program	16.592		648,908
Bulletproof Vest Partnership Program	16.607		6,486
Community Prosecution and Project Safe Neighborhoods	16.609		158,804
Public Safety Partnership and Community Policing Grants	16.710		2,211,409
Total U.S. Department of Justice			5,370,378

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number/ Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Labor			
Welfare-to-Work Grants to States and Localities	17.253		$ 2,047
Passed through the Arizona Department of Economic Security			
WIA Cluster			
WIA Adult Program	17.258	E5702011, E570311	2,174,621
WIA Youth Activities	17.259	E5702011, E570311	2,458,047
WIA Dislocated Workers	17.260	E5702011, E5703011, E5701034	2,217,571
Passed through the Arizona Department of Commerce			
WIA Adult Program	17.258	AD020049-003	238,433
Total WIA Cluster			7,088,672
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		1,614,067
Youth Opportunity Grants	17.263		8,617,059
Total U.S. Department of Labor			17,321,845
U.S. Department of Transportation			
Passed through the Arizona Department of Transportation			
Airport Improvement Program	20.106	E2F45	150,000
Highway Planning and Construction	20.205	SL43101C, SS50C-01C	62,475
Formula Grants for Other Than Urbanized Areas	20.509	JPA 97-65	194,612
Passed through the Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2001-PT-014 2003-410-010	44,122
Passed through the Arizona Department of Emergency and Military Affairs			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	83-5030209-85	101,650
Total U.S. Department of Transportation			552,859
U.S. Department of Treasury			
Federal Equitable Sharing Program	21.unknown		27,402
Reimbursement for Overtime	21.unknown		68,801
Total U.S. Department of Treasury			96,203
National Science Foundation			
Education and Human Resources	47.076		21,600
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		477,049
Air Pollution Control—Technical Training	66.006		73,782
Passed through the Arizona Department of Environmental Quality			
Water Pollution Control— State and Interstate Program Support	66.419	98-0044	2,147
Environmental Protection—Consolidated Research	66.500		270,855
Total U.S. Environmental Protection Agency			823,833

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number/ Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Energy			
Passed through the Arizona Department of Commerce			
Weatherization Assistance for Low-Income Persons	81.042	062-03	$ 45,606
U.S. Department of Education			
Passed through the Arizona Department of Education			
Adult Education—State Grant Program	84.002	03FAEABE-370731-02A	37,850
Title I Grants to Local Educational Agencies	84.010	S010A020003	
		03FAATTI-360169-02A	41,346
Passed through the Arizona Supreme Court			
Title I Grants to Local Educational Agencies	84.010	IGA25162	114,474
Total Title I Grants to Local Educational Agencies			155,820
Passed through the Arizona Department of Education			
Title I Program for Neglected and Delinquent Children	84.013	S013A020003	8,515
Special Education—Grants to States	84.027	H027A000007	
		03FESCBG-360169-01A	89,804
Vocational Education—Basic Grants to States	84.048	V048A010003	78,953
Safe and Drug-Free Schools and Communties—State Grants	84.186	S186A020003	1,220
Tech-Prep Education	84.243	V243A010003	205,473
Eisenhower Professional Development State Grants	84.281	S281A010003	
		03FAATII-360169-03A	12,700
Passed through the Arizona Supreme Court			
Eisenhower Professional Development State Grants	84.281	IGA25162	19,989
Total Eisenhower Professional Development State Grants			32,689
Charter Schools	84.282		162,227
Foreign Language Assistance	84.293		462
Passed through the Arizona Department of Education			
Innovative Education Program Strategies	84.298	S298A020003	
		03FAATVA-360139-04A	4,968
Education Technology State Grants	84.318	S318X030003	2,073
English Language Acquisition Grants	84.365	T365A20003A	26,900
Total U.S. Department of Education			806,954
U.S. Department of Health and Human Services			
Passed through the Pima Council on Aging			
Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers	93.044	129282-0701	1,080,202
Maternal and Child Health Federal Consolidated Programs	93.110		55,361
Passed through the Arizona Department of Health Services			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	15-2070, 15-2070-1	
		HG252248	64,357
Passed through the Arizona Family Planning Council			
Family Planning—Services	93.217	091701-22-0	835,141

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number/ Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Consolidated Knowledge Development and Application (KD&A) Program	93.230		$ 515,477
Passed through the Southern Arizona Aids Foundation			
Consolidated Knowledge Development and Application (KD&A) Program	93.230	PIMA CO	17,910
Total Consolidated Knowledge Development and Application (KD&A) Program			533,387
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243		259,650
Passed through the University of Arizona			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	H79TI4452	35,257
Total Substance Abuse and Mental Health Services—Projects of Regional and National Significance			294,907
Passed through the Arizona Department of Health Services			
Immunization Grants	93.268	30-4067, 30-4067-8, HG352196	1,155,254
Centers for Disease Control and Prevention—Investigations and Technical Assistance	93.283	252036	684,901
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families	93.558	E6302025	229,738
Family Support Payments to States—Assistance Payments	93.560	E6302025	169,076
Child Support Enforcement	93.563	E7200019, E7201019 G02-04-AZ-4004	415,422
Refugee and Entrant Assistance—State Administered Programs	93.566	E6300104	14,873
Low-Income Home Energy Assistance	93.568	E6302025	395,255
Community Services Block Grant	93.569	E6302025	743,503
Social Services Block Grant	93.667	E6302025	1,416,062
Health Care and Other Facilities	93.887		167,412
Passed through the Southern Arizona Aids Foundation			
HIV Care Formula Grants	93.917	C125882	5,052
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		155,345
Passed through the Arizona Department of Health Services			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	161011-2, HG361209	258,491
HIV Prevention Activities—Health Department Based	93.940	15-2003, 15-2023-2, 15-2023, 12-2023, 15-2036, HG352263	249,409
Passed through the Southern Arizona Aids Foundation			
HIV Prevention Activities—Health Department Based	93.940	PIMA CO	4,865
Total HIV Prevention Activities—Health Department Based			254,274
Passed through the Arizona Department of Health Services			
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	15-2068-2, HG352300	100,652

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number/ Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Preventive Health Services—Sexually Transmitted Diseases Control Grants	93.977	05-2004, HG354252	$ 127,514
Preventive Health and Health Services Block Grant	93.991	26-1115, 95-2013-3, HG354184	58,674
Maternal and Child Health Services Block Grant to the States	93.994	16-1015, 16-1066, 26-1192 E2H77563	245,860
Total U.S. Department of Health and Human Services			9,460,713
U.S. Department of Homeland Security			
State Domestic Preparedness Equipment Support Program	97.004		35,472
Passed through Arizona Department of Emergency Management			
State Domestic Preparedness Equipment Support Program	97.004	2002-TE-CX-0142	253,277
Total State Domestic Preparedness Equipment Support Program			288,749
Passed through the United Way			
Emergency Food and Shelter National Board Program	97.024	18-0272-00	99,634
Fire Management Assistance Grant	97.046		16,253
State and Local All Hazards Emergency Operations Planning	97.051		49,319
Passed through Arizona Department of Emergency and Military Affairs, Division of Emergency Management			
Citizens Corps	97.053	02-01-A-132311-1202	16,096
Total U.S. Department of Homeland Security			470,051
Total Expenditures of Federal Awards			$ 54,868,632

See accompanying notes to schedule.

Pima County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Note 1 - Basis of Accounting

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

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

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2003 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

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

Program Title	CFDA Number/ Federal Identification Number	Amount Provided to Subrecipients
High Intensity Drug Trafficking Areas	07.I3PSAP549	$4,921,443
Centers for Disease Control and Prevention— Investigations and Technical Assistance	93.283	123,125

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
Material weaknesses identified in internal control over financial reporting?	___	X
Reportable conditions identified not considered to be material weaknesses?	___	X (None reported)
Noncompliance material to the financial statements noted?	___	X

Federal Awards

Material weakness identified in internal control over major programs?	X	___
Reportable condition identified not considered to be a material weakness?	X	___
Type of auditors' report issued on compliance for major programs:	Qualified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	X	___

Identification of major programs:

CFDA Number/Federal Identification Number	Name of Federal Program or Cluster
07.I3PSAP549	High Intensity Drug Trafficking Areas
15.226	Payments in Lieu of Taxes
	WIA Cluster
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
93.283	Centers for Disease Control and Prevention—Investigations and Technical Assistance

Dollar threshold used to distinguish between Type A and Type B programs:	$1,646,059	
Auditee qualified as low-risk auditee?	X	___

Other Matters

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

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Federal Award Findings and Questioned Costs

03-101
Federal Identification No.: 15.226—Payments in Lieu of Taxes (PILT)
U.S. Department of the Interior
Award Year: 7/1/02 to 6/30/03
Award Number: N/A
Special Tests and Provisions — Questioned Cost: $487,182

The County did not establish adequate policies and procedures to ensure PILT monies received under 31 United States Code (U.S.C.) §6904 and 16 U.S.C. §715s were distributed to all affected local government units and school districts, as required. The County was unaware of these distribution requirements and has not distributed the monies for at least 5 years. It was not practical to extend our auditing procedures to determine when the County last distributed the PILT monies or what portion, if any, of the monies received should be retained by the County as its allocated share. However, we determined that the County received and did not distribute $347,283 of PILT monies for the 4 years ended June 30, 2002, that was not previously questioned and $139,899 during the current award year.

To help ensure compliance with the program's special tests and provisions requirement, the County should develop internal control policies and procedures to distribute PILT monies received under 31 U.S.C. §6904 and 16 U.S.C. §715s to all affected local government units and school districts.

03-102
CFDA Nos.: 17.258—WIA Adult Program, 17.259—WIA Youth Activities, and 17.260—WIA Dislocated Workers
U.S. Department of Labor, passed through the Arizona Department of Economic Security
Award Year: 4/1/01 to 6/30/05
Award Number: E5702011 and E5703011
Reporting — Questioned Cost: Unknown

The County did not have adequate policies and procedures to ensure that the programs' financial reports were accurate and complete. Specifically, we reviewed 4 of the State required monthly Contractor Requests for Funds and Disbursement Reports and found that none of the reported amounts agreed to the County's financial records. Further, the County was unable to explain the differences. It was not practical to extend our auditing procedures to determine the questioned costs, if any, that may have resulted from this finding.

The County should maintain a financial management system that provides accurate and complete financial reporting of a program's activities as required by 29 Code of Federal Regulations §97.20. To help ensure that financial reports are accurate, the County should establish internal control policies and procedures that include having a second employee review financial reports before submission. We consider this finding to be a material weakness in internal control and material noncompliance with the reporting requirement.

PIMA COUNTY
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(520) 740-8041 FAX (520) 624-9178

Carol M. Bonchalk, Director

March 15, 2004

Ms. Debbie Davenport
Auditor General
2910 N. 44th St., Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The following corrective action plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the name of the contact person responsible for corrective action, the corrective action planned, and the anticipated completion date for each audit finding included in the current year's schedule of findings and questioned costs.

Sincerely,

Carol M. Bonchalk

Carol M. Bonchalk, Director
Financial and Information Services

Pima County
Corrective Action Plan
Year Ended June 30, 2003

Federal Award Findings and Questioned Costs

03-101
CFDA No.: 15.226 — Payments in Lieu of Taxes (PILT)
U.S. Department of the Interior
Contact Person: Paul Guerrero
Anticipated Completion Date: May 31, 2004

The County concurs with the finding and will establish internal control policies and procedures to ensure PILT monies received under 31 U.S.C. §6904 and 16 U.S.C. §715s are distributed to the affected local government units and school districts.

03-102
CFDA Nos. 17.258 — WIA Adult Program, 17.259 — WIA Youth Activities, and 17.260 — WIA Dislocated Workers
U.S. Department of Labor, passed through the Arizona Department of Economic Security
Contact Person: Ron Meck
Anticipated completion Date: Completed

The County concurs with the finding. The Community Services Department has established internal control policies and procedures that will ensure a monthly reconciliation of grant financial reports occur. The reconciliation process will ensure financial reports are accurate and complete, including the Contractor Requests for Funds and Disbursement Reports.

PIMA COUNTY
FINANCE DEPARTMENT
130 WEST CONGRESS STREET
TUCSON, ARIZONA 85701-1317
(520) 740-8041 FAX (520) 624-9178

Carol M. Bonchalk, Director

March 3, 2004

Ms. Debbie Davenport
Auditor General
2910 N. 44th St., Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The following summary schedule of prior audit findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs related to federal awards.

Sincerely,

Carol M. Bonchalk

Carol M. Bonchalk, Director
Financial and Information Services

PIMA COUNTY
Schedule of Prior Year Audit Findings
Year Ended June 30, 2003

Status of Federal Award Findings and Questioned Costs

Finding No. 02-101
Federal Identification No.: 07.I2PSAP549
High Intensity Drug Trafficking Areas (HIDTA)
U.S. Office of National Drug Control Policy
Status: **Fully corrected**