A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pima County

Year Ended June 30, 2004

STATE OF ARIZONA
OFFICE OF THE
AUDITOR
GENERAL

Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.

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Pima County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2004

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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 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*

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, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 3, 2004, which was modified due to our reliance on the reports of the other auditors. 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.

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 basic financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud 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 at a future date.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we will report to the County's management in a separate letter at a future date.

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 3, 2004

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, 2004. 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 of the County's compliance with those requirements.

In our opinion, 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, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133, and that is described in the accompanying Schedule of Findings and Questioned Costs as item 04-101.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the 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.

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We noted a certain matter involving internal control over compliance and its operation that we consider to be a reportable condition. 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 the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 04-101.

A material weakness is a reportable 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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud 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, we believe the reportable condition described above is not 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, 2004, and have issued our report thereon dated December 3, 2004, which was modified due to our reliance on the reports of the other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 1, 2005, except for the
Schedule of Expenditures of Federal Awards,
for which the date is December 3, 2004

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas	07.I4PSAP549		$ 11,826,063
Passed through the City of San Diego			
High Intensity Drug Trafficking Areas	07.I4PSAP549	C.D. NO. 2002-197	86,922
Total High Intensity Drug Trafficking Areas			11,912,985
U.S. Department of Agriculture			
National Forest System—Law Enforcement	10.unknown		143,547
Passed through the Arizona Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	KR10358, 10-10-01	105,871
National School Lunch Program	10.555	KR10358, 10-10-01	201,267
Total Child Nutrition Cluster			307,138
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG361077, HG361077-1	1,748,830
Commodity Supplemental Food Program	10.565	HG361103, HG361103-1	66,438
WIC Farmers' Market Nutrition Program (FMNP)	10.572	261167	4,625
Passed through the Arizona State Treasurer			
Schools and Roads—Grants to States	10.665	1491, 1556	138,017
Watershed Protection and Flood Prevention	10.904		455,158
Total U.S. Department of Agriculture			2,863,753
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		3,099,801
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	255,200
Total Community Development Block Grants/ Entitlement Grants			3,355,001
Emergency Shelter Grants Program	14.231		103,695
Supportive Housing Program	14.235		1,561,683
Passed through the City of Tucson			
Supportive Housing Program	14.235	18521	84,111
Total Supportive Housing Program			1,645,794
Passed through the City of Tucson			
HOME Investment Partnerships Program	14.239	0190-02	339,534
Passed through the Arizona Department of Housing			
HOME Investment Partnerships Program	14.239	152-02H	22,498
Total HOME Investment Partnerships Program			362,032
HOPE for Homeownership of Single Family Homes	14.240		15,543
Housing Opportunities for Persons with AIDS	14.241		274,541
Opportunities for Youth—Youthbuild Program	14.243		175,066
Total U.S. Department of Housing and Urban Development			5,931,672
U.S. Department of the Interior			
Challenge Cost Share Program	15.unknown		16,000
Sonoran Desert Conservation Plan	15.FFB		243,188
Payments in Lieu of Taxes	15.226		2,017,299
Total U.S. Department of the Interior			2,276,487

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Justice			
Federal Equitable Sharing Program	16.unknown		$ 295,758
Southwest Border Local Assistance Initiative	16.unknown		207,709
Reimbursement for Salary	16.unknown		91,254
Passed through the Arizona Governor's Office for Children, Youth and Familes, Division for Children			
Juvenile Accountability Incentive Block Grants	16.523	01JAIBG-10, JB-GRA-02-4182-10 JB-GRA-03-5273-09	218,830
Passed through the National Court Appointed Special Advocate Association			
Victims of Child Abuse	16.547	AZ360-2003-E	18,558
Passed through the Arizona Department of Administration			
Title V—Delinquency Prevention Program	16.548	AD000299-001, 030147-001	96,531
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	2002-328	75,059
Passed through the Arizona Criminal Justice Commission			
Crime Victim Compensation	16.576	VC-01-059	52,812
Passed through the Arizona Criminal Justice Commission			
Byrne Formula Grant Program	16.579	PC030-03	412,508
Passed through the City of Tucson			
Byrne Formula Grant Program	16.579	AL-060-99	281,664
Total Byrne Formula Grant Program			694,172
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	38,075
Local Law Enforcement Block Grants Program	16.592		482,418
State Criminal Alien Assistance Program	16.606		1,196,241
Bulletproof Vest Partnership Program	16.607		22,437
Community Prosecution and Project Safe Neighborhoods	16.609		190,328
Public Safety Partnership and Community Policing Grants	16.710		348,104
Total U.S. Department of Justice			4,175,786
U.S. Department of Labor			
Passed through the Arizona Department of Economic Security			
WIA Cluster:			
WIA Adult Program	17.258	E5703011, E5704011	1,911,770
WIA Youth Activities	17.259	E5702011, E5703011, E5704011	2,017,323
WIA Dislocated Workers	17.260	E5702011, E5703011, E5704011	1,944,645
Total WIA Cluster			5,873,738
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		1,202,356
Youth Opportunity Grants	17.263		6,529,836
Homeless Veterans Reintegration Project	17.805		128,333
Total U.S. Department of Labor			13,734,263
U.S. Department of Transportation			
Passed through the Arizona Department of Transportation			
Highway Planning and Construction	20.205	SS333-01C, SS465-01C, SD010-01C, SL454-01C, SS532-01C	11,754,344

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Formula Grants for Other Than Urbanized Areas	20.509	JPA 02-110, JPA 04 016T	$ 213,609
Passed through the Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2002-2-011, 2003-410-010	22,228
Passed through the Arizona Department of Emergency and Military Affairs, Division of Emergency Management			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	83-5030209-85	2,950
Total U.S. Department of Transportation			11,993,131
U.S. Department of Treasury			
Federal Equitable Sharing Program	21.unknown		369,707
Reimbursement for Overtime	21.unknown		118,258
Total U.S. Department of Treasury			487,965
National Science Foundation			
Education and Human Resources	47.076		3,500
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		476,253
Passed through the Arizona Department of Environmental Quality			
Water Pollution Control—State and Interstate Program Support	66.419	98-0044-4	2,000
Environmental Protection—Consolidated Research	66.500		227,133
Surveys, Studies, Investigations and Special Purpose Grants	66.606		81,659
Total U.S. Environmental Protection Agency			787,045
U.S. Department of Energy			
Passed through the Arizona Department of Commerce			
Weatherization Assistance for Low-Income Persons	81.042	062-03	44,308
U.S. Department of Education			
Passed through the Arizona Department of Education			
Adult Education—State Grant Program	84.002	V002A030003	95,405
Title I Grants to Local Educational Agencies	84.010	S010A010003	10,478
Passed through the Arizona Supreme Court			
Title I Grants to Local Educational Agencies	84.010	0138A133894-703	88,409
Total Title I Grants to Local Educational Agencies			98,887
Passed through the Arizona Department of Education			
Title I Program for Neglected and Delinquent Children	84.013	S013A020003	22,201
Special Education—Grants to States	84.027	H027A000007	125,747
Passed through the Tucson Unified School District			
Safe and Drug-Free Schools and Communities—National Programs	84.184	S184L010153	43,711
Passed through the Arizona Department of Education			
Safe and Drug-Free Schools and Communities—State Grants	84.186	S186A020003	2,130
Passed through the Arizona Supreme Court			
Safe and Drug-Free Schools and Communities—State Grants	84.186	0138A133894-703	304
Total Safe and Drug-Free Schools and Communities—State Grants			2,434
Passed through the Arizona Department of Education			
Tech-Prep Education	84.243	V243A030003	237,126
Eisenhower Professional Development State Grants	84.281	S281A010003, 281A030003	5,159
Charter Schools	84.282		86,189

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Passed through the Arizona Department of Education			
State Grants for Innovative Programs	84.298	S298A020003	$ 1,672
Passed through the Arizona Supreme Court			
State Grants for Innovative Programs	84.298	0138A133894-703	162
Total State Grants for Innovative Programs			1,834
Education Technology State Grants	84.318	0138A133894-703	600
Passed through the Arizona Department of Education			
Education Technology State Grants	84.318	S318X020003, 318X030003	1,927
Total Education Technology State Grants			2,527
Tech-Prep Demonstration Grants	84.353		27,029
Passed through the Arizona Department of Education			
Reading First State Grants	84.357	S358A0200003	59,145
English Language Acquisition Grants	84.365	T365A20003A	14,104
Improving Teacher Quality State Grants	84.367	S367A030003, 367A030049	123,439
Passed through the Arizona Supreme Court			
Improving Teacher Quality State Grants	84.367	0138A133894-703	28,816
Total Improving Teacher Quality State Grants			152,255
Total U.S. Department of Education			973,753
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	1,264,848
Passed through the Arizona Department of Health Services			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	HG352248	70,415
Passed through the Arizona Family Planning Council			
Family Planning—Services	93.217	1101A-132218, 0201A-134342	902,309
Consolidated Knowledge Development and Application (KD&A) Program	93.230		431,476
Passed through the Southern Arizona Aids Foundation			
Consolidated Knowledge Development and Application (KD&A) Program	93.230	PIMA CO	12,686
Total Consolidated Knowledge Development and Application (KD&A) Program			444,162
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243		826,068
Passed through the University of Arizona			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	H79TI14452, Y772782	76,569
Total Substance Abuse and Mental Health Services—Projects of Regional and National Significance			902,637
Passed through the Arizona Department of Health Services			
Immunization Grants	93.268	152046, HG352196	1,212,367
Centers for Disease Control and Prevention—Investigations and Technical Assistance	93.283	252036	726,713
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families	93.558	E6302025	482,598

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Child Support Enforcement	93.563	E7201019, E7204319 G02-04-AZ-4004	$ 704,566
Low-Income Home Energy Assistance	93.568	E6302025	387,614
Community Services Block Grant	93.569	E6302025	894,874
Social Services Block Grant	93.667	E6302025	1,450,455
Health Care and Other Facilities	93.887		216,343
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	536,974
HIV Prevention Activities—Health Department Based	93.940	12-2023, 15-2036, HG352263	275,914
Passed through the Southern Arizona Aids Foundation			
HIV Prevention Activities—Health Department Based	93.940	152-026	8,202
Total HIV Prevention Activities—Health Department Based			284,116
Passed through the Arizona Department of Health Services			
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	HG352300	52,904
Preventive Health Services—Sexually Transmitted Diseases Control Grants	93.977	HG354252	137,412
Preventive Health and Health Services Block Grant	93.991	HG354184	62,034
Maternal and Child Health Services Block Grant to the States	93.994	HG361228, 361165, 261192	330,387
Bioterrorism Training and Curriculum Development Program	93.996	252036	14,967
Total U.S. Department of Health and Human Services			11,078,695
Corporation for National and Community Service			
Passed through the Arizona Department of Education			
Learn and Serve America—School and Community Based Programs	94.004	03KSWAZ001	1,000
U.S. Department of Homeland Security			
State Domestic Preparedness Equipment Support Program	97.004		89,775
Passed through Arizona Department of Emergency and Military Affairs, Division of Emergency Management			
State Domestic Preparedness Equipment Support Program	97.004	TE-CX0142, TE-CX0196	1,045,730
Total State Domestic Preparedness Equipment Support Program			1,135,505
Passed through the United Way			
Emergency Food and Shelter National Board Program	97.024	18-0272-00	184,968
Passed through Arizona Department of Emergency and Military Affairs, Division of Emergency Management			
Public Assistance Grants	97.036	1477-DR-AZ-019-99019	1,259,682
Emergency Management Performance Grants	97.042	02-01-A-132311-1202	134,427
State and Local All Hazards Emergency Operations Planning	97.051	02-01-A-132311-1202	93,079
Passed through Arizona Department of Emergency and Military Affairs, Division of Emergency Management			
Citizen Corps	97.053	02-01-A-132311-1202	48,704
Total U.S. Department of Homeland Security			2,856,365
Total Expenditures of Federal Awards			$ 69,120,708

See accompanying notes to schedule.

Pima County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2004

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 2004 *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	Amount Provided to Subrecipients
High Intensity Drug Trafficking Areas	07.I4PSAP549	$9,335,332

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

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 weaknesses 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:	Unqualified	
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	Name of Federal Program or Cluster
07.I4PSAP549	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
17.263	Youth Opportunity Grants
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	$2,073,621	
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	___

Federal Award Findings and Questioned Costs

04-101
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: 4/1/00 to 6/30/06
Award Number: E5702011, E5703011 and E5704011
Reporting Questioned Cost: N/A

The County did not have adequate policies and procedures to ensure that the programs' financial reports were accurate and complete. During our review of the financial reports we noted that the County revised several of its fiscal year 2004 monthly Contractor Accrued Expenditure Reports because the original reports submitted included expenditure amounts that did not agree to the County's financial records. The revised reports were resubmitted to the State after fiscal year-end. We reviewed several of the revised financial reports and found them to be accurate and complete, however, they contained small mathematical errors.

As required by 29 Code of Federal Regulations §97.20, the County should maintain a financial management system that provides accurate and complete financial reporting of a program's activities. Therefore, the County should establish internal control policies and procedures that ensure the WIA Programs' monthly financial reports are accurate and complete.

PIMA COUNTY
FINANCE DEPARTMENT
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Thomas Burke, Director

March 15, 2005

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

Dear Ms. Davenport,

The following corrective plan has been prepared as required by the 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,

Thomas Burke
Finance Director

Federal Award Findings and Questioned Costs

04-101
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 revised procedures to ensure that the monthly Contractor Accrued Expenditure Reports agree to the County's financial records and are submitted on a timely basis. The revised internal procedures were fully implemented during fiscal year 2004/2005.

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

Thomas Burke, Director

March 1, 2005

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

Dear Ms. Davenport,

The following summary schedule of prior audit findings has been prepared as required by the 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,

Thomas Burke,
Finance Director

PIMA COUNTY
Schedule of Prior Year Audit Findings
Year ended June 30, 2004

Status of Federal Award Findings and Questioned Costs

Finding No. 03-101
Federal Identification No.: 15.226
Payment in Lieu of Taxes (PILT)
U.S. Department of the Interior
Status: **Fully Corrected**

Finding No. 03-102
Federal Identification 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
Status: **Partially Corrected**

The County has established additional procedures to ensure that the monthly Contractor Accrued Expenditure Reports agree to the County's financial records. The revised internal procedures were fully implemented during fiscal year 2004/2005.