A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pima County

Year Ended June 30, 2005

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

Debra K. Davenport
Auditor General

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Pima County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2005

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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, 2005, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 2, 2005. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 40 and a change in the reporting entity for the Metropolitan, Marana, and Green Valley Domestic Water Improvement Districts that were previously reported in the County's basic financial statements as discretely presented component units are no longer financially accountable to the County, and therefore, are not reported in the County's basic financial statements. In addition, our report was modified due to our reliance on the reports of the other auditors and the retroactive reporting of certain infrastructure assets as prescribed by provisions of Governmental Accounting Standards Board Statement No. 34. 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.

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 2, 2005

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, 2005. 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, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 05-101, 05-102, 05-103, 05-104, and 05-105.

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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.

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 the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05-101, 05-102, 05-103, 05-104, and 05-105.

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 that none of the reportable conditions described above is 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, 2005, and have issued our report thereon dated December 2, 2005. Our report was modified as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 40 and a change in the reporting entity for the Metropolitan, Marana, and Green Valley Domestic Water Improvement Districts that were previously reported in the County's basic financial statements as discretely presented component units are no longer financially accountable to the County, and therefore, are not reported in the County's basic financial statements. In addition, our report was modified due to our reliance on the reports of the other auditors and the retroactive reporting of certain infrastructure assets as prescribed by provisions of Governmental Accounting Standards Board Statement No. 34. 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, 2006, except for the
Schedule of Expenditures of Federal Awards,
for which the date is December 2, 2005

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

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.I5PSAP549Z		$ 11,157,325
Passed through the County of El Paso, Texas			
High Intensity Drug Trafficking Areas	07.I3PSBP999	I3PSBP999	40,177
Total High Intensity Drug Trafficking Areas			11,197,502
U.S. Department of Agriculture			
National Forest System—Law Enforcement	10.unknown		25,566
Passed through the Arizona Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	ED05-0001	91,955
National School Lunch Program	10.555	ED05-0001	170,415
Total Child Nutrition Cluster			262,370
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG 361077, HG 561265	1,837,188
Commodity Supplemental Food Program	10.565	HG 361103	126,974
WIC Farmers' Market Nutrition Program (FMNP)	10.572	HG 361288	1,773
Passed through the Arizona State Treasurer			
Schools and Roads—Grants to States	10.665	NFF	74,741
Total U.S. Department of Agriculture			2,328,612
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		3,091,301
Emergency Shelter Grants Program	14.231		88,434
Supportive Housing Program	14.235		1,773,277
Passed through the City of Tucson			
Supportive Housing Program	14.235	0088-04	83,888
Total Supportive Housing Program			1,857,165
Passed through the City of Tucson			
HOME Investment Partnerships Program	14.239	0190-02	372,580
HOPE for Homeownership of Single Family Homes	14.240		77,450
Housing Opportunities for Persons with AIDS	14.241		319,376
Opportunities for Youth—Youthbuild Program	14.243		286,233
Total U.S. Department of Housing and Urban Development			6,092,539
U.S. Department of the Interior			
Challenge Cost Share Program	15.unknown		13,382
Bureau of Land Management—Law Enforcement	15.DAU		5,000
Sonoran Desert Conservation Plan	15.FFB		236,636
Payments in Lieu of Taxes	15.226		1,968,160
Passed through the Arizona State Treasurer			
Distribution of Receipts to State and Local Governments	15.227	TAYLO	6,228
Fish, Wildlife and Plant Conservation Resource Management	15.231		20,635
Total U.S. Department of the Interior			2,250,041
U.S. Department of Justice			
Federal Equitable Sharing Program	16.unknown		106,950
Officer Salary and Expense Reimbursement Program	16.unknown		29,154
Passed through Arizona Department of Emergency and Military Affairs			
State and Local Domestic Preparedness Equipment Support Program	16.007	2002-TE-CX-0142	976,886

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
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	JB-GRA-02-4182-10, JB-GRA-03-5273-09, JB-GRA-04-6273-06	$ 174,839
Passed through the National Court Appointed Special Advocate Association			
Victims of Child Abuse	16.547	AZ360-2003-E	41,442
Passed through the Arizona Department of Public Safety			
Crime Victim Assistance	16.575	2000-965 DPS	76,227
Passed through the Arizona Criminal Justice Commission			
Crime Victim Compensation	16.576	VC-01-059	188,012
Passed through the Arizona Criminal Justice Commission			
Byrne Formula Grant Program	16.579	PC030-05	410,514
Passed through the City of Tucson			
Byrne Formula Grant Program	16.579	AL-060-99	309,034
Total Byrne Formula Grant Program			719,548
Passed through the Maricopa County Sheriff's Office			
Edward Byrne Memorial State and Local law Enforcement Assistance Discretionary Grants Program	16.580	C-50-05-546-2	3,481
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 RD-GRA-05-6365-01	14,670
Local Law Enforcement Block Grants Program	16.592		531,356
Bulletproof Vest Partnership Program	16.607		19,810
Community Prosecution and Project Safe Neighborhoods	16.609		92,877
Passed through the Arizona Criminal Justice Commission			
Community Prosecution and Project Safe Neighborhoods	16.609	PSN-04-2001, PSN-04-3001, PSN-04-3008	41,313
Total Community Prosecution and Project Safe Neighborhoods			134,190
Public Safety Partnership and Community Policing Grants	16.710		187,757
Total U.S. Department of Justice			3,204,322
U.S. Department of Labor			
Passed through the Arizona Department of Economic Security			
WIA Cluster:			
WIA Adult Program	17.258	E5704011, E5705011	2,220,279
WIA Youth Activities	17.259	E5705011	1,590,148
WIA Dislocated Workers	17.260	E5703011, E5704011, E5705011	2,353,905
Total WIA Cluster			6,164,332
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		544,084
Youth Opportunity Grants	17.263		2,662,583
Homeless Veterans Reintegration Project	17.805		173,457
Total U.S. Department of Labor			9,544,456
U.S. Department of Transportation			
Airport Improvement Program	20.106		197,198

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Highway Planning and Construction	20.205		$ 197,978
Passed through the Arizona Department of Transportation			
Highway Planning and Construction	20.205	SS333-01C, SD010-01C, SL525-01D	15,750,857
Total Highway Planning and Construction			15,948,835
Formula Grants for Other Than Urbanized Areas	20.509	JPA 04-016T, JPA05-010P	305,275
Passed through the Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2004-OP 001, 2004-163-001, 2004-AI-001	84,359
Total U.S. Department of Transportation			16,535,667
U.S. Department of Treasury			
Federal Equitable Sharing Program	21.unknown		400,113
State and Local Overtime and Authorized Expense Program	21.unknown		90,275
Total U.S. Department of Treasury			490,388
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		456,055
Passed through the Arizona Department of Environmental Quality			
Water Pollution Control—State and Interstate Program Support	66.419	98-0044-6	2,000
Environmental Protection—Consolidated Research	66.500		536,718
Surveys, Studies, Investigations and Special Purpose Grants	66.606		93,424
Total U.S. Environmental Protection Agency			1,088,197
U.S. Department of Energy			
Passed through the Arizona Department of Commerce			
Weatherization Assistance for Low-Income Persons	81.042	062-03	24,374
U.S. Federal Emergency Management Agency			
Passed through Arizona Department of Emergency Management			
Community Emergency Response Teams	83.565	EMS-2003-GR0312	28,241
U.S. Department of Education			
Passed through the Arizona Department of Education			
Adult Education—State Grant Program	84.002	V002A040003	94,205
Title I Grants to Local Educational Agencies	84.010	S010A040003, S010A010003	33,670
Passed through the Arizona Supreme Court			
Title I Grants to Local Educational Agencies	84.010	0138A133894-703	85,287
Total Title I Grants to Local Educational Agencies			118,957
Passed through the Arizona Department of Education			
Title I Program for Neglected and Delinquent Children	84.013	S013A040003	12,483
Special Education—Grants to States	84.027	H027A030007	126,466
Rehabilation Services—Vocational Rehabiliation Grants to States	84.126	E1225014	44,426
Passed through the Tucson Unified School District			
Safe and Drug-Free Schools and Communities—National Programs	84.184	S184L010153	65,770
Passed through the Arizona Department of Education			
Safe and Drug-Free Schools and Communities—State Grants	84.186	S186A020003	1,422
Tech-Prep Education	84.243	V243A030003	264,157
Charter Schools	84.282		7,651
Passed through the Arizona Department of Education			
State Grants for Innovative Programs	84.298	S298A020003	674

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Education Technology State Grants	84.318	S318X040003	$ 870
Tech-Prep Demonstration Grants	84.353		265,665
Passed through the Arizona Department of Education			
Reading First State Grants	84.357	S357A0200003	171,284
English Language Acquisition Grants	84.365	T365A30003A	19,820
Improving Teacher Quality State Grants	84.367	S367A030003	106,871
Passed through the Arizona Supreme Court			
Improving Teacher Quality State Grants	84.367	0138A133894-703	21,974
Total Improving Teacher Quality State Grants			128,845
Total U.S. Department of Education			1,322,695
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	134996-0704	1,254,793
Passed through the Arizona Department of Health Services			
Maternal and Child Health Federal Consolidated Programs	93.110	HG461409	32,462
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	HG352248	57,883
Passed through the Arizona Family Planning Council			
Family Planning—Services	93.217	02-01-A-135501-0105, 02-01-A-134342-0104	743,232
Consolidated Knowledge Development and Application (KD&A) Program	93.230		584,684
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243		818,033
Passed through the Southern Arizona AIDS Foundation			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	1 UDI SP11013-01	15,000
Passed through the University of Arizona			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	Y772782	85,798
Total Substance Abuse and Mental Health Services—Projects of Regional and National Significance			918,831
Passed through the Arizona Department of Health Services			
Immunization Grants	93.268	HG352196	1,029,199
Centers for Disease Control and Prevention—Investigations and Technical Assistance	93.283	252036	786,972
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families	93.558	E5905030, E5905020, E6302025	723,510
Child Support Enforcement	93.563	E7203119, G04-04-AZ-4004, G02-04-AZ-4004	620,038
Low-Income Home Energy Assistance	93.568	E6302025	321,393
Community Services Block Grant	93.569	E6302025	806,566
Passed through the United Way			
Early Learning Fund	93.577	90L00130	6,650
Social Services Research and Demonstration	93.647	90EJ0025	27,882
Passed through Arizona Department of Economic Security			
Social Services Block Grant	93.667	E6302025	1,393,390
Passed through the Arizona School Health Insurance Programs, Inc.			
Medical Assistance Program	93.778	925097	2,436

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005
(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 Health Services			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	HG361209	$ 344,687
HIV Prevention Activities—Health Department Based	93.940	HG352263	206,529
Passed through COPE Behavioral Services Inc.			
HIV Prevention Activities—Health Department Based	93.940	02-01C-131804-0902	101,514
Total HIV Prevention Activities—Health Department Based			308,043
Passed through the Arizona Department of Health Services			
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	HG352300	112,819
Preventive Health Services—Sexually Transmitted Diseases Control Grants	93.977	HG354252	178,925
Preventive Health and Health Services Block Grant	93.991	HG354184	68,360
Maternal and Child Health Services Block Grant to the States	93.994	HG361165	66,125
Total U.S. Department of Health and Human Services			10,388,880
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	2,967
Homeland Security Grant Program Cluster			
U.S. Department of Justice			
Passed through Arizona Department of Emergency and Military Affairs			
State and Local Domestic Preparedness Equipment Support Program	16.007	2004-GE-T4-0051, 2003-TE-CX-0196	2,039,377
Department of Homeland Security			
Passed through Arizona Department of Emergency and Military Affairs			
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0051	26,357
Homeland Security Grant Program	97.067	2005-GE-T5-0030	121,698
Total Department of Homeland Security			148,055
Total Homeland Security Grant Program Cluster			2,187,432
Department of Homeland Security			
Passed through Arizona Department of Emergency and Military Affairs			
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	EMF-2004-PC-0001, PDMC-PJ-09-AZ-2003-02	627,919
Passed through the United Way			
Emergency Food and Shelter National Board Program	97.024	22-027200-015, 23-027200-015	95,094
Passed through Arizona Department of Emergency and Military Affairs			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	1477-DR-AZ-019-99019-00	395,138
State and Local All Hazards Emergency Operations Planning	97.051	02-01-A-132311-1202	33,873
Total Department of Homeland Security			1,152,024
Total Expenditures of Federal Awards			$ 67,838,337

See accompanying notes to schedule.

Pima County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

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 2005 *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 or identifier 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.I5PSAP549Z	$8,414,954
Homeland Security Grant Program Cluster	16.007, 97.004, 97.067	$2,080,852
Community Development Block Grants/ Entitlement Grants	14.218	$ 417,622

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

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.I5PSAP549Z, 07.I3PSBP999	High Intensity Drug Trafficking Areas
14.218	Community Development Block Grants/Entitlement Grants
	WIA Cluster:
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
20.205	Highway Planning and Construction
	Homeland Security Grant Program Cluster:
16.007	State and Local Domestic Preparedness Equipment Support Program
97.004	State Domestic Preparedness Equipment Support Program
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	$2,035,150	
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, 2005

Federal Award Findings and Questioned Costs

05-101
CFDA No.: 07.I5PSAP549Z High Intensity Drug Trafficking Areas (HIDTA)
U.S. Office of National Drug Control Policy (ONDCP)
Award Years: 10/1/00 to 9/30/05, 10/1/01 to 6/30/06, 10/1/02 to 6/30/06, 10/1/03 to 6/30/06
Award Numbers: I1PSAP549, I2PSAP549, I3PSAP549, I4PSAP549Z
Cash Management

Questioned Cost: $26,330

The County did not have adequate policies and procedures to minimize the time elapsing between the receipt of HIDTA monies and their disbursement. During fiscal year 2005, the County took up to 55 business days to disburse program monies it received resulting in excess cash balances. The County did not determine interest earned on these excess cash balances and neither reported nor remitted the earnings to ONDCP. In addition, the County's accounting records disclosed $26,330 of unspent interest earnings from prior-year drawdowns, which also were never reported or remitted. It was not practical to extend our auditing procedures to determine the ultimate amount of questioned costs associated with this finding; however, we did question the prior-year known interest earnings.

In accordance with the ONDCP's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (21 CFR Part 1403), the County should implement procedures to minimize the time elapsing between the receipt of funds and their disbursement. Further, any interest earned should be remitted to the federal agency at least quarterly; however, the County may keep interest amounts up to $100 per year for administrative expenses.

05-102
CFDA No.: 07.I5PSAP549Z High Intensity Drug Trafficking Areas (HIDTA)
U.S. Office of National Drug Control Policy (ONDCP)
Award Year: 10/1/04 to 6/30/06
Award Number: I5PSAP549Z
Reporting

Questioned Cost: N/A

The County did not have adequate policies and procedures to ensure amounts reported on the June 30, 2005 Financial Status Report (SF269A) were accurate. The reported amounts inappropriately included a subrecipient advance paid in July 2005. The advance, totaling $535,147, was for services to be provided during the period August 1, 2005 through April 30, 2006.

As required by the Financial Status Report instructions, the County should report only those expenditures that represent actual cash disbursements and amounts owed by the County for goods and services received as of the date of the report.

05-103
CFDA Nos.: 16.007 State and Local Domestic Preparedness Equipment Support Program
U.S. Department of Justice, passed through the Arizona Department of Emergency and Military Affairs
Department of Homeland Security, passed through the Arizona Department of Emergency and Military Affairs
Award Years: 8/1/02 to 12/31/05, 4/1/03 to 11/30/06
Award Numbers: 2002-TE-CX-0142, 2003-TE-CX-0196, and 2004-GE-T4-0051
Reporting
Questioned Cost: N/A

The County did not have adequate policies and procedures to ensure that the program's Financial Status Reports (SF269A) were accurate, complete, and submitted to the Arizona Department of Emergency and Military Affairs, Division of Emergency Management (AZDEM). During our review of the SF269A reports, we noted that the County did not submit reports for both the 2002-TE-CX-0142 and 2003-TE-CX-0196 contracts for the quarters ended March 31, 2005 and June 30, 2005 and did not submit any quarterly reports for the 2004-GE-T4-0051 contract. Further, for the SF269A reports reviewed, the County did not ensure that all of its departmental activity was included within the reports and could not support the amounts reported as subgranted funds. However, we reviewed several of the program's reimbursement requests and noted that they were accurate, complete, and properly submitted.

As required by the contractual agreements with AZDEM, the County should submit quarterly status reports until the grants end. Further, these reports should represent a complete and accurate accounting of the program's expenditures and should be compiled from the County's accounting records that support its financial statements.

05-104
CFDA Nos.: 16.007 State and Local Domestic Preparedness Equipment Support Program
U.S. Department of Justice, passed through the Arizona Department of Emergency and Military Affairs
Department of Homeland Security, passed through the Arizona Department of Emergency and Military Affairs
Award Years: 8/1/02 to 12/31/05, 4/1/03 to 11/30/06
Award Numbers: 2002-TE-CX-0142, 2003-TE-CX-0196, and 2004-GE-T4-0051
Subrecipient Monitoring
Questioned Cost: N/A

The County did not have adequate policies and procedures to ensure that the program's subrecipients were adequately monitored. We noted that the County reviewed subrecipient expenditure documentation; however, the County did not obtain or monitor audit reports for the program's subrecipients who were required to have audits conducted in accordance with OMB Circular A-133. During the fiscal year ended June 30, 2005, these subrecipients received approximately $1.6 million of pass-through funding from the County.

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

In accordance with OMB Circular A-133, Subpart D, §.400(d), as a pass-through entity, the County should ensure that its subrecipients have the required audits performed, issue a management decision on audit findings within six months after receipt of the subrecipient audit reports, and ensure that its subrecipients take timely and appropriate corrective action on all audit findings.

05-105
CFDA No.: 20.205 Highway Planning and Construction
U.S. Department of Transportation, passed through the Arizona Department of Transportation
Award Date: 9/10/03
Award Number: SD010-01C
Reporting and Matching

Questioned Cost: $ 455,223

The County did not have adequate internal controls to ensure that its Highway Planning and Construction program's reimbursement requests were accurate. The Federal Transportation Equity Act for the 21st Century designated the Veterans' Memorial Overpass construction project as a high priority project to be funded primarily with High Priority Project monies at a federal reimbursement rate of 80 percent. However, we noted that the County requested and received federal reimbursement for approximately 83 percent, or $11,466,007, of the project's fiscal year 2004-2005 allowable costs that totaled $13,763,481 million. This resulted in a questioned cost of $455,223. Also, we noted that this project's reimbursement requests contained many adjustments that were made to correct previous billing errors. These errors resulted from incorrect categorizations of expenditures, incorrect billing rates, and a lack of clear guidance regarding allowable expenditures.

The County should strengthen its internal controls to help ensure that the Highway Planning and Construction program's reimbursement requests are accurate and complete. Specifically, it should develop detailed procedures to provide staff with guidance on how to process the reimbursement requests. Additionally, the County should ensure that its billing rate methodology meets federal guidelines and is approved by its pass-through grantor, the Arizona Department of Transportation.

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

Thomas Burke, Director

March 17, 2006

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

Dear Ms. Davenport,

The following corrective action 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
Director

PIMA COUNTY
Corrective Action Plan
Year Ended June 30, 2005

FEDERAL AWARD FINDINGS AND QUESTIONS COSTS

05-101
CFDA No.: 07.I5PSAP549Z **High Intensity Drug Trafficking Areas (HIDTA)**
U.S. Office of National Drug Control Policy (ONDCP)
Award Years:10/1/00 to 9/30/05, 10/1/01 to 6/30/06, 10/1/02 to 6/30/06,
10/1/03 to 6/30/06
Award Numbers: I1PSAP549, I2PSAP549, I3PSAP-549, I4PSAP549Z
Cash Management
Contact Person – Ron Jee
Anticipated Completion Date - Completed

The County concurs with the finding. The employees formerly responsible for processing these payments are no longer with the County. We have, therefore, reorganized and revised our policies and procedures of the HIDTA program. The policy and procedure revisions for HIDTA reimbursements have eliminated the use of advances for payment of HIDTA expenditures.

Additionally, interest earnings have been reverted back to ONDCP. Based on the elimination of advances in our current procedures, interest earnings should no longer be generated.

05-102
CFDA No.: 07.I5PSAP549Z **High Intensity Drug Trafficking Areas (HIDTA)**
U.S. Office of National Drug Control Policy (ONDCP)
Award Year: 10/1/04 to 6/30/06
Award Number: I5-PSAP-549Z
Reporting
Contact Person – Ron Jee
Anticipated Completion Date – Completed

The County concurs with the finding related to this reporting error. As previously stated, the reorganization and revision related to the administration of the HIDTA program will provide better controls over reporting requirements. Of the $535,147 advanced, Pima County has reverted $422,171 and a demand from the subrecipient, Santa Cruz County Attorney's Office, has been made for the remaining funds.

PIMA COUNTY
Corrective Action Plan
Year Ended June 30, 2005

05-103
CFDA No.: 16.007 **State and Local Domestic Preparedness Equipment Support Program**
U.S. Department of Justice, passed through the Arizona Department of Emergency and Military Affairs
Department of Homeland Security, passed through the Arizona Department of Emergency and Military Affairs
Award Years: 8/1/02 to 12/31/05, 4/1/03 to 11/30/06
Award Numbers: 2002-TE-CX-0142, 2003-TE-CX-0196 and 2004-GE-T4-0051
Reporting
Contact Person – Dennis Douglas, Health Department
Anticipated Completion Date – March 31, 2006

The County agrees with the finding. The quarterly reports applicable to the 2002-TE-CX-0142 and 2004-GE-T4-0051 awards have been submitted to the Arizona Department of Emergency and Military Affairs. The reports applicable to the 2003-TE-CX-0196 will be submitted promptly, no later than March 31, 2006.

The County has revised policies and procedures applicable to reporting to ensure future reporting requirements are met. Additional internal controls have been implemented to provide complete and accurate accounting of the programs' expenditure activity.

05-104
CFDA No.: 16.007 **State and Local Domestic Preparedness Equipment Support Program**
U.S. Department of Justice, passed through the Arizona Department of Emergency and Military Affairs
Department of Homeland Security, passed through the Arizona Department of Emergency and Military Affairs
Award Years: 8/1/02 to 12/31/05, 4/1/03 to 11/30/06
Award Numbers: 2002-TE-CX-0142, 2003-TE-CX-0196 and 2004-GE-T4-0051
Subrecipient Monitoring
Contact Person – Dennis Douglas, Health Department
Anticipated Completion Date – June 30, 2006

The County concurs. Policies and procedures have been implemented to ensure timely subrecipient monitoring is occurring and in compliance with OMB Circular A-133.

PIMA COUNTY
Corrective Action Plan
Year Ended June 30, 2005

05-105
CFDA No.: 20.205 **Highway Planning and Construction**
U.S. Department of Transportation, passed through the Arizona Department of Transportation
Award Date: 9/10/03
Award Number: SD010-01C
Reporting and Matching
Contact Person – Paul Guerrero
Anticipated Completion Date - Completed

The County agrees that the reimbursement rates used for the Veterans' Memorial Overpass construction projects were inconsistent with the grantor's procedures. In the future, the County will receive written approval for the reimbursement rates from ADOT to ensure an agreed upon rate is used for the reimbursement process.

Internal controls will be modified to accommodate projects with multiple reimbursement rates.

PIMA COUNTY
DEPARTMENT OF INANCE AND RISK MANAGEMENT
130 WEST CONGRESS STREET
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(520) 740-8041 FAX (520) 624-9178

Thomas Burke, Director

March 1, 2006

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, Director
Finance

PIMA COUNTY
Schedule of Prior Year Audit Findings
Year ended June 30, 2005

Status of Federal Award Findings and Questioned Costs

Finding Nos. 04-101 and 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
Status: **Partially Corrected**

The County is revising its procedures to ensure that accruals are properly reported and reconciled within the County's financial system.