A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pima County

Year Ended June 30, 2010

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

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Pima County
Single Audit Reporting Package
Year Ended June 30, 2010

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Comprehensive Annual Financial Report

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*

DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 Pima County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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.

As described in item 10-101 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding allowable costs/cost principles that are applicable to its ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Pima County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The

results of our auditing procedures also disclosed other 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 10-102, 10-103, 10-104, and 10-105.

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 the requirements that could have a direct and material effect on a major federal program to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 10-101 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-102, 10-103, 10-104, and 10-105 to be significant deficiencies.

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, 2010, and have issued our report thereon dated December 17, 2010. Our report was modified to include a reference to our reliance on other auditors and as to consistency because of the implementation of Governmental Accounting Standards Board Statement No. 54. Our audit was performed for the purpose of forming our 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.

Pima County's responses to the findings identified in our audit are presented on pages 19 through 21. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, others within the County, 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.

Jay Zsorey, CPA
Financial Audit Director

March 28, 2011, except for the
Schedule of Expenditures of Federal Awards,
for which the date is December 17, 2010

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program 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		$ 13,362
High Intensity Drug Trafficking Areas	07.G09SA0002A		1,525,013
High Intensity Drug Trafficking Areas	07.G10SA0002A		145,969
Passed through the Arizona Criminal Justice Commission			
High Intensity Drug Trafficking Areas	07.I7PSAP549Z	HT17-07-2710, HT-07-1411, HT17-07-0211	54,041
	07.I8PSAP549Z	HT18-08-0211, HT18-08-1411, HT18-08-0310, HT18-08-2011, HT18-08-0110, HT18-08-2710, HT18-08-0713	496,159
Total U.S. Office of National Drug Control Policy			2,234,544
U.S. Department of Agriculture			
Passed through the Arizona Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	ED09-0001	68,020
National School Lunch Program	10.555	ED09-0001	131,209
Total Child Nutrition Cluster			199,229
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG861087, HG50005	1,877,153
Commodity Supplemental Food Program	10.565	HG861194	126,259
WIC Farmers' Market Nutrition Program (FMNP)	10.572	HG861329	5,000
Passed through the Arizona State Treasurer			
Schools and Roads—Grants to States	10.665	NFF	401,609
Total U.S. Department of Agriculture			2,609,250
U.S. Department of Housing and Urban Development			
CDBG—Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218		3,798,520
ARRA—Community Development Block Grant ARRA Entitlement Grants (CDBG-R) Recovery Act Funded	14.253		695,454
Total CDBG—Entitlement Grants Cluster			4,493,974
Emergency Shelter Grants Program	14.231		89,858
Supportive Housing Program	14.235		2,072,033
Passed through the City of Tucson			
HOME Investment Partnerships Program	14.239	0046-08	172,590
Housing Opportunities for Persons with AIDS	14.241		431,673
ARRA—Neighborhood Stabilization Program (Recovery Act Funded)	14.256		54,920
ARRA—Homeless Prevention and Rapid Re-Housing Program (HPRRP) (Recovery Act Funded)	14.257		191,482
Total U.S. Department of Housing and Urban Development			7,506,530
U.S. Department of the Interior			
Bureau of Land Management-Law Enforcement	15.DAU		15,000
Sonoran Desert Conservation Plan	15.FFB		15,818
Payments in Lieu of Taxes	15.226		2,849,018
Passed through the Arizona State Treasurer			
Distribution of Receipts to State and Local Governments	15.227	TAYLO	7,104

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Passed through the Arizona Fish and Game Commission			
Fish, Wildlife and Plant Conservation Resource Management	15.231	201819G570, 201819G569	$ 20,753
Cooperative Endangered Species Conservation Fund	15.615	P0012008005134	106,734
Total U.S. Department of the Interior			3,014,427
U.S. Department of Justice			
Federal Equitable Sharing Program	16.unknown		372,881
Passed through the Arizona Governor's Office for Children, Youth and Families, Division for Community and Youth Development			
Juvenile Accountability Block Grants	16.523	JB-CSG-08-9273-08, JB-CSG-09-0273-08, JB-CSG-10-1273-09	79,212
Passed through the Arizona Governor's Office for Children, Youth and Families, Division for Children			
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	J5-CSG-08-8335-00Y2, J5-CSG-08-8335-00Y3, J2CSG-07-8182-10Y3	142,409
Passed through the National Court Appointed Special Advocate Association			
Victims of Child Abuse	16.547	AZ10770-09-0709-E12	29,927
National Institute of Justice Research, Evaluation, and Development			
Project Grants	16.560		247,667
Passed through the Arizona Department of Public Safety			
Crime Victim Assistance	16.575	2009-214	123,807
Passed through the Arizona Criminal Justice Commission			
Crime Victim Compensation	16.576	VC-10-059	205,608
Passed through the City of Tucson			
Edward Byrne Memorial Formula Grant Program	16.579	0277-05	328,231
Passed through the Arizona Governor's Office for Children, Youth and Families, Division for Women			
Violence Against Women Formula Grants	16.588	2006-WF-AX-007, ST-WSG-09-9365-17, ST-WSG-09-9365-09, ST-WSG-07-7365-10 Y2	350,126
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		153,484
The Community-Defined Solutions to Violence Against Women Grant Program	16.590		544,214
State Criminal Alien Assistance Program	16.606		1,092,733
Public Safety Partnership and Community Policing Grants	16.710		247,483
Passed through the Arizona Governor's Office of Highway Safety			
Enforcing Underage Drinking Laws Program	16.727	2007-OJJDP-007	17,500
Passed through the City of Tucson			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16634	185,719
Passed through the Arizona Criminal Justice Commission			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-10-028, DC-10-010	183,797
Total Edward Byrne Memorial Justice Assistance Grant Program			369,516
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		68,548
Passed through the Arizona Department of Public Safety			
ARRA—Recovery Act—State Victim Assistance Formula Grant Program	16.801	2009-SG-B9-0090	22,542

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Passed through the Arizona Criminal Justice Commission			
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	DC-10-041, DC-10-048	$ 751,071
Passed through the City of Tucson			
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	16636	643,613
ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming From the Southern Border of the United States Competitive Grant Program	16.809		715,463
Total U.S. Department of Justice			6,505,035
U.S. Department of Labor			
WIA Cluster:			
Passed through the Arizona Department of Economic Security			
WIA Adult Program	17.258	DE081301001, DE091209001	1,886,573
ARRA—WIA Adult Program	17.258	DE101050001	757,516
Total WIA Adult Program			2,644,089
WIA Youth Activities	17.259	DE081301001	1,608,206
ARRA—WIA Youth Activities	17.259	DE101050001	1,075,484
Total WIA Youth Activities			2,683,690
WIA Dislocated Workers	17.260	DE070302001, DE081301001, DE091209001	1,859,084
ARRA—WIA Dislocated Workers	17.260	DE101050001	2,650,600
Total WIA Dislocated Workers			4,509,684
Total WIA Cluster			9,837,463
WIA Pilots, Demonstrations, and Research Projects	17.261		118,991
Passed through the Arizona Department of Commerce			
H-1B Job Training Grants	17.268	G021-08	4,120,366
Community Based Job Training Grants	17.269		607,252
Veterans' Employment Program	17.802		456,664
Homeless Veterans Reintegration Project	17.805		264,655
Total U.S. Department of Labor			15,405,391
U.S. Department of Transportation			
Highway Planning and Construction	20.205		227,258
Passed through the Arizona Department of Transportation			
Highway Planning and Construction	20.205	SL541-01X, JPA 10-003T SL525-01X/02D, SS713 01C	95,198
ARRA—Highway Planning and Construction	20.205	SS740 01C, SS 740 RRD & 01C SS738 RRD, 01C, SL 553 01C	4,597,726
Total Highway Planning and Construction			4,920,182
Passed through the City of Tucson			
Job Access-Reverse Commute	20.516	0228-05	105,712
Passed through the Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2010-PT-059	55,395
Alcohol Impaired Countermeasures Incentive Grant	20.601	2008-HV-001, 2010-HVE-004 2010-410-HVE-002	266,131
Alcohol Open Container Requirements	20.605	2010-163-012	20,000

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
National Highway Traffic Safety Administration (NHTSA)			
Discretionary Safety Grant	20.614	2010-NG-025	$ 19,092
Passed through the Arizona Emergency Response Commission			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	None	5,728
Total U.S. Department of Transportation			5,392,240
U.S. Department of Treasury			
Federal Equitable Sharing Program	21.unknown		17,853
State and Local Overtime and Authorized Expense Program	21.unknown		45,170
Total U.S. Department of Treasury			63,023
U.S. Institute of Museum and Library Services			
Passed through the Arizona State Library, Archives and Public Records			
Grants to States	45.310	2009-32101-07, 2009-32501-03	42,180
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		511,415
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		94,894
Passed through Water Infrastructure Finance Authority of Arizona			
ARRA—Capitalization Grants for Clean Water State Revolving Funds	66.458	91A115-10	2,000,000
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		58,921
Total U.S. Environmental Protection Agency			2,665,230
U.S. Department of Energy			
Passed through the Arizona Department of Commerce			
Weatherization Assistance for Low-Income Persons	81.042	C051-09-07	45,544
ARRA—Weatherization Assistance for Low-Income Persons	81.042	C037-09-07	408,708
Total Weatherization Assistance Program for Low-Income Persons			454,252
Passed through the City of Tucson			
ARRA—Energy Efficiency and Renewable Energy Information Dissemination, Outreach Training and Technical Assistance Analysis/Assistance	81.117	16770	8,638
ARRA—Energy Efficiency and Conservation Block Grant Program	81.128		224,165
Total U.S. Department of Energy			687,055
U.S. Department of Education			
Passed through the Arizona Department of Education			
Adult Education—Basic Grants to States	84.002	V002A0900003	87,742
Title I Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	S010A090003	68,812
Passed through the Arizona Supreme Court			
Title I Grants to Local Educational Agencies	84.010	None	104,889
ARRA—Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A0900003	60,167
Total Title I Part A Cluster			233,868
Special Education Cluster:			
Passed through the Arizona Department of Education			
Special Education—Grants to States	84.027	H027A0090007	73,053

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
ARRA—Special Education Grants to States, Recovery Act	84.391	H391A0900007	$ 39,474
Total Special Education Cluster			112,527
Indian Education—Grants to Local Educational Agencies	84.060	None	4,511
Fund for the Improvement of Education	84.215		366,765
Passed through the Arizona Department of Education			
Tech-Prep Education	84.243	V243A090003	200,902
Twenty-First Century Learning Centers	84.287	S287C090003	54,982
Education Technology State Grants	84.318	S318X090005	1,070,564
Reading First State Grants	84.357	S357A0900003	279,919
English Language Acquisition Grants	84.365	S365A0900003	55,814
Mathematics and Science Partnerships	84.366	S366B090003	238,017
Improving Teacher Quality State Grants	84.367	S281A090003, S3281A090000349	105,187
Passed through the Arizona Supreme Court			
Improving Teacher Quality State Grants	84.367	None	31,206
Total Improving Teacher Quality State Grants			136,393
Passed through the Arizona Department of Education			
ARRA—Education for Homeless Children and Youth, Recovery Act	84.387	S387A0900003	3,885
ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act	84.394	HR1, GOER-FY2010-506-E	304,383
Total U.S. Department of Education			3,150,272
Elections Assistance Commission (EAC)			
Passed through the Arizona Secretary of State			
Help America Vote Act Requirements Payments	90.401	None	58,275
U.S. Department of Health and Human Services			
Passed through the Pima Council on Aging			
Special Programs for the Aging—Title III, Part D—Disease Prevention and Health Promotion Services	93.043	142192	22,662
Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers	93.044	07-15-P-142230-0709	907,524
National Family Caregiver Support, Title III, Part E	93.052	07-15-P-142230-0709	245,544
Passed through the Arizona Department of Health Services			
Public Health Emergency Preparedness	93.069	HG754202	1,809,159
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	HG852307	72,910
Passed through the Arizona Family Planning Council			
Family Planning—Services	93.217	02-01-A-141806-0109 02-01-A-142703-0110	789,746
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243		207,087
Passed through the University of Arizona			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	Y453010, Y480590	81,909
Passed through the Southern Arizona AIDS Foundation			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	V909-380-101,V910-380-101	17,940
Total Substance Abuse and Mental Health Services—Projects of Regional and National Significance			306,936

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Passed through the Arizona Department of Health Services			
Immunization Grants	93.268	HG854291	$ 178,045
Centers for Disease Control and Prevention—Investigation and Technical Assistance	93.283	HG761267	437,018
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families	93.558	E6306007	774,955
Child Support Enforcement	93.563	DE111163001, 060756-1	
		DES060679-1	816,781
Low-Income Home Energy Assistance	93.568	E6306007	1,352,157
Passed through the Arizona Department of Commerce			
Low-Income Home Energy Assistance	93.568	C052-09-07	68,420
Total Low-Income Home Energy Assistance			1,420,577
Community Services Block Grant Cluster:			
Passed through the Arizona Department of Economic Security			
Community Services Block Grant	93.569	E6306007	838,570
ARRA—Community Services Block Grant	93.710	E6306007	975,889
Total Community Services Block Grant Cluster			1,814,459
Social Services Block Grant	93.667	E6206009, E6306007	1,165,354
Passed through the Arizona Department of Health Services			
ARRA—Immunization	93.712	854291	15,014
ARRA—Prevention and Wellness—Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724		137,999
Passed through the Arizona Department of Health Services			
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	HG652199	240,324
Preventive Health Services—Sexually Transmitted Diseases Control Grants	93.977	HG854318	167,597
Passed through the Arizona Family Planning Council			
Preventive Health Services—Sexually Transmitted Diseases Control Grants	93.977	02-01-A-141806-0109	3,136
Total Preventive Health Services—Sexually Transmitted Diseases Control Grants			170,733
Passed through the Arizona Department of Health Services			
Preventive Health and Health Services Block Grant	93.991	HG354374	62,274
Maternal and Child Health Services Block Grant to the States	93.994	HG861299	47,278
Total U.S. Department of Health and Human Services			11,435,292
U.S. Department of Homeland Security			
Passed through Arizona Department of Homeland Security			
Interoperable Emergency Communications Grant Program	97.001	444408-03	33,275
Passed through the Arizona Department of Emergency Management			
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	PDMC-PJ-09-AZ-2003-02	21,581
Passed through the United Way			
Emergency Food and Shelter National Board Program	97.024	Phase 27-027200-015	
		Phase 28-027200-015	164,438
ARRA—Emergency Food and Shelter National Board Program	97.024	Phase AR-07200-015	80,329
Passed through the Arizona Department of Emergency and Military Affairs			
Disaster Grants—Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1660, FEMA # 1477-DR-AZ	1,403,541
Emergency Management Performance Grants	97.042	None	214,009

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Homeland Security Grant Program Cluster:			
Passed through the Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	333406-01, 222414-01, 333406-04, 333904-01, 444401-02, 444905-01, 444904-03, 444401-01, 444908-01, 555401-02, 555401-03, 555401-04, 555401-05, 333420-06, 555903-02, 555401-01, 333903-01, 444406-01, 444906-02, 444408-02, 444408-04, 444906-03, 555408-02, 555904-03, 555904-04, 555408-04, 555408-06, 555408-03, 555408-01, 444408-05, 333420-04, 444906-04, 333903-02	$ 2,340,689
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	222416-04	1,796
Total Homeland Security Grant Program Cluster			2,342,485
Total U.S. Department of Homeland Security			4,259,658
Total Expenditures of Federal Awards			$ 65,029,402

See accompanying notes to schedule.

Pima County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

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 2010 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 or Cluster Title	CFDA Number	Amount
High-Intensity Drug Trafficking Areas	07.15PSAP549Z	$ 12,868
Community Development Block Grants/ Entitlement Grants	14.218	449,193
Housing Opportunities for Persons with AIDS	14.241	428,499
WIA Adult Program	17.258	11,355
H-1B Job Training Grants	17.268	1,201,801
Community Based Job Training Grants	17.269	240,311
Veterans' Employment Program	17.802	15,478
Centers for Disease Control and Prevention— Investigation and Technical Assistance	93.283	161,262
Homeland Security Grant Program	97.067	312,763

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
Internal control over financial reporting:	Yes	No
Material weaknesses identified?	____	X
Significant deficiencies identified?	X	____
Noncompliance material to the financial statements noted?	____	X

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	X	____
Significant deficiencies identified?	X	____

Type of auditors' report issued on compliance for major programs: Unqualified for all major programs except for the ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories, which was 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	Name of Federal Program or Cluster
07.15PSAP549Z	High Intensity Drug Trafficking Areas
07.G09SA0002A	
07.G10SA0002A	
07.17PSAP549Z	
07.18PSAP549Z	
	CDBG—Entitlement Grants Cluster:
14.218	Community Development Block Grants/Entitlement Grants
14.253	ARRA—Community Development Block Grant ARRA Entitlement
14.235	Supportive Housing Program
15.226	Payments in Lieu of Taxes
16.803	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

CFDA Number	Name of Federal Program or Cluster
16.804	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government
	WIA Program Cluster:
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
17.268	H-1B Job Training Grants
20.205	Highway Planning and Construction
66.458	ARRA—Capitalization Grants for Clean Water State Revolving Funds
81.128	ARRA—Energy Efficiency and Conservation Block Grant Program
84.394	ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: $1,950,882

	Yes	No
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, 2010

Financial Statement Findings

Financial statement findings were reported in the separately issued 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*.

Federal Award Findings and Questioned Costs

10-101
CFDA No.: 16.803 ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
U.S. Department of Justice
Passed through the Arizona Criminal Justice Commission
Award Year: July 1, 2009 through June 30, 2010
Award Number: DC-10-041, DC-10-048
Allowable Costs/Cost Principles
Questioned Cost: Unknown

Criteria: According to the *U.S. Department of Justice, Office of Justice Programs Financial Guide* and 2 Code of Federal Regulations Part 225, Appendix B, the County must require all employees working on federal programs and their supervisors to certify their time charged to that program. When employees work solely on a single federal program, they must prepare and sign at least semiannual certifications to support charges for their salaries, and have these certifications signed by supervisors with first-hand knowledge of the work performed. When employees work on multiple activities, a distribution of their salaries must be supported by at least monthly activity reports that reflect an after-the-fact distribution of each employee's actual activity which must account for the total activity for which each employee is compensated. The employees and their direct supervisors must sign the activity reports.

Condition and context: The County spent a total of $751,000 in program monies during the year, all of which pertained to employees' salaries and benefits who contributed effort to the program. However, for salaried employees who represented 75 percent of the program's expenditures, the County did not prepare the required payroll certifications until late January 2011, after a review by the pass-through agency in May 2010 found the County's procedures to be noncompliant and after our inquiry in January 2011.

Effect: The County could not demonstrate that it had fully complied with the allowable costs/cost principles requirements. The required certifications were prepared in January 2011, and the employees and their direct supervisors certified that their time and effort was spent on the program's objectives. However, it was not practical to extend our audit procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance and material noncompliance with the allowable costs/cost principles requirements.

Cause: The County was unaware that the required certifications were necessary for its salaried employees.

Recommendation: To help ensure that the County complies with the *Office of Justice Programs Financial Guide* and 2 Code of Federal Regulations Part 225, Appendix B, it should require all employees working solely on a single federal program to prepare and sign certifications at least semiannually to certify their time and effort spent on the federal program. When employees work on multiple activities, the County should require those employees to prepare and sign at least monthly activity reports that reflect and certify an after-the-fact distribution of each employee's actual activity and account for the total activity for which each employee is compensated. Both certifications must also be signed by each employee's direct supervisor with first-hand knowledge of the work performed.

10-102
CFDA No.: 20.205 Highway Planning and Construction
U.S. Department of Transportation
Award Year: July 1, 2009 through September 30, 2009
Award Number: DTFH68-08-E-00055
Davis-Bacon Act
Questioned Cost: None

Criteria: According to the County's grant agreement and the Davis-Bacon Act, as set forth in 40 United States Code (USC) §3141 through §3144, the County must require all contractors and subcontractors that are awarded more than $2,000 in federal monies for construction and minor remodeling projects to pay wages at least equal to rates prevailing for similar projects in the area, as determined by the U.S. Secretary of Labor.

Condition and context: The County spent $227,258 in program monies during the year for drainage repairs on the Mt. Lemmon Highway. The County's Department of Transportation, Maintenance and Operations Division was responsible for overseeing all projects associated with the Mt. Lemmon Highway; however, for one of the two contractors performing repairs, the County neglected to inform the contractor of the wage requirements. As a result, the Division did not monitor $18,672 in labor charges to determine if prevailing wage rates were paid to laborers and mechanics.

Effect: The County could not demonstrate that it had fully complied with the Davis-Bacon Act requirements. No questions costs resulted from this finding because the County and the contractor ensured that all laborers were paid the prevailing wage for this project after auditors found the deficiency. This finding is a significant deficiency in internal control over compliance and noncompliance with Davis-Bacon Act requirements.

Cause: The County did not have adequate policies and procedures in place to ensure that all Mt. Lemmon Highway Project construction contracts subject to Davis-Bacon Act requirements were consistently monitored.

Recommendation: To help ensure that the County complies with its grant agreement and Davis-Bacon Act requirements, it should ensure contractors and subcontractors that are awarded federal monies exceeding $2,000 pay employees the prevailing wage rates established by the U.S. Department of Labor. To accomplish this, the County should request and perform a timely review of contractors' and subcontractors' payroll certification reports to verify that prevailing wages were paid and conduct random

interviews of laborers and mechanics to validate the accuracy of the certified payrolls. If the County determines that the contractors or subcontractors did not pay prevailing wages, it should withhold payment until the requirements are met.

10-103
CFDA No.: 66.458 ARRA—Capitalization Grants for Clean Water State Revolving Funds
U.S. Environmental Protection Agency
Passed through the Water Infrastructure Financing Authority of Arizona
Award Year: October 1, 2009 through September 30, 2010
Award Number: 91A115-10
Davis-Bacon Act
Questioned Cost: Unknown

Criteria: According to the County's grant agreement and the Davis-Bacon Act, as set forth in 40 United States Code (USC) §3141 through §3144, the County must ensure that all contractors and subcontractors that are awarded more than $2,000 in federal monies for construction and minor remodeling projects pay wages at least equal to rates prevailing for similar projects in the area, as determined by the U.S. Secretary of Labor.

Condition and context: The majority of the County's $2 million in federal program monies was awarded to contractors to construct new sewer infrastructure. The County required those contractors to comply with Davis-Bacon Act requirements and submit payroll certification reports demonstrating compliance; however, the County did not review those payroll certification reports to determine if prevailing wage rates were being paid to laborers and mechanics. In addition, the County never conducted random interviews of laborers and mechanics. In May 2010, after Water Infrastructure Financing Authority of Arizona, the pass-through entity, conducted a program review and made suggestions for improvement, the County began reviewing certifications and conducting interviews; however, auditors were informed that the County would not complete its reviews and interviews until February 2011.

Effect: The County could not demonstrate that it had fully complied with Davis-Bacon Act requirements. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with Davis-Bacon Act requirements.

Cause: The County believed that the review process being performed by the prime contractor was adequate.

Recommendation: To help ensure that the County complies with Davis-Bacon Act requirements, it should ensure that contractors and subcontractors that are awarded federal monies exceeding $2,000 pay employees the prevailing wage rates established by the U.S. Department of Labor. To accomplish this, the County should review contractors' and subcontractors' payroll certification reports to verify that prevailing wages were paid and conduct random interviews of laborers and mechanics to validate the accuracy of the certified payrolls. If the County determines that the contractors or subcontractors did not pay prevailing wages, it should withhold payment until the requirements are met.

10-104
CFDA No.: 84.394 ARRA—State Fiscal Stabilization Fund (SFSF)—Education State Grants, Recovery Act
U.S. Department of Education
Passed through the Arizona Department of Education
Award Year: 2010
Award Number: HR1, GOER-FY2010-506-E
Cash Management
Questioned Cost: None

Criteria: According to the Arizona Department of Education Grants Management External Guidelines, EX-22 Grants Management—Business Rules Districts section, when the County requests monies in advance for anticipated budget needs, it should request only enough to cover estimated costs for the next 30 days.

Condition and context: The County's Pima Accommodation District received $57,414 in SFSF monies in advance; however, approximately $30,000 of that advance was not reported as spent within the 30-day required time frame. Instead, the County reported that it spent the monies up to 111 days after receiving the advance.

Effect: The County did not comply with the federal program's cash management requirements. This finding is a significant deficiency in internal control over compliance and noncompliance with cash management requirements.

Cause: Since this was the first year that the County administered this program, it had not established adequate policies and procedures to ensure monies received in advance were spent for identifiable allowable expenditures within the 30-day required time frame.

Recommendation: The County should establish policies and procedures to ensure that SFSF monies received in advanced are spent on allowable expenditures within 30 days after receiving the advance.

10-105
CFDA No.: 81.128 ARRA—Energy Efficiency and Conservation Block Grant
U.S. Department of Energy
Award Year: August 17, 2009 through June 30, 2010
Award Number: DE-EE0000852
Reporting
Questioned Cost: None

Criteria: According to the grant agreement and the Energy Independence and Security Act (EISA), Title V, Subtitle E, the County is required to prepare and submit quarterly progress reports of its receipt and expenditures of program monies and a separate report of American Recovery and Reinvestment Act (ARRA) monies.

Condition and context: The County spent a total of $224,165 during the fiscal year, all of which was ARRA monies. However, the County reported $0 in expenditures on its quarterly progress reports and understated expenditures by $68,285 and $78,534 on its 3rd and 4th quarter ARRA progress reports, respectively.

Effect: The County did not accurately report its federal program expenditures. This finding is a significant deficiency in internal control over compliance and noncompliance with reporting requirements.

Cause: The County did not have adequate policies and procedures in place to ensure that it accurately enters financial data into the required electronically-submitted quarterly progress reports.

Recommendation: To help ensure that the County accurately prepares its required quarterly progress reports, it should implement policies and procedures requiring an independent review of all information included on each progress report before electronically submitting the reports.

PIMA COUNTY
DEPARTMENT OF FINANCE & RISK MANAGEMENT
130 WEST CONGRESS STREET
TUCSON, ARIZONA 85701-1317
(520) 740-8041 FAX (520) 243-2329

Thomas E. Burke, Director

March 8, 2011

Ms. 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 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.

Very truly yours,

Thomas E. Burke, Director
Department of Finance & Risk Management

PIMA COUNTY
Corrective Action Plan
Year Ended June 30, 2010

10-101
CFDA No.: 16.803 Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
U.S. Department of Justice
Passed through Arizona Criminal Justice Commission
Award Year: July 1, 2009 through June 30, 2010
Award Number: DC-10-041, DC-10-048
Allowable Costs/Cost Principles
Questioned Cost: N/A

Contact Person: Dave Smutzer, Pima County Attorney Office
Anticipated Completion Date: Implemented February 2011
Response: Pima County agrees with the finding. Effective February 2011, the Pima County Attorney Office implemented an internal system to ensure that any salaried employees fully funded from federal grants must complete and submit semi-annual certifications. Certifications will be completed within 30 days of the end of the six month period to prevent any future recurrence of this finding.

10-102
CFDA No.: 20.205 Highway Planning and Construction
U.S. Department of Transportation
Award Year: July 1, 2009 through September 30, 2009
Award Number: DTFH68-08-E-00055
Davis-Bacon Act
Questioned Cost: Unknown

Contact Person: David Cummings, Pima County Department of Transportation
Anticipated Completion Date: Implemented February 2011
Response: Pima County agrees with this finding. During the Single Audit, the Department of Transportation's contractor payrolls were requested, received, found in order and provided to the auditor. To prevent recurrence, the Department's Job Order template has been modified to require identification of project funding (i.e., federal v. non-federal) in the scope of each Job Order issued so that the contractor is informed and the County monitors as required.

10-103
CFDA No.: 66.458 Capitalization Grants for Clean Water State Revolving Funds
U.S. Environmental Protection Agency
Passed through Water Infrastructure Financing Authority of Arizona (WIFA)
Award Year: October 1, 2009 through September 30, 2010
Award Number: 91A115-10
Davis-Bacon Act
Questioned Cost: Unknown

Contact Person: Jaime R. Rivera, Pima County Regional Wastewater Reclamation Department
Anticipated Completion Date: Implemented February 2011
Response: Pima County agrees with this finding. The Project Team performed a 100% verification of the Davis-Bacon Certified payrolls, conducted interviews with the contractor and subcontractors and found the contractors and subcontractors were in compliance. The Wastewater Department has included the Arizona Department of Transportation guidance on Federal Aid Compliance as an Appendix to the Department Project Management Manual. The Department will include an item in the project initiation checklist pointing to this appendix if a project receives any Federal Funds.

10-104
CFDA No.: 84.394 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act
U.S. Department of Education
Passed through Arizona Department of Education
Award Year: 2010
Award Number: HR1, GOER-FY2010-506E
Cash Management
Questioned Cost: None

Contact Person: Ricky D. Hernández, Office of the Superintendent of Schools
Anticipated Completion Date: Implemented February 2011
Response: Pima County agrees with the finding. The Superintendent's Office received the accelerated distribution of ARRA SFSF funding from the Arizona Department of Education, with limited guidance available on specific cash management requirements. Subsequent to receipt of the State's written cash management guidance for this award, the Office implemented procedures consistent with ensuring that SFSF monies received in advanced are spent on allowable expenditures within 30 days after the receipt of any advance.

10-105
CFDA No.: 81.128 ARRA—Energy Efficiency and Conservation Block Grant
U.S. Department of Energy
Award Year: August 17, 2009 through June 30, 2010
Award Number: DE-EE0000852
Reporting
Questioned Cost: None

Contact Person: Marc Lynn, Pima County Facilities Management Department
Anticipated Completion Date: Implemented March 2011
Response: Pima County agrees with the finding. Pima County Facilities Management staff will implement internal control procedures to independently confirm that all information included in the progress reports is verified prior to submittal. Pima County Finance staff will review and approve any financial information for this grant's quarterly progress reports prior to submittal by Pima County Facilities Management.

PIMA COUNTY
DEPARTMENT OF FINANCE & RISK MANAGEMENT
130 WEST CONGRESS STREET
TUCSON, ARIZONA 85701-1317
(520) 740-8041 FAX (520) 243-2329

Thomas E. Burke, Director

March 8, 2011

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

Dear Ms. Davenport,

The following summary schedule of prior year 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.

Very truly yours,

Thomas E. Burke, Director
Department of Finance & Risk Management

PIMA COUNTY
Schedule of Prior Year Audit Findings
Year Ended June 30, 2009

Federal Award Findings and Questioned Costs

08-101
CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
U.S. Department of Agriculture, passed through the Arizona Department of Health Services

Status: **Fully Corrected**

The County continues to train existing and new staff on proper documentation of income eligibility using the State's WIC certification system. Additionally, the Arizona Department of Health Services has clarified documentation of adjunctive eligibility, incorporated into the on-line instructional materials, and implemented a statewide procedure as part of the Arizona WIC Program Policy & Procedure Manual, revised March 2011. Pima County continues to monitor staff performance on documenting adjunctive eligibility through regular internal reviews of Pima County WIC client records.