Pima County

Single Audit Report
Year Ended June 30, 2019

A Report to the Arizona Legislature
The Arizona Office of the Auditor General’s mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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Representative John Allen
Representative Timothy M. Dunn
Representative Mitzi Epstein
Representative Jennifer Pawlik
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Senator David C. Farnsworth
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Audit Staff

Donna Miller, Director
John Faulk, Manager

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**TABLE OF CONTENTS**

### Auditors section

**Independent auditors’ report** on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance  

1

**Schedule of findings and questioned costs**  

4

Summary of auditors’ results  

4

Financial statement findings  

6

Federal award findings and questioned costs  

6

### County section

Schedule of expenditures of federal awards  

7

Notes to schedule of expenditures of federal awards  

10

### County response

Summary schedule of prior audit findings

### Reports issued separately

Comprehensive Annual Financial Report

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*
Independent auditors’ report on compliance for each major federal program; report on internal control over compliance; and report on schedule of expenditures of federal awards required by the Uniform Guidance

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

Report on compliance for each major federal program

We have audited Pima County’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019. The County’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs.

Management’s responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors’ responsibility

Our responsibility is to express an opinion on compliance for each of the County’s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County’s compliance.
Opinion on each major federal program

In our opinion, the County complied, in all material respects, with the types of 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, 2019.

Report on internal control over compliance

The County’s management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over compliance.

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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on schedule of expenditures of federal awards required by the Uniform Guidance

We have audited the financial statements of the County’s governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements. We issued our report thereon dated December 17, 2019, that contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. Our audit was conducted 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County’s management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain
additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lindsey Perry, CPA, CFE
Auditor General

March 18, 2020
Summary of auditors’ results

Financial statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles

Unmodified

Internal control over financial reporting

Material weaknesses identified? No

Significant deficiencies identified? Yes

Noncompliance material to the financial statements noted? No

Federal awards

Internal control over major programs

Material weaknesses identified? No

Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? No

Identification of major programs

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<th>CFDA number</th>
<th>Name of federal program or cluster</th>
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<td>93.569</td>
<td>Community Services Block Grant</td>
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Dollar threshold used to distinguish between Type A and Type B programs $1,170,557

Auditee qualified as low-risk auditee? Yes

Other matters

Auditee’s summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.511(b)? Yes
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

None reported.
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<tr>
<th>Federal Awarding Agency/Program Title</th>
<th>Federal Award Identification (Optional)</th>
<th>Addional Award Identification (Optional)</th>
<th>Name of Entity</th>
<th>Federal Award Number</th>
<th>Total Amount Provided to Sub-Recipients</th>
<th>Expenditures</th>
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**TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES**

$2,094,626 $11,609,927

**TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE**

$29,701

**TOTAL EXECUTIVE OFFICE OF THE PRESIDENT**

$902,334

**TOTAL DEPARTMENT OF HOMELAND SECURITY**

$1,201,342

**TOTAL EXPENDITURE OF FEDERAL AWARDS**

$9,310,945 $39,018,569

Please Note:

Italicized award lines indicate pass-through funding.

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.
**Significant Accounting Policies Used in Preparing the SEFA**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**10% De Minimis Cost Rate**
The auditee did not use the de minimis cost rate.

**Basis of presentation**
The accompanying schedule of expenditures of federal awards includes Pima County's federal grant activity for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

**Catalog of Federal Domestic Assistance (CFDA) number**
The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2019 Catalog of Federal Domestic Assistance. When no CFDA number had been assigned to a program, the 2-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier and the word unknown were used.
March 6, 2020

Lindsey Perry  
Auditor General  
2910 N. 44th St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Specifically, we are reporting the status of audit findings included in the prior audit’s schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit’s summary schedule of prior audit findings that were not corrected.

Sincerely,

Regina Kelly  
Director, Grants Management & Innovation  
(Federal award findings)

Michelle Campagne  
Director, Finance and Risk Management  
(Financial statement findings)
Pima County
Summary schedule of prior audit findings
Year ended June 30, 2019

Status of financial statement findings
The County should improve its risk-assessment process to include information technology security
Finding number: 2015-01, 2016-01, 2017-01, 2018-01
Status: Fully corrected.

Information technology (IT) controls—security and contingency planning
Status: Fully corrected.

Information technology (IT) controls—access, configuration and change management
Status: Partially corrected.

The Information Technology Department (ITD) is currently updating its system access procedures to
require additional documentation that demonstrates the County procedures are being followed. ITD is also
coordinating with departments to ensure system access is appropriate and accounts with elevated
privileges are monitored and reviewed periodically.

The Pima County Treasurer’s Office has updated its configuration and change management policies and
procedures to address the concerns mentioned in the finding.

Status of federal award findings and questioned costs

2018-101
CFDA No. and Name: Not Applicable
Questioned costs: N/A
Status: Fully Corrected

2017-102
CFDA No. and Name: 93.563 Child Support Enforcement
Award Numbers and Years: DI16-002162, October1, 2015 through September 30, 2020;
DI16-002133, October 1, 2015 through September 30, 2020
Federal Agency: Department of Health and Human Services
Pass Through Grantor: Arizona Department of Economic Security
Compliance Requirement: Allowable costs/cost principles
Questioned Costs: $16,020
Status: Fully Corrected
### 2017-103

<table>
<thead>
<tr>
<th>CFDA No. and Name:</th>
<th>93.243 Substance Abuse and Mental Health Services Projects of Regional and National Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Award Numbers and Years:</td>
<td>TI026065-01, TI026065-02, TI024987-02, TI024987-03, SM061683-02, SM061683-03; September 30, 2015 through September 29, 2017</td>
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<tr>
<td>Federal Agency:</td>
<td>Department of Health and Human Services</td>
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<tr>
<td>Compliance Requirement:</td>
<td>Level of Effort</td>
</tr>
<tr>
<td>Questioned Costs:</td>
<td>None</td>
</tr>
<tr>
<td>Status:</td>
<td>Fully Corrected</td>
</tr>
</tbody>
</table>

The Pima County Attorney’s Office (PCAO) was utilizing an existing contracted vendor to provide services under grants TI024987-02, TI024987-03, SM061683-02, and SM061683-03. PCAO was cooperating with Superior Court on this grant, we used an existing contracted vendor that they had under contract and had been utilizing for the same purposes. Superior Court contracted with the vendor via the state procurement process and permitted PCAO to also use the contracted vendor for similar services since they were cooperating on this grant with PCAO. This initial procurement process was utilized as a bridge to satisfy the grant program mission until PCAO could establish a separate contract after going through Pima County Procurement.

The Pima County Attorney’s Office subsequently processed a separate contract through Pima County Procurement via the Pima County Procurement process and has established a separate contract with the same vendor in question. The contract number is 19*407. Since we follow the Pima County Procurement process, the Procurement Department verifies via SAM that the vendor is not suspended or debarred. PCAO also checks in SAM on vendors they contract with directly to also see if they have been suspended or debarred as a cautionary measure. There is a file maintained with Pima County Procurement to outline the history of the process for this contract.

Pima County Grants Management & Innovation is working closely with PCAO to continue to update their grants management processes and documentation. We anticipate that this finding will be fully resolved this calendar year.