



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Management Letter

**Pima County**  
Year Ended June 30, 2002

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**Debra K. Davenport**  
Auditor General

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**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

July 1, 2003

Board of Supervisors  
Pima County  
130 West Congress Street, 11th Floor  
Tucson, AZ 85701-1317

Members of the Board:

In planning and conducting our single audit of Pima County for the year ended June 30, 2002, we performed the following as required by *Government Auditing Standards* (GAS) and Office of Management and Budget (OMB) Circular A-133:

- Considered the County's internal controls over financial reporting,
- Tested its internal controls over major federal programs, and
- Tested its compliance with laws and regulations that could have a direct and material effect on its financial statements and major federal programs.

All audit findings that are required to be reported by GAS and OMB Circular A-133 have been included in the County's Single Audit Reporting Package for the year ended June 30, 2002. In addition, our audit disclosed internal control weaknesses that do not meet the reporting criteria. Management should correct these deficiencies to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our recommendations are described in the accompanying summary.

This letter is intended solely for the information of the Pima County Board of Supervisors and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning its contents, please let us know.

Sincerely,

Dennis L. Mattheisen, CPA  
Financial Audit Director

# TABLE OF CONTENTS

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Recommendation I: The County needs to improve its capital assets reporting	1
Recommendation II: The County needs to safeguard its backup computer tapes	2
County Response	

# The County needs to improve its capital assets reporting

Capital assets, net of accumulated depreciation, represent more than 65 percent of the County's total assets. Therefore, the County should safeguard these assets and accurately report them to its creditors, the public, and other interested parties. To accomplish this, the County should maintain a reliable capital assets system and follow procedures that accurately identify capital assets purchases, and list and reconcile the associated costs. However, the County had not established adequate internal control policies and procedures that would ensure its capital assets were properly reported. For example, the County overstated infrastructure assets by \$30 million, classified \$13 million of capital assets in the wrong capital asset line item, and listed some land parcels and buildings that the County did not own. Further, the County recorded inaccurate information for some land parcels and asset disposals.

The following procedures can help the County accurately record its capital assets in its accounting records and report those assets in its financial statements:

- Establish internal control policies and procedures for employees to record accurate and complete asset information on the capital assets system and ensure that employees follow the procedures.
- Develop written procedures for county departments to communicate accurate infrastructure costs to the finance department and ensure that the departments follow the procedures.
- Reconcile capital expenditures from the financial accounting system to assets added to the capital assets system annually.
- Perform a physical inventory of all capital assets, including land and buildings, every 3 years.

## The County needs to safeguard its backup computer tapes

The County maintains its accounting records on an automated system. Although the County prepared daily backup computer tapes of its accounting transactions so it can recover lost data with little interruption to its normal operations, the County did not adequately safeguard the tapes. At times, the County kept the tapes on a table in an unlocked room in a building next to the computer room.

To help ensure continuity, the County needs to protect its backup computer tapes from theft, environmental hazards, and other disastrous events. Consequently, the County should lock them in a cabinet that is fireproof and waterproof, preferably in a location that is not close to the computer room.



**PIMA COUNTY  
FINANCIAL & INFORMATION SERVICES DEPARTMENT**

130 WEST CONGRESS STREET  
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Carol M. Bonchalk, Director

June 25, 2003

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

Dear Ms. Davenport:

The following are Pima County's response to the Management Letter comments for Fiscal Year 2001/2002. If you have any questions, please feel free to call.

Sincerely,

Carol M. Bonchalk, Director  
Financial and Information Services

## F/Y 2001-02 MANAGEMENT LETTER RESPONSES

### **The County needs to improve its capital asset reporting**

The County's implementation of GASB 34 in fiscal year 2001/2002 and the mandatory prospective reporting of infrastructure presented numerous issues and concerns, many of which were identified and resolved prior to year end. The County's capital improvement plan is multi-jurisdictional, requiring numerous intergovernmental agreements that delineate the responsibility of construction and subsequent maintenance of infrastructure assets.

The County concurs with this finding and has updated its existing infrastructure procedures to be more comprehensive in identifying reporting and reconciliation weaknesses.

The County is in the process of purchasing a new capital asset management system that will provide an opportunity to implement additional, more effective control procedures. An integral aspect of the implementation will include a thorough training program for County staff to ensure an understanding of policies and procedures, of system controls and of generally accepted accounting principles applicable to assets.

### **The County needs to safeguard its backup tapes**

County backup tapes are housed in the Pima County Office of Emergency Management and Homeland Security which has restricted access and provides substantial security for computer tapes. An additional file cabinet was purchased and is currently being used to eliminate the infrequent times tapes were left on a table in a secure room. The County concurs that a fireproof and waterproof off-site location may be advantageous to minimizing the risk of disastrous events, and will consider alternative sites for storing its' backup tapes.