



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pima County

Year Ended June 30, 2007



Debra K. Davenport
Auditor General

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



Copies of the Auditor General's reports are free.
You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.azauditor.gov

Pima County, Arizona
Single Audit Reporting Package
Year Ended June 30, 2007

Table of Contents	Page
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	1
Schedule of Expenditures of Federal Awards	4
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	11
Federal Award Findings and Questioned Costs	13
Corrective Action Plan	16
Summary Schedule of Prior Audit Findings	19
Reports Issued Separately	
Comprehensive Annual Financial Report	N/A
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 <i>Government Auditing Standards</i>	N/A



**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, 2007. 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 items 07-101, 07-102, and 07-103 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding Allowable Costs/Cost Principles, Reporting, and the Davis-Bacon Act for its Highway Planning and Construction program. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 are described in the accompanying Schedule of Findings and Questioned Costs as item 07-104.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 07-101, 07-102, 07-103, and 07-104 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 07-101, 07-102, and 07-103 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of the County as of and for the year ended June 30, 2007, and have issued our report thereon dated December 19, 2007. Our report was modified to include a reference to our reliance on other auditors. 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 16 through 18. 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, 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 26, 2008, except for the
Schedule of Expenditures of Federal Awards,
for which the date is December 19, 2007

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

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.I3PSAP549		\$ 10,164
High Intensity Drug Trafficking Areas	07.I4PSAP549Z		148,414
High Intensity Drug Trafficking Areas	07.I5PSAP549Z		1,492,170
High Intensity Drug Trafficking Areas	07.I4PSAP999Z		7,797
Passed through the Arizona Criminal Justice Commission			
High Intensity Drug Trafficking Areas	07.I6PSAP501Z	HT 16-06-0211, HT 16-06-0410, HT 16-06-0610, HT 16-06-0810, HT 16-06-1714, HT 16-06-2411, HT16-06-0714,HT16-06-1411, HT16-06-0713,HT16-06-1612, HT16-06-2011,HT16-06-1713, HT16-06-1611	1,319,240
High Intensity Drug Trafficking Areas	07.I7PSAP501Z	HT17-07-1714,HT17-07-1411, HT17-07-2411,HT17-07-0610, HT17-07-1713,HT17-07-1611	306,156
Passed through the County of El Paso, Texas			
High Intensity Drug Trafficking Areas	07.I3PSBP999	I3PSBP999	386,588
Total U.S. Office of National Drug Control Policy			<u>3,670,529</u>
U.S. Department of Agriculture			
Passed through the Arizona Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	ED05-0001	85,119
National School Lunch Program	10.555	ED05-0001	157,890
Total Child Nutrition Cluster			<u>243,009</u>
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG 361077, HP561153	1,845,281
Commodity Supplemental Food Program	10.565	HG 361103	86,271
WIC Farmers' Market Nutrition Program (FMNP)	10.572	HG 361288	1,094
Passed through the Arizona State Treasurer			
Schools and Roads—Grants to States	10.665	NFF	77,225
Water and Waste Disposal Loans and Grants (Section 306C)	10.770		682,276
Total U.S. Department of Agriculture			<u>2,935,156</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		2,845,493
Emergency Shelter Grants Program	14.231		159,917
Supportive Housing Program	14.235		1,828,322
Passed through the City of Tucson			
Supportive Housing Program	14.235	0097-07	84,111
Total Supportive Housing Program			<u>1,912,433</u>
Passed through the City of Tucson			
HOME Investment Partnerships Program	14.239	0621-01	782,768
Passed through the Corporation For Enterprise Development			
HOME Investment Partnerships Program	14.239	None	302
Total HOME Investment Partnerships Program			<u>783,070</u>
Housing Opportunities for Persons with AIDS	14.241		264,424
Total U.S. Department of Housing and Urban Development			<u>5,965,337</u>

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of the Interior			
Bureau of Land Management—Law Enforcement	15.DAU		\$ 10,000
Sonoran Desert Conservation Plan	15.FFB		92,221
Payments in Lieu of Taxes	15.226		1,944,808
Passed through the Arizona State Treasurer			
Distribution of Receipts to State and Local Governments	15.227	TAYLO	69,373
Fish, Wildlife and Plant Conservation Resource Management	15.231		<u>49,503</u>
Total U.S. Department of the Interior			<u>2,165,905</u>
U.S. Department of Justice			
Federal Equitable Sharing Program	16.unknown		203,286
Passed through the Arizona Governor's Office for Children, Youth and Families, Division for Community and Youth Development			
Juvenile Accountability Incentive Block Grants	16.523	JB-GRA-04-6273-06, JB-IGA-05-7273-01, JB-CSG-07-8274-09	96,352
National Institute of Justice Research, Evaluation, and Development			
Project Grants	16.560		157,725
Passed through the Arizona Department of Public Safety			
Crime Victim Assistance	16.575	2005-VA-GX-0036	132,590
Passed through the Arizona Criminal Justice Commission			
Crime Victim Compensation	16.576	VC-08-059	336,525
Passed through the Arizona Criminal Justice Commission			
Edward Byrne Memorial Formula Grant Program	16.579	CRI-06-099	49,875
Passed through the City of Tucson			
Edward Byrne Memorial Formula Grant Program	16.579	0277-05	<u>363,308</u>
Total Edward Byrne Memorial Formula Grant Program			<u>413,183</u>
Passed through the Arizona Governor's Office for Children, Youth and Families, Division for Women			
Violence Against Women Formula Grants	16.588	ST-WSG-07-7365-10 ST-WSG-07-7365-20 ST-WSG-07-7365-21	87,855
Passed through the Arizona Governor's Office for Children, Youth and Families, Division for Women			
Rural Domestic Violence and Child Victimization Enforcement Grant Program	16.589	RD-GRA-05-6365-01 RD-GRD-07-8366-03	53,414
Grants to Encourage Arrest Policies and Enforcement of Protection			
Orders	16.590		151,781
State Criminal Alien Assistance Program	16.606		672,815
Community Prosecution and Project Safe Neighborhoods	16.609		90,978
Passed through the Arizona Criminal Justice Commission			
Community Prosecution and Project Safe Neighborhoods	16.609	PSN-04-2001, PSN-06-3012, PSN4-06-3015	<u>44,400</u>
Total Community Prosecution and Project Safe Neighborhoods			<u>135,378</u>
Public Safety Partnership and Community Policing Grants	16.710		693,034
Passed through the Arizona Supreme Court			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	None	89,808
Passed through the City of Tucson			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	0302-06, 0319-06	181,054

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Passed through the Arizona Criminal Justice Commission			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	PC-07-030	\$ 167,978
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>438,840</u>
Total U.S. Department of Justice			<u>3,572,778</u>
U.S. Department of Labor			
WIA Cluster:			
Passed through the Arizona Department of Economic Security			
WIA Adult Program	17.258	E5705011, E5706011	1,606,865
WIA Youth Activities	17.259	E5706011	1,575,031
Passed through the Arizona Governor's Office for Children, Youth and Families			
WIA Youth Activities	17.259	WF-VSG-05-6181-004	89,937
Total WIA Youth Activities			<u>1,664,968</u>
Passed through the Arizona Department of Economic Security			
WIA Dislocated Workers	17.260	E5705011, E5706011	1,037,447
Passed through the Home Builder's Institute			
WIA Dislocated Workers	17.260	None	79,191
Total WIA Dislocated Workers			<u>1,116,638</u>
Total WIA Cluster			<u>4,388,471</u>
WIA Pilots, Demonstrations, and Research Projects	17.261		381,636
Passed through Advance Ceramics Research Foundation			
WIA Pilots, Demonstrations, and Research Projects	17.261	DOL#EA-15574-06-60	162,303
Total WIA Pilots, Demonstrations, and Research Projects			<u>543,939</u>
Youth Opportunity Grants	17.263		70,156
Passed through Arizona Department of Economic Security			
Incentive Grants—WIA Section 503	17.267	DE071143	15,758
Veterans' Employment Program	17.802		638,887
Homeless Veterans Reintegration Project	17.805		206,825
Total U.S. Department of Labor			<u>5,864,036</u>
U.S. Department of Transportation			
Highway Planning and Construction	20.205		976,733
Passed through the Arizona Department of Transportation			
Highway Planning and Construction	20.205	SL49101C, SL52402D, SL 541-01X, SD010-01C, SL525-01X	826,896
Total Highway Planning and Construction			<u>1,803,629</u>
Formula Grants for Other than Urbanized Areas	20.509	JPA 06-018T, JPA05-010P	358,199
Passed through City of Tucson			
Job Access-Reverse Commute	20.516	0247-05	372,820
Passed through the Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2006-AL-006, 2007-AL-001	102,398
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	207-KB-001	54,055
Passed through the Arizona Emergency Response Commission			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	None	6,697
Total U.S. Department of Transportation			<u>2,697,798</u>

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Treasury			
Federal Equitable Sharing Program	21.unknown		\$ 57,942
State and Local Overtime and Authorized Expense Program	21.unknown		<u>84,446</u>
Total U.S. Department of Treasury			<u>142,388</u>
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		555,875
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		80,001
Surveys, Studies, Investigations and Special Purpose Grants	66.606		435,443
Environmental Education Grants	66.951		<u>45,576</u>
Total U.S. Environmental Protection Agency			<u>1,116,895</u>
U.S. Department of Energy			
Passed through the Arizona Department of Commerce Weatherization Assistance for Low-Income Persons	81.042	C082-06	<u>20,301</u>
U.S. Department of Education			
Passed through the Arizona Department of Education Adult Education—State Grant Program	84.002	07FAEABE-770731-02A	101,635
Title I Grants to Local Educational Agencies	84.010	S010A060003	19,811
Passed through the Arizona Supreme Court Title I Grants to Local Educational Agencies	84.010	0138A133894-703	<u>88,887</u>
Total Title I Grants to Local Educational Agencies			<u>108,698</u>
Passed through the Arizona Department of Education Special Education—Grants to States	84.027	H027A0060007	119,395
Passed through the Arizona Department of Economic Security Rehabilitation Services—Vocational Rehabilitation Grants to States	84.126	E1225014	384,006
Passed through the Tucson Unified School District Safe and Drug-Free Schools and Communities—National Programs	84.184	S184L010153	13,639
Passed through the Arizona Department of Education Tech-Prep Education	84.243	V243A060003	283,741
Passed through the Arizona Department of Education State Grants for Innovative Programs	84.298	S298A020003	153
Education Technology State Grants	84.318	S318X060003	1,280
Passed through Cochise County Education Technology State Grants	84.318	S318X060003	<u>177,910</u>
Total Education Technology State Grants			<u>179,190</u>
Tech-Prep Demonstration Grants	84.353		123,875
Passed through the Arizona Department of Education Reading First State Grants	84.357	S357A0300003	67,347
English Language Acquisition Grants	84.365	T365A30003A	32,709
Improving Teacher Quality State Grants	84.367	S281A030003, S281A060003	117,874
Passed through the Arizona Supreme Court Improving Teacher Quality State Grants	84.367	None	<u>31,449</u>
Total Improving Teacher Quality State Grants			<u>149,323</u>
Total U.S. Department of Education			<u>1,563,711</u>

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
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 Production Services	93.043	136409	\$ 23,956
Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers	93.044	07-15-P-138-146-0706	622,841
National Family Caregiver Support	93.052	07-15-P-138-146-0706	297,295
Passed through the Arizona Department of Health Services			
Maternal and Child Health Federal Consolidated Programs	93.110	HG561232	25,913
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	HG352248	88,334
Passed through the Arizona Family Planning Council			
Family Planning—Services	93.217	02-01-A-139165-0107, 02-01-A-137665-0106	783,081 473,267
Consolidated Knowledge Development and Application (KD&A) Program	93.230		473,267
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243		951,922
Passed through the University of Arizona			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	Y772782, Y453010	89,039
Passed through the Jewish Family & Children's Service			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	SAMSHA/NCTSI-TX#1U79- SM57216-1005	30,237
Passed through COPE Behavioral Services Inc.			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	pchd.02/03.03	<u>69,167</u>
Total Substance Abuse and Mental Health Services— Projects of Regional and National Significance			<u>1,140,365</u>
Passed through the Arizona Department of Health Services			
Immunization Grants	93.268	HG352196	1,499,681
Centers for Disease Control and Prevention—Investigations and Technical Assistance	93.283	252036, HG754202	1,696,283
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families	93.558	E6306007	850,969
Child Support Enforcement	93.563	E7200019, G04-04-AZ-4004, G02-04-AZ-4004, DES060731-1	1,028,954
Low-Income Home Energy Assistance	93.568	E6306007	567,250
Passed through Department of Commerce			
Low-Income Home Energy Assistance	93.568	C082-06	<u>50,973</u>
Total Low-Income Home Energy Assistance			<u>618,223</u>
Passed through the Arizona Department of Economic Security			
Community Services Block Grant	93.569	E6306007	879,022
Passed through the Arizona Department of Education			
Refugee and Entrant Assistance—Discretionary Grants	93.576	90ZE0030-02	661
Passed through Arizona Department of Economic Security			
Social Services Block Grant	93.667	E6206009	1,145,427
Passed through the Arizona Department of Health Services			
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	HG361209	376,926
HIV Prevention Activities—Health Department Based	93.940	HG352263, HG654115, HG652199	286,443

(Continued)

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007
(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			
Preventive Health Services—Sexually Transmitted Diseases			
Control Grants	93.977	HG354252	\$ 153,175
Preventive Health and Health Services Block Grant	93.991	HG354184	91,823
Maternal and Child Health Services Block Grant to the States	93.994	HG361165, HM661300-0	<u>70,317</u>
Total U.S. Department of Health and Human Services			<u>12,152,956</u>
U.S. Department of Homeland Security			
Homeland Security Grant Program Cluster:			
Passed through Arizona Department of Emergency and Military Affairs			
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0051	209,685
Homeland Security Grant Program	97.067	2005-GE-T5-0030	363,232
Passed through Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	2006-GE-T6-0007	
		2005-GE-T5-0030	<u>396,806</u>
Total Homeland Security Grant Program			<u>760,038</u>
Total Homeland Security Grant Program Cluster			<u>969,723</u>
Passed through Arizona Department of Emergency and Military Affairs			
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	PDMC-PJ-09-AZ-2003-02 PDMC-PL-09-AZ-2003-005	37,475
Passed through the United Way			
Emergency Food and Shelter National Board Program	97.024	Phase 24-07200-015	63,619
Passed through Arizona Department of Emergency and Military Affairs			
Disaster Grants—Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1660	1,880,704
Passed through Arizona State Land Department			
Disaster Grants—Public Assistance (Presidentially Declared Disasters)	97.036	AZS-05-745	<u>44,271</u>
Total Disaster Grants—Public Assistance (Presidentially Declared Disasters)			<u>1,924,975</u>
Passed through Arizona Department of Emergency and Military Affairs			
Emergency Management Performance Grants	97.042	None	92,880
Passed through Arizona Department of Homeland Security			
Law Enforcement Terrorism Prevention Program	97.074	2005-GE-T6-0007	<u>18,108</u>
Total U.S. Department of Homeland Security			<u>3,106,780</u>
 Total Expenditures of Federal Awards			 <u>\$ 44,974,570</u>

See accompanying notes to schedule.

Pima County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

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 2007 *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 or identifier, 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:

<u>Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Amount</u>
High Intensity Drug Trafficking Areas	07.I3PSAP549	\$ 10,164
High Intensity Drug Trafficking Areas	07.I4PSAP549Z	102,091
High Intensity Drug Trafficking Areas	07.I5PSAP549Z	1,024,487
High Intensity Drug Trafficking Areas	07.I6PSAP501Z	128,834
Housing Opportunities for Persons with AIDS	14.241	174,902
Highway Planning and Construction	20.205	64,789
Consolidated Knowledge Development and Application (KD&A) Program	93.230	213,616
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	320,645
Homeland Security Grant Program Cluster	97.004, 97.067	64,918

Pima County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2007

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unqualified	
		Yes	No
Material weaknesses identified in internal control over financial reporting?	_____	_____	_____ <u>X</u>
Significant deficiencies identified not considered to be material weaknesses?	_____ <u>X</u>	_____	_____
Noncompliance material to the financial statements noted?	_____	_____	_____ <u>X</u>

Federal Awards

Material weaknesses identified in internal control over major programs?	_____ <u>X</u>	_____	
Significant deficiencies identified not considered to be a material weakness?	_____ <u>X</u>	_____	
Type of auditors' report issued on compliance for major programs:			
Unqualified for all major programs except for Highway Planning and Construction (20.205), which was qualified.			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	_____ <u>X</u>	_____	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
07.I3PSAP549	High Intensity Drug Trafficking Areas
07.I4PSAP549Z	
07.I5PSAP549Z	
07.I4PSAP999Z	
07.I6PSAP501Z	
07.I7PSAP501Z	
07.I3PSBP999	
15.226	Payments in Lieu of Taxes
20.205	Highway Planning and Construction
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention— Investigations and Technical Assistance
97.036	Disaster Grants—Public Assistance (Presidentially Declared Disasters)

Pima County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2007

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.004 97.067	Homeland Security Grant Program Cluster: State Domestic Preparedness Equipment Support Program Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$1,349,237

	Yes	No
Auditee qualified as low-risk auditee?	<u>X</u>	___

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	___	___
	<u>X</u>	___

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Financial Statement Finding

Financial statement findings were reported in the separately issued Report on Internal Control over Financial Reporting and on Compliance and Other matters Performed in Accordance with *Government Auditing Standards*.

Federal Award Findings and Questioned Costs

07-101

CFDA No.: 20.205 Highway Planning and Construction

U.S. Department of Transportation (DTFH68-07-E-00023) and passed through the Arizona Department of Transportation (SL525-01X and SL541-01X)

Award Years: 2006, 2005, and 2004

Award Numbers: DTFH68-07-E-00023, SL525-01X, SL541-01X

Reporting

Questioned Cost: Unknown

The County did not have adequate controls to ensure that Highway Planning and Construction program expenditures were accurately reported on reimbursement requests or submitted for reimbursement in a timely manner. Internal control procedures were also not adequate to ensure that program expenditures were reported on the Schedule of Expenditures of Federal Awards (SEFA). For example, as explained in Finding 07-102, the County overreported expenditures to the Federal Highway Administration for the Mt. Lemmon emergency relief project because the County's reimbursement request contained a calculation error and incorrect labor charges. In addition, the County submitted a \$33,045 reimbursement request for its bicycle safety program more than 7 months after the expenditures were incurred. Furthermore, the County had not yet requested reimbursement for \$155,555 of the total bicycle safety program expenditures reported on its SEFA. Some of these expenditures were incurred more than a year ago, and the \$155,555 amount included on the SEFA was based on estimates. The County could not specify whether it intended to request federal reimbursement for any or all of the \$155,555. Finally, the County initially excluded Mt. Lemmon emergency relief expenditures totaling \$976,733 from its SEFA.

The County should strengthen its internal controls to help ensure that the Highway Planning and Construction program's expenditures are accurately reported on the reimbursement requests and the requests are submitted in a timely manner. Specifically, the County should comply with its internal policies regarding reimbursement requests and revenue recognition and improve its tracking of federal Highway Planning and Construction projects.

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

07-102

CFDA No.: 20.205 Highway Planning and Construction

U.S. Department of Transportation—Federal Highway Administration (FHWA)

Award Year: 2006

Award Number: DTFH68-07-E-00023

Allowable Costs/Cost Principles

Questioned Cost: \$734,748

The County did not have adequate controls for reviewing and independently approving federal project expenditures to help ensure that Highway Planning and Construction program expenditures were adequately supported and accurate. Chapters 2 and 5 of the FHWA *Emergency Relief for Federally Owned Roads Disaster Assistance Manual* require the County to maintain accounting records with adequate detail to determine if charges are appropriate and the final costs are supported by the County's financial records. However, for the Mt. Lemmon emergency relief project that totaled \$976,733 in federal reimbursement, the County overbilled FHWA \$233,340 due to a calculation error on the County's reimbursement request. Also, the County used an incorrect labor rate to calculate labor overhead charges. We were unable to determine the exact amount of the overpayment resulting from the incorrect labor rate, but we believe it to be greater than \$10,000. Additionally, the County could not provide adequate supporting documentation for contractor charges totaling \$501,408. For these contractor charges, the County's supporting documentation did not include adequate evidence of quantity verifications or timesheet reviews for the charges listed on the contractor's invoices.

The County should strengthen its internal controls to help ensure that the Highway Planning and Construction program's expenditures are adequately supported and are accurate. Specifically, the County should comply with federal allowable costs requirements by improving its process for reviewing and approving expenditures.

07-103

CFDA No.: 20.205 Highway Planning and Construction

U.S. Department of Transportation—Federal Highway Administration (FHWA)

Award Year: 2006

Award Number: DTFH68-07-E-00023

Davis-Bacon Act

Questioned Cost: Unknown

The County did not have adequate controls to ensure that it complied with federal Davis-Bacon Act requirements for the Highway Planning and Construction program. The Davis-Bacon Act requires laborers employed by contractors or subcontractors on applicable federal contracts to be paid prevailing wage rates established by the U.S. Department of Labor. Under the provisions of the Davis-Bacon Act and FHWA requirements, contractors must submit to the County weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance. However, the County failed to include the required federal provisions in a construction contract totaling \$501,408 in charges for the Mt. Lemmon emergency relief project. As a result, the County did not require the contractor to pay its laborers prevailing wages, and did not require the contractor to submit detailed payroll records for \$17,575 in labor charges.

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

The County should strengthen its internal controls to help ensure that it complies with Davis-Bacon Act and FHWA requirements for the Highway Planning and Construction program. Specifically, the County should ensure that its construction contracts contain the required federal provisions. Additionally, the County should follow its internal procedures to ensure that contractors for applicable construction projects submit weekly certified payroll records and should review the certified payroll records for compliance with the Davis-Bacon Act.

07-104

CFDA No.: 97.067 **Homeland Security Grant Program**

U.S. Department of Homeland Security, passed through the Arizona Department of Homeland Security

Award Year: 10/1/04-11/30/07

Award Number: 2005-GE-T5-0030

Allowable Costs/Cost Principles

Questioned Cost: N/A

The County did not have adequate internal controls to ensure compliance with federal cost principles for the Homeland Security Grant program because it did not complete and maintain the federally required payroll certifications for two employees who worked solely on the program. These employees' total salary and benefit expenditures charged to this program were \$234,000 during the fiscal year. However, auditors did not question any costs because other payroll documentation signed by the employees and supervisors indicated that these employees worked solely on the program during the fiscal year.

The County should implement procedures to ensure compliance with the federal cost principles requirements of OMB Circular A-87, Attachment B, §8.h(3). The cost principles require that in addition to normal payroll documentation, semiannual certifications must be prepared to support charges for salaries and wages for employees who work solely on a single federal award. These certifications must be signed by the employee and state that the employee worked solely on the federal program for the certification period.



**PIMA COUNTY
DEPARTMENT OF FINANCE AND RISK MANAGEMENT**

Thomas E. Burke, Director

March 7, 2008

Ms. Debbie 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.

Sincerely,

Thomas Burke, Director
Department of Finance and Risk Management

**PIMA COUNTY
Corrective Action Plan
Year Ended June 30, 2007**

07-101

CFDA No.: 20.205 Highway Planning and Construction

U.S. Department of Transportation (DTRH68-7-E-00023) and passed through the Arizona Department of Transportation (SL525-01X and SL541-01X)

Award Years: 2006, 2005 and 2004

Award Number: DTRH68-7-E-00023, SL525-01X, SL541-01X

Reporting

Questioned Cost: Unknown

Contact Person – Paul Guerrero

Anticipated Completion Date – May 31, 2008

The County maintains an existing adequate internal control structure over its Highway Planning and Construction (HPC) projects. HPC emergency contracts which are infrequent, however, require an additional level of internal controls due to timing constraints.

Newly implemented internal controls include the identification and inclusion of all federal revenues and expenditures in the Schedule of Expenditures of Federal Awards, specifically including Highway Planning and Construction Projects. The County has also implemented additional internal controls addressing the timeliness of grant reimbursements. The Department of Transportation will establish written procedures by May 31, 2008.

07-102

CFDA No.: 20.205 Highway Planning and Construction

U.S. Department of Transportation-Federal Highway Administration (FHWA)

Award Year: 2006

Award Number: DTRH68-7-E-00023

Allowable Costs/Cost Principles

Questioned Cost: \$734,748

Contact Person – Paul Guerrero

Anticipated Completion Date – May 31, 2008

The additional internal controls mentioned in the response to 07-101 address the type and nature of supporting documentation required for all federal awards, and provide guidelines for compliance with federal allowable cost requirements.

**PIMA COUNTY
Corrective Action Plan
Year Ended June 30, 2007**

07-103

CFDA No.: 20.205 Highway Planning and Construction

U.S. Department of Transportation-Federal Highway Administration (FHWA)

Award Year: 2006

Award Number: DTRH68-7-E-00023

Davis-Bacon Act

Questioned Cost: Unknown

Contact Person – Paul Guerrero

Anticipated Completion Date – May 31, 2008

The County concurs and will establish additional internal controls on FHWA emergency contracts to help ensure that such emergency contracts are compliant with the Davis-Bacon Act and other FHWA requirements for the Highway Planning and Construction program as the County does for other federal grants.

07-104

CFDA No.: 97.067 Homeland Security Grant Program

**Department of Homeland Security, passed through the Arizona Department of
Emergency and Military Affairs**

Award Year(s): 10/1/04-11/30/07

Award Number: 2005-GE-T5-0030

Allowable Costs/Cost Principles

Questioned Cost: N/A

Contact Person – Ron Jee

Anticipated Completion Date – March 31, 2008

The County concurs with the finding and will begin modification of internal procedures that will address compliance with payroll certifications as determined by OMB Circular A-87.



**PIMA COUNTY
DEPARTMENT OF FINANCE AND RISK MANAGEMENT**

Thomas E. Burke, Director

March 7, 2008

Ms. Debbie Davenport
Auditor General
2910 N. 44th St., Suite 410
Phoenix, AZ 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
Department of Finance and Risk Management

PIMA COUNTY
Schedule of Prior Year Audit Findings
Year Ended June 30, 2007

Status of Federal Award Findings and Questioned Costs

06-101

CFDA No.: 07.I 1-5 PSAP549(Z), 07.16PSAP501Z High Intensity Drug Trafficking Areas (HIDTA)
U.S. Office of National Drug Control Policy, 07.16PSAP501Z passed through the Arizona Criminal
Justice Commission

Status – **Fully Corrected**

06-102

CFDA No.: 07.I 1-5 PSAP549(Z) High Intensity Drug Trafficking Areas (HIDTA)
U.S. Office of National Drug Control Policy

Status – **Fully Corrected**

06-103

CFDA Nos.: 16.007 State and Local Domestic Preparedness Equipment Support Program
97.004 State Domestic Preparedness Equipment Support Program
97.067 Homeland Security Grant 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

Status – **Fully Corrected**

06-104

CFDA No.: 90.401 Help America Vote Act Requirements Payments (HAVA)
Election Assistance Commission (EAC), passed through the Arizona Secretary of State

Status – **Fully Corrected**

PIMA COUNTY
Schedule of Prior Year Audit Findings
Year Ended June 30, 2007

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; U.S. Department of Homeland Security, passed through the Arizona Department of
Emergency and Military Affairs
Status: **Fully Corrected**

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; U.S. Department of Homeland Security, passed through the Arizona Department of
Emergency and Military Affairs.
Status – **Fully Corrected**