



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pima County

Year Ended June 30, 2013



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.



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Pima County
Single Audit Reporting Package
Year Ended June 30, 2013

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Reports Issued Separately

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 for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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) 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on the Special Supplemental Nutrition Program for Women, Infants, and Children and the ARRA—Neighborhood Stabilization Program (Recovery Act Funded)

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding allowable costs/cost principles as described in item 2013-102 for the Special Supplemental Nutrition Program for Women, Infants, and Children (10.557); and with requirements regarding reporting as described in item 2013-103 for the ARRA—Neighborhood Stabilization Program (Recovery Act Funded) (14.256). Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the Special Supplemental Nutrition Program for Women, Infants, and Children and the ARRA—Neighborhood Stabilization Program (Recovery Act Funded)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Pima County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Supplemental Nutrition Program for Women, Infants, and Children (10.557) and ARRA—Neighborhood Stabilization Program (Recovery Act Funded) (14.256) for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Pima 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 other major federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance 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 2013-104 and 2013-105. Our opinion on each major federal program is not modified with respect to these matters.

Pima County's responses to the noncompliance findings identified in our audit are presented on pages 21 through 24. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

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 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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-101 thru 2013-103 to be material weaknesses.

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 2013-104 and 2013-105 to be significant deficiencies.

Pima County's responses to the internal control over compliance findings identified in our audit are presented on pages 21 through 24. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 12, 2013, that contained an unmodified opinion on those financial statements. Our report was modified to include 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 OMB Circular A-133 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, based on our audit and the procedures performed as described previously, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jay Zsorey, CPA
Financial Audit Director

March 21, 2014

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal agency/CFDA number (Note 2)	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 unknown	U.S. Forest Service—Law Enforcement				\$ 25,114	
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	45,880	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	<u>87,243</u>	
	<i>Total Child Nutrition Cluster</i>				<u>133,123</u>	
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	HG50272	1,860,940	
10 565	Commodity Supplemental Food Program		Arizona Department of Health Services	ADHS12-010887	87,808	
10 572	WIC Farmers' Market Nutrition Program		Arizona Department of Health Services	HG861329 and HG050272	1,996	
10 576	Senior Farmers' Market Nutrition Program		Arizona Department of Health Services	HG861329 and HG050272	1,996	
10 664	Cooperative Forestry Assistance		Arizona State Forestry Division	SFA 10-301	10,000	
10 665	Schools and Roads—Grants to States		Arizona State Treasurer	NFF	<u>324,082</u>	
	Total Department of Agriculture				<u>2,445,059</u>	
Department of Commerce						
11 557 ARRA	Broadband Technology Opportunities Program (BTOP)		Arizona State Library, Archives and Public Records	ASLAPR-AZJAC-11-1-22	<u>73,476</u>	
Department of Housing and Urban Development						
14 218	Community Development Block Grants/Entitlement Grants				1,950,131	\$ 450,964
14 231	Emergency Shelter Grants Program				97,481	
14 235	Supportive Housing Program				2,053,344	
14 235	Supportive Housing Program	City of Tucson		17599	<u>70,693</u>	
	<i>Total 14.235</i>				<u>2,124,037</u>	
14 239	HOME Investment Partnerships Program	City of Tucson		16910	1,235,924	
14 241	Housing Opportunities for Persons with AIDS				402,731	
14 256 ARRA	Neighborhood Stabilization Program (Recovery Act Funded)				<u>6,726,875</u>	<u>6,161,402</u>
	Total Department of Housing and Urban Development				<u>12,537,179</u>	<u>6,612,366</u>
Department of the Interior						
15 DAU	Bureau of Land Management—Law Enforcement				5,000	
15 226	Payments in Lieu of Taxes				2,924,105	
15 227	Distribution of Receipts to State and Local Governments		Arizona State Treasurer	TAYLO	37,866	
15 228	National Fire Plan—Wildland Urban Interface Community Fire Assistance				16,002	
15 631	Partners for Fish and Wildlife				25,396	
15 659	National Wildlife Refuge Fund				35,973	
15 945	Cooperative Research and Training Program-Resources of the National Park Service				<u>11,050</u>	
	Total Department of the Interior				<u>3,055,392</u>	
Department of Justice						
16 unknown	Federal Equitable Sharing Program				1,724	
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth and Families, Division for Community and Youth Development	JB-CSG-10-1273-06	114,043	

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal agency/CFDA number (Note 2)	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures	Amount provided to subrecipients
16 540	Juvenile Justice and Delinquency Prevention—Allocation to States		Arizona Governor's Office for Children, Youth and Families, Division for Children	J2-CSG-10-0181-06 thru J2-CSG-10-0181-08	205,806	
16 560	National Institute of Justice Research, Evaluation, and Development Project Grants		Arizona Criminal Justice Commission	IDM-11-002	238,600	
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2011-120	137,999	
16 576	Crime Victim Compensation		Arizona Criminal Justice Commission	VC-13-059	482,931	
16 579	Edward Byrne Memorial Formula Grant Program		City of Tucson	0399-08	240,609	
16 585	Drug Court Discretionary Grant Program				79,784	
16 588	Violence Against Women Formula Grants		Arizona Governor's Office for Children, Youth and Families, Division for Women	ST-WSG-12-2366-01Y2 thru ST-WSG-12-2366-10Y2	672,101	
16 590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program				816,135	
16 606	State Criminal Alien Assistance Program				247,571	
16 607	Bulletproof Vest Partnership Program				21,391	
16 710 ARRA	Public Safety Partnership and Community Policing Grants				335,371	
16 727	Enforcing Underage Drinking Laws Program		Arizona Governor's Office of Highway Safety	2012-DOJ-0142011(2011)	5,729	
16 738	Edward Byrne Memorial Justice Assistance Grant Program		City of Tucson	21962, 16641, 17678, 17405	307,250	
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-13-048	293,078	
	<i>Total 16.738</i>				<u>600,328</u>	
16 741	DNA Backlog Reduction Program				2,846	
16 745	Criminal and Juvenile Justice and Mental Health Collaboration Program				12,978	8,364
16 812	Second Chance Act Prisoner Reentry Initiative				249,672	224,980
	Total Department of Justice				<u>4,465,618</u>	<u>233,344</u>
Department of Labor						
17 207	Employment Service/Wayner—Peysers		Arizona Governor's Office of Education	W0-GRA-12-2152-04	35,149	
17 258	WIA Adult Program	Workforce Investment Act (WIA) Cluster	Arizona Department of Economic Security	DE111012-001	2,229,624	
17 259	WIA Youth Activities	Workforce Investment Act (WIA) Cluster	Arizona Department of Economic Security	DE111012-001	2,140,955	
17 278	WIA Dislocated Worker Formula Grants	Workforce Investment Act (WIA) Cluster	Arizona Department of Economic Security	DE111012-001	2,362,350	
	<i>Total Workforce Investment Act (WIA) Cluster</i>				<u>6,732,929</u>	
17 268	H-1B Job Training Grants				288,663	90,000
17 275 ARRA	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors		Arizona Department of Economic Security	DE101184001	484,146	244,221
17 277	Workforce Investment Act (WIA) National Emergency Grants				239,228	
17 802	Veterans' Employment Program				381,370	173,400
	Total Department of Labor				<u>8,161,485</u>	<u>507,621</u>

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal agency/CFDA number (Note 2)	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures	Amount provided to subrecipients
Department of Transportation						
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Arizona Department of Transportation	IGA/JPA 09-188-I, SL541-01X, SS713 01C, SL659-02D, SB446-01C, SS857 01C, SS639-01C, SL699-02D, SZ015-03D, SZ014-03D, SL926 03D, SL702 02D, SB447-01C, H8390 01D/02D, SZ089 01X, SL59901C	8,119,819	
20 205 ARRA	Highway Planning and Construction	Highway Planning and Construction Cluster	Arizona Department of Transportation	JPA10-1231	<u>450,832</u>	
	<i>Total Highway Planning and Construction Cluster</i>				<u>8,570,651</u>	
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2012-OP-015, 2012-SB-001, 2012-AL-049, 2013-PS-006, 2013-PT-017	71,101	
20 601	Alcohol Impaired Driving Countermeasures Incentive Grant	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2012-410-023, 2103-410-019	<u>138,011</u>	
	<i>Total Highway Safety Cluster</i>				<u>209,112</u>	
20 608	Minimum Penalties for Repeat Offender for Driving While Intoxicated		Arizona Governor's Office of Highway Safety	2013-164-007	9,191	
20 703	Interagency Hazardous Materials Public Sector Training and Planning Grants		Arizona Emergency Response Commission	HM-HMP-0282-12-01-11	<u>52,918</u>	
	Total Department of Transportation				<u>8,841,872</u>	
Department of Treasury						
21 unknown	Federal Equitable Sharing Program				783,264	
21 unknown	State and Local Overtime and Authorized Expense Program				<u>50,487</u>	
	Total Department of Treasury				<u>833,751</u>	
Institute of Museum and Library Services						
45 310	Grants to States		Arizona State Library, Archives and Public Records	2012-32058-0, 2012-32043-21, 2012-32043-31, 2012-32042-20	116,560	
45 312	National Leadership Grants				<u>29,333</u>	
	Total Institute of Museum and Library Services				<u>145,893</u>	
Environmental Protection Agency						
66 001	Air Pollution Control Program Support				480,192	
66 034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act				97,875	
66 461	Regional Wetland Program Development Grants				55,496	
66 818 ARRA	Brownfields Assessment and Cleanup Cooperative Agreements				<u>56,808</u>	
	Total Environmental Protection Agency				<u>690,371</u>	
Department of Energy						
81 042 ARRA	Weatherization Assistance for Low-Income Persons		Governor's Office of Energy Policy	EW-ESA-12-2182-07Y2, C037-09-07	98,696	
81 128 ARRA	Energy Efficiency and Conservation Block Grant Program (EECBG)				<u>727,810</u>	
	Total Department of Energy				<u>826,506</u>	

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal agency/CFDA number (Note 2)	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures	Amount provided to subrecipients
Department of Education						
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	13FAEABE-370731-01A	124,751	
84 010	Title I Grants to Local Educational Agencies		Arizona Department of Education	S010A090003	26,692	
84 010	AOC Title I—Educationally Disadvantaged		Arizona Supreme Court	None	201,221	
	<i>Total 84.010</i>				<u>227,913</u>	
84 018	Overseas Programs — Special Bilateral Projects				31,670	
84 027	Special Education—Grants to States	Special Education Cluster	Arizona Department of Education	H027A0090007, H027A100007	137,402	
84 391 ARRA	Special Education—Grants to States	Special Education Cluster	Arizona Department of Education	H391A0900007	461	
	<i>Total Special Education Cluster</i>				<u>137,863</u>	
84 215	Fund for the Improvement of Education				406,314	
84 287	Twenty-First Century Learning Centers		Arizona Department of Education	S287C0200006A	49,466	
84 318	Education Technology State Grants	Education Technology State Grants Cluster	Arizona Department of Education	S318X000005	1,235,337	
84 386 ARRA	Education Technology State Grants, Recovery Act	Education Technology State Grants Cluster			288,851	
	<i>Total Education Technology State Grants Cluster</i>				<u>1,524,188</u>	
84 365	English Language Acquisition State Grants		Arizona Department of Education	T365A100003	63,855	
84 367	Improving Teacher Quality State Grants		Arizona Department of Education	S281A030003, S367A00049	166,780	
84 367	AOC—Improving Teacher Quality State Grants		Arizona Supreme Court	None	53,795	
	<i>Total 84.367</i>				<u>220,575</u>	
84 378	College Access Challenge Grant Program		Southern Arizona Regional Service Center	None	2,555	
84 397 ARRA	State Fiscal Stabilization Fund—Education State Grants		Arizona Governor's Office	EI-GRA-11-1273-04	69,902	
84 410	Education Jobs Fund		Arizona Supreme Court	ISA-OER-11-ISA-EJ-001	28,067	
84 413	Race to the Top		Southern Arizona Regional Service Center	13-05-EDSG	32,067	
84 416	Race to the Top-District Grants				<u>175,269</u>	
	Total Department of Education				<u>3,094,455</u>	
Election Assistance Commission (EAC)						
90 401	Help America Vote Act Requirements Payments		Arizona Secretary of State	None	<u>22,622</u>	
Department of Health and Human Services						
93 043	Special Programs for the Aging—Title III, Part D—Disease Prevention and Health Promotion Services		Pima Council on Aging	CTN-HD-130000000000000000000045	22,948	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007894	715,021	
93 093	Affordable Care Act (ACA) Health Profession Opportunity Grants		Pima County Community College District	PCC-HPOG / CMS#143679	721,678	
93 116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		Arizona Department of Health Services	ADHS13-041212	80,361	
93 217	Family Planning—Services		Arizona Family Planning Council	CTN-HD-120000000000000000444	806,496	
93 235	Affordable Care Act (ACA) Abstinence Education Program		Arizona Department of Health Services	ADHS11-007071	157,734	

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal agency/CFDA number (Note 2)	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures	Amount provided to subrecipients
93 236	Grants to States to Support Oral Health Workforce Activities		Arizona Department of Health Services	HG061186	9,745	
93 243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance				935,982	
93 243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance		University of Arizona	Y4805950-REVISED	6,156	
	<i>Total 93.243</i>				<u>942,138</u>	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041821	120,349	
93 283	Centers for Disease Control and Prevention—Investigation and Technical Assistance		Arizona Department of Health Services	ADHS13-029607	331,022	
93 507	PPHF 2012 National Public Health Improvement Initiative		Arizona Department of Health Services	ADHS12-020650	39,952	
93 558	Temporary Assistance for Needy Families		Arizona Department of Economic Security	DE111072001	557,171	
93 563	Child Support Enforcement				962,955	
93 568	Low-Income Home Energy Assistance		Arizona Department of Economic Security	DE-1-11072-001	996,237	
93 568	Low-Income Home Energy Assistance		Governor's Office of Energy Policy	LW-ESA-12-2182-07Y2	92,324	
	<i>Total 93.568</i>				<u>1,088,561</u>	
93 569	Community Services Block Grant		Arizona Department of Economic Security	DE-1-11072-001	877,371	
93 586	State Court Improvement Program		Arizona Department of Health Services	10-AZDOHS-IECGP-777411-03	9,000	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Health Services	G1101AZSAVP	36,416	
93 658	Foster Care—Title IV—E				175,474	
93 667	Social Services Block Grant		Arizona Department of Economic Security	DE13-039932	44,682	
93 767	Children's Health Insurance Program		Pima Community Access Program	CTN-HD-120000000000000000130	13,512	
93 944	Human Immunodeficiency Virus (HIV)/Acquired Virus Syndrome (AIDS) Surveillance		Arizona Department of Health Services	ADHS13-031209, ADHS12-016586	363,599	96,177
93 959	Block Grants for Prevention and Treatment of Substance Abuse		Arizona Department of Health Services	ADHS12-020392	54,422	50,960
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS13-036235	154,143	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	HG861299, HG959217, ADHS12-021148	339,682	
	Total Department of Health and Human Services				<u>8,624,432</u>	<u>147,137</u>
Office of National Drug Control Policy						
95 001	High Intensity Drug Trafficking Areas Program				2,402,383	
Department of Homeland Security						
97 024	Emergency Food and Shelter National Board Program		United Way	Phase 30-027200-015	140,205	
97 042	Emergency Management Performance Grants		Arizona Division of Emergency and Military Affairs	EMW-2012-EP-00003	273,955	

See accompanying notes to schedule.

Pima County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal agency/CFDA number (Note 2)	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number	Program expenditures	Amount provided to subrecipients
97 047	Pre—Disaster Mitigation		Arizona Department of Homeland Security	PDCM-09-AZ-2011	180,215	36,389
97 055	Interoperable Emergency Communications Grant Program		Arizona Department of Homeland Security	10-AZDOHS-IECGP-777411-03	84,935	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	555408 thru 555408-13; 777401-01; 777411-02 thru 777411-07; 777904-03 thru 777904-06; 777905-05 thru 777905-08; 888409-01 thru 888409-03; 999401-01 thru 999401-02; 999427-01 thru 999427-02	3,708,663	
	Total Department of Homeland Security				<u>4,387,973</u>	<u>36,389</u>
	Total expenditures of federal awards				<u>\$ 60,608,467</u>	<u>\$ 7,536,857</u>

See accompanying notes to schedule.

Pima County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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 2013 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, and the word "unknown" were used.

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Pima County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unmodified
Internal control over financial reporting:	Yes	No
Material weakness identified?	_____	_____ <u>X</u>
Significant deficiency identified?	_____	_____ <u>X</u> (None reported)
Noncompliance material to the financial statements noted?	_____	_____ <u>X</u>

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ <u>X</u>	_____
Significant deficiencies identified?	_____ <u>X</u>	_____
<p>Type of auditors' report issued on compliance for major programs: Unmodified for all major programs except for the Special Supplemental Nutrition Program for Women, Infants, and Children (10.557) and the ARRA—Neighborhood Stabilization Program (Recovery Act Funded) (14.256) which were qualified.</p>		
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>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.235	Supportive Housing Program
14.256	ARRA—Neighborhood Stabilization Program (Recovery Act Funded)
15.226	Payments in Lieu of Taxes
16.738	Edward Byrne Memorial Justice Assistance Grant Program
	WIA Cluster:
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.278	WIA Dislocated Worker Formula Grants
20.205	Highway Planning and Construction

Pima County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2013

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
81.128	ARRA—Energy Efficiency and Conservation Block Grant Program
95.001	High Intensity Drug Trafficking Areas Program

Dollar threshold used to distinguish between Type A and Type B programs: \$1,818,254

Auditee qualified as low-risk auditee? Yes No
_____ 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, 2013

Financial Statement Findings

None reported

Federal Award Findings and Questioned Costs

2013-101

CFDA No. and Name:	Not applicable
Questioned Cost:	None

Criteria: OMB Circular A-133, §.300, requires the County to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA). OMB Circular A-133, §.310(b), requires the SEFA to include the Catalog of Federal Domestic Assistance title and number, amount expended, name of the federal awarding agency, subrecipient award amounts, and if applicable, name and identifying number of the pass-through grantor for each of the County's federal awards.

Condition and context: The County did not properly prepare an accurate and complete SEFA.

Specifically, auditors noted the following errors:

- Federal award expenditures for the Supportive Housing Program (14.235) were overstated by \$56,782.
- Federal award expenditures for the Energy Efficiency and Conservation Block Grant Program (81.128) were overstated by \$362,431, as these expenditures were already reported in fiscal year 2012.
- Federal award expenditures for the WIA Cluster (17.258, 17.259, 17.278) were overstated by \$239,228, because the County improperly included a program within the WIA Cluster that did not belong in the cluster.
- Federal award expenditures for Highway Planning and Construction (20.205) were overstated by \$133,068.
- The amount of federal award expenditures provided to subrecipients for the ARRA—Neighborhood Stabilization Program (Recovery Act Funded) (14.256) was understated by \$6,161,402.
- The County incorrectly reported other required information for five of its federal programs.

Effect: When submitted for audit, the County's SEFA was misstated. The County adjusted its SEFA for these errors.

Cause: This is the second year the County prepared the SEFA using its newer Advantage Management System (AMS). The County is still adjusting to the new system and has not fully implemented its new policies and procedures over SEFA preparation.

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Recommendation: The County should ensure that the SEFA is accurate and complete. The County should enforce its existing policies and procedures for preparing the SEFA using the County's AMS system. Specific procedures that should be enforced include, ensuring that reported amounts reconcile to the financial records, and comparing reported amounts with those reported in the previous reporting period for reasonability.

This finding is similar to a prior-year finding.

2013-102

CFDA No. and Name:	10.557 Special Supplemental Nutrition Program for Women, Infants and Children
Award Numbers and Years:	HG50272; October 1, 2012 through September 30, 2013
Federal Agency:	Department of Agriculture
Pass-through Grantor:	Arizona Department of Health Services
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	Unknown

Criteria: According to 2 Code of Federal Regulations (CFR) §225, Appendix B, when employees work on multiple activities, budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes, provided that the County's system for establishing the estimates produces reasonable approximations of the activity actually performed and at least quarterly comparisons of actual costs to budgeted distributions are made.

Condition and context: The County spent 94 percent, or \$1,748,555, of program monies during the year for salaries and benefits of employees who contributed effort to the program. Because these employees worked on several closely related programs during the year, the County charged employees' effort across activities using estimates based on predetermined distribution percentages. However, the County could not provide supporting documentation showing that its estimates produced reasonable approximations of the activity actually performed, and could not provide any comparisons of actual costs to its estimated amounts.

Effect: The County could not demonstrate that it had fully complied with the allowable costs/cost principles requirements. Auditors sampled 38 employees and determined that they worked on the program at least part-time. However, it was not practical to extend our audit procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. This finding has the potential to affect other federal programs the County administers.

Cause: Because of turnover in the department administering this program, the department did not comply with county-wide policies prohibiting the use of predetermined payroll allocations and was not aware of federal requirements when using predetermined payroll allocations.

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Recommendation: To help ensure the County complies with 2 CFR §225, Appendix B, when predetermined payroll allocations are used, the County should maintain documentation to show that its system for establishing estimates for salaries and wages charged to the program produces reasonable approximations of the activity actually performed. Further, the County should maintain documentation to show that comparisons of actual costs to estimated distributions are performed at least quarterly.

2013-103

CFDA No. and Name:	14.256 ARRA—Neighborhood Stabilization Program (Recovery Act Funded)
Award Numbers and Years:	B-09-CN-AZ-0051; February 11, 2010 through February 11, 2013
Federal Agency:	Department of Housing and Urban Development
Compliance Requirement:	Reporting
Questioned Costs:	None

Criteria: According to the grant agreement and the Notice of Fund Availability for the Neighborhood Stabilization Program 2, the County is required to prepare and submit two types of quarterly reports, quarterly performance reports and quarterly Section 1512 ARRA reports. In addition, the County is required to periodically prepare and submit vouchers to the Department of Housing and Urban Development's (HUD) Disaster Recovery Grant Reporting (DRGR) System to obtain reimbursement for program expenditures. All of these reports should be supported by the County's accounting system and supporting schedules.

Condition and context: For two of the quarterly performance reports, the financial amounts reported did not agree and could not be reconciled to the County's accounting system or supporting schedules. In addition, for one of the quarterly Section 1512 ARRA reports, the total inception-to-date program expenditures were underreported by \$1 million, and the County could not provide evidence that the ARRA report was reviewed and approved prior to submission. Finally, for two of eight DRGR vouchers tested, although the voucher total was correct, reported amounts within individual categories did not agree and could not be reconciled to the County's accounting system. The two vouchers required adjustment by the County within DRGR after our inquiry.

Effect: Because program reports were not always supported by the County's accounting system or supporting schedules, the County did not comply with the reporting compliance requirement.

Cause: The County did not fully implement its policies and procedures requiring: (1) reconciliation of program reports to the County's accounting system and supporting schedules, (2) thorough review and approval of program reports, and (3) retention of the reconciliations, supporting schedules, and evidence of the review and approval.

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Recommendation: To help ensure the County accurately prepares all program reports, it should fully implement its policies and procedures requiring: (1) reconciliation of all program reports to the County's accounting system and supporting schedules, (2) thorough review and approval of all program reports, and (3) retention of the reconciliations, supporting schedules, and evidence of the review and approval.

This finding is similar to a prior-year finding.

2013-104

CFDA No. and Name:	14.256 ARRA—Neighborhood Stabilization Program (Recovery Act Funded)
Award Numbers and Years:	B-09-CN-AZ-0051; February 11, 2010 through February 11, 2013
Federal Agency:	Department of Housing and Urban Development
Compliance Requirement:	Special Tests and Provisions
Questioned Costs:	\$31,323

Criteria: According to 24 CFR §58.22, program monies, including local monies to be repaid with program monies, cannot be obligated or spent before obtaining a Request for Release of Funds from HUD. Certain activities are exempted or excluded from this requirement under 24 CFR §§58.34 and 58.35(b).

Condition and context: The County spent \$31,323 of program monies to demolish a blighted church property before HUD approved the Request for Release of Funds. Because the demolition and redevelopment project involved a public building, it did not qualify for an exemption or exclusion from the requirement to obtain HUD approval before spending program money on the project.

Effect: Because the County did not obtain a Request for Release of Funds from HUD prior to spending \$31,323 on the project, those costs did not comply with the special tests and provisions compliance requirement, and were not allowable.

Cause: Because the County thought the project was excluded from the requirement, the County did not obtain a Request for Release of Funds before spending program money on demolition costs.

Recommendation: To help ensure compliance with 24 CFR §58.22, the County should strengthen its procedures for determining which projects are exempt or excluded from the Request for Release of Funds requirement. For those projects that are not exempt or excluded, the County should refrain from spending program money prior to obtaining a Request for Release of Funds from HUD.

Pima County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

2013-105

CFDA No. and Name:	14.235 Supportive Housing Program
Award Numbers and Years:	AZ0026B97011104, AZ0039B9T011104, AZ0042B9T011104, AZ0027B9T011104, AZ0032B9T011104, AZ0036B9T011104, AZ0039L9T011204; April 1, 2012 to June 30, 2013
Federal Agency:	Department of Housing and Urban Development
Compliance Requirement:	Reporting
Questioned Costs:	None

Criteria: According to 24 CFR §583.300(g), the County is required to prepare and submit annual progress reports for each of the seven homelessness housing projects that are part of its Supportive Housing Program. All of these reports should be supported by the County's accounting system and supporting schedules.

Condition and context: For two of the seven annual progress reports, the financial amounts reported did not agree with and could not be reconciled to the County's accounting system or supporting schedules. Auditors determined that the County underreported expenditures by a total of \$16,989.

Effect: Because program reports were not always supported by the County's accounting system or supporting schedules, the County did not comply with the reporting compliance requirement.

Cause: The County did not fully implement its policies and procedures requiring: (1) reconciliation of program reports to the County's accounting system and supporting schedules, (2) thorough review and approval of program reports, and (3) retention of the reconciliations, supporting schedules, and evidence of the review and approval.

Recommendation: To help ensure compliance with 24 CFR §583.300(g) the County should accurately prepare all program reports. The County should also fully implement its policies and procedures requiring (1) reconciliation of program reports to the County's accounting system and supporting schedules, (2) thorough review and approval of program reports, and (3) retention of the reconciliations, supporting schedules, and evidence of the review and approval.

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DEPARTMENT OF FINANCE AND RISK MANAGEMENT

March 17, 2014

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

Dear Ms. Davenport

The following corrective 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 E. Burke, Director
Department of Finance and Risk Management

Pima County, Arizona
Corrective Action Plan
Year Ended June 30, 2013

2013-101

CFDA No. and Name: Not Applicable
Questioned Costs: None

Contact Person: Marilyn Hutzler, Grants Manager, Finance and Risk Management

Anticipated completion date: April 2014

Response: Pima County agrees with the finding. The Grants Division is updating and enforcing all procedures for SEFA preparation that will include additional review and approval by the Grants supervisors and manager, with additional review and approval by other Finance staff, prior to submission to the Arizona Auditor General.

2013-102

CFDA No. and Name: 10.557 Special Supplemental Nutrition Program
for Women, Infants and Children
Award Numbers and Years: HG50272; October 1, 2012 through September
30, 2013
Federal Agency: **Department of Agriculture**
Pass-through Grantor: Arizona Department of Health Services
Compliance Requirement: Allowable Costs/Cost Principles
Questioned Costs: Unknown

Contact Person: Marilyn Hutzler, Grants Manager, Finance and Risk Management

Anticipated completion date: June 2014

Response: Pima County agrees with the finding. The Grants Division is enforcing policies and procedures that require the use of actual time charged to programs. A comprehensive review and reconciliation of previously reported payroll estimates will occur, with an expected adjustment to actual costs. All required supporting documentation will be included and maintained.

Pima County, Arizona
Corrective Action Plan
Year Ended June 30, 2013

2013-103

CFDA No. and Name:	14.256 ARRA—Neighborhood Stabilization Program (Recovery Act Funded)
Award Numbers and Years:	B-09-CN-AZ-0051; February 11, 2010 through February 11, 2013
Federal Agency:	Department of Housing and Urban Development
Compliance Requirement:	Reporting
Questioned Costs:	None

Contact Person: Marilyn Hutzler, Grants Manager, Finance and Risk Management and Margaret Kish, Director, Community Development Neighborhood Conservation.

Anticipated completion date: June 2014

Response: The County concurs with the weaknesses identified in this finding. As a result, a comprehensive review of applicable procedures will be conducted to ensure program reports are reconciled to the County's financial system, reviewed and approved by Grants supervisory staff, and filed with appropriate supporting documentation.

2013-104

CFDA No. and Name:	14.256 ARRA—Neighborhood Stabilization Program (Recovery Act Funded)
Award Numbers and Years:	B-09-CN-AZ-0051; February 11, 2010 through February 11, 2013
Federal Agency:	Department of Housing and Urban Development
Compliance Requirement:	Special Tests and Provisions
Questioned Costs:	\$31,323

Contact Person: Margaret Kish, Director, Community Development Neighborhood Conservation.

Anticipated completion date: December 2014

Response: The County agrees that a greater understanding of the types of expenditures that are subject to approval for exemptions or exclusions from HUD needs to occur, along with the effective date for allowable spending. An internal procedure addressing this will be completed. The County will seek HUD's permission to keep the \$31,323 of revenue received for these expenditures.

Pima County, Arizona
Corrective Action Plan
Year Ended June 30, 2013

2013-105

CFDA No. and Name:	14.235 Supportive Housing Program
Award Numbers and Years:	AZ0026B97011104, AZ0039B9T011104, AZ0042B9T011104, AZ0027B9T011104, AZ0032B9T011104, AZ0036B9T011104, AZ0039L9T011204; April 1, 2012 to June 30, 2013
Federal Agency:	Department of Housing and Urban Development
Compliance Requirement:	Reporting
Questioned Costs:	None

Contact Person: Marilyn Hutzler, Grants Manager, Finance and Risk Management and Margaret Kish, Community Development Neighbor Conservation.

Anticipated completion date: June 2014

Response: The County concurs with the finding. Procedures will be updated to provide a collaborative, verifiable approach to reconciling financial data within all program reports. The reconciliation process will include a reconciliation to the County's financial system, and a review and approval process with all supporting documentation for program reports filed with specific retention schedules.



DEPARTMENT OF FINANCE AND RISK MANAGEMENT

March 17, 2014

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

Dear Ms. Davenport,

The following summary schedule of prior audit findings has been prepared as required by the U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs related to federal awards.

Sincerely,

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

PIMA COUNTY
Schedule of Prior Year Audit Findings
Year ended June 30, 2013

Finding No. 12-101

CFDA No.: Not applicable
Status: Partially corrected

The Grants Division is updating and enforcing all procedures for SEFA preparation that will include additional review and approval by the Grants supervisors and manager, with additional review and approval by other Finance staff, prior to submission to the Arizona Auditor General.

Finding No. 12-102

CFDA No.: 14.256 ARRA—Neighborhood Stabilization Program (Recovery Act Funded)
Federal Agency: U.S. Department of Housing and Urban Development
Award Year: February 11, 2009 through February 11, 2013
Award Number: B-09-CN-AZ-0051
Compliance Requirement: Reporting
Questioned Cost: None
Status: Partially corrected

A comprehensive review of applicable procedures is currently underway to ensure program reports are reconciled to the County's financial system, reviewed and approved by Grants supervisory staff, and filed with appropriate supporting documentation.

Finding No. 12-103

CFDA No.: 81.128 ARRA— Energy Efficiency and Conservation Block Program
Federal Agency: U.S. Department of Energy
Award Year: August 17, 2009 through February 16, 2013
Award Number: DE-EE0000852/002
Compliance Requirement: Reporting
Questioned Cost: None
Status: Fully corrected

Finding No. 12-104

CFDA No.: 16.804 Justice Assistance Grant Program Cluster
Federal Agency: U.S. Department of Justice
Passed through the City of Tucson
Award Year: March 1, 2009 through February 28, 2013
Award Number: 16636
Compliance Requirement: Period of Availability
Questioned Cost: \$36,494
Status: Fully corrected