



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Pinal County

Year Ended June 30, 2003



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.auditorgen.state.az.us

Pinal County
Single Audit Reporting Package
Year Ended June 30, 2003

Table of Contents	Page
Comprehensive Annual Financial Report	
Issued separately	
Single Audit Section	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	10



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance and on Internal Control over
Financial Reporting Based on an Audit of Basic Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Board of Supervisors of
Pinal County, Arizona

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 14, 2003, which was modified due to our reliance on the reports of other auditors as described therein. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the reports of the other auditors disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we will report to the County's management in a separate letter.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We and the reports of the other auditors noted no matters involving internal control over financial reporting and its operation that we and the other auditors consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we will report to the County's management in a separate letter.

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

November 14, 2003



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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
Pinal County, Arizona

Compliance

We have audited the compliance of Pinal 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, 2003. 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 on the County's compliance with those requirements.

In our opinion, Pinal 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, 2003.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Pinal County as of and for the year ended June 30, 2003, and have issued our report thereon dated November 14, 2003, which was modified due to our reliance on the reports of other auditors as described therein. Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Pinal 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.

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 15, 2004, except for the
Schedule of Expenditures of Federal
Awards, for which the date is
November 14, 2003

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Federal Grantor/Pass-Through Grantor/Program Title	CFDA/Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Office of National Drug Control Policy			
Passed through Pima County:			
High Intensity Drug Trafficking Areas	07.I1PSAP549	01-11-O-128876-1000	\$ 41,477
High Intensity Drug Trafficking Areas	07.I2PSAP549	01-11-P-130674-1001	216,624
High Intensity Drug Trafficking Areas	07.I3PSAP549	01-11-P-132473-1002	<u>23,960</u>
Total U.S. Office of National Drug Control Policy			<u>282,061</u>
U.S. Department of Agriculture			
Passed through:			
Arizona Department of Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG361078, 261071	950,674
State Administrative Matching Grants for Food Stamp Program	10.561	HG361086, 261090	69,055
Commodity Supplemental Food Program	10.565	HG361104, 261067	29,570
Arizona Department of Education Child and Adult Care Food Program	10.558	KR02-1170-ALS	<u>4,817</u>
Total U.S. Department of Agriculture			<u>1,054,116</u>
U.S. Department of Housing and Urban Development			
Direct Grants:			
Public and Indian Housing	14.850		330,659
Public and Indian Housing Drug Elimination Program	14.854		6,272
Section 8 Housing Choice Vouchers	14.871		3,009,444
Public Housing Capital Fund	14.872		450,361
Passed through the Arizona Department of Commerce: Community Development Block Grants/State's Program	14.228	036-02H, 023-01	132,272
Passed through the Arizona Department of Housing: Community Development Block Grants/State's Program	14.228	141-03	2,540
Passed through the Arizona Governor's Office of Housing Development: HOME Investment Partnerships Program	14.239	153-02H	<u>25,937</u>
Total U.S. Department of Housing and Urban Development			<u>3,957,485</u>
U.S. Department of the Interior			
Direct Grants:			
Payments in Lieu of Taxes	15.226		599,120
Distribution of Receipts to State and Local Governments	15.227		<u>46,869</u>
Total U.S. Department of the Interior			<u>645,989</u>

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA/Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Justice			
Direct Grants:			
Local Law Enforcement Block Grants Program	16.592		\$ 43,220
State Criminal Alien Assistance Program	16.606		59,582
Bulletproof Vest Partnership Program	16.607		781
DEA—Domestic Cannabis Eradication and Suppression Program	16.unknown		24,355
Passed through:			
Arizona Governor's Office for Children, Youth and Families Juvenile Accountability Incentive Block Grants	16.523	01JAIBG-11	55,057
Arizona Criminal Justice Commission Crime Victim Compensation	16.576	VC-02-060	16,632
Byrne Formula Grant Program	16.579	AZ-100-03, PC-070-03, CRI-01-040, CRI-02-049	304,218
Governor's Community Policy Office Violence Against Women Formula Grants	16.588	AD030003-001 AD030003-007	92,611
Total U.S. Department of Justice			<u>596,456</u>
U.S. Department of Transportation			
Passed through:			
Arizona Department of Transportation Highway Planning and Construction	20.205	JPA 96-169, JPA 02-69	153,686
Governor's Office of Highway Safety State and Community Highway Safety	20.600	2001-PT-021	15,127
Arizona Emergency Response Commission Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	None	2,550
Total U.S. Department of Transportation			<u>171,363</u>
National Foundation on the Arts and the Humanities			
Passed through the Arizona Department of Library, Archives and Public Records:			
State Library Program	45.310	211-1-2(01) 2001-CIP-1200	14,700

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA/Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Environmental Protection Agency			
Passed through the Arizona Department of Environmental Quality:			
Air Pollution Control Program Support	66.001	99-0182	\$ 51,000
U.S. Department of Education			
Direct Grants:			
Fund for the Improvement of Education	84.215		356,450
Passed through:			
Arizona Department of Education			
Title I Grants to Local Educational Agencies	84.010	03FASTTI-360979-06A	56,426
Special Education—Grants to States	84.027	03FESPPT-370733-01A 03FESPP2-0370733-04A	60,865
Special Education—Preschool Grants	84.173	03FESCBG-360979-03A 02FESCBP-260979-04A	213
Safe and Drug-Free Schools and Communities— State Grants	84.186	02FSSIVB-270733-03A	75,420
Tech-Prep Education	84.243	V243A010003	157,466
Eisenhower Professional Development State Grants	84.281	02FASJSP-270734-04C 02FASTII-260979-07A	47,907
Innovative Education Program Strategies	84.298	02FASTVI-360979-08A 02FASTVI-370734-02A	97,860
Education Technology State Grants	84.318	03FADETF-360979-09A 03FADETD-360979-02A	53,803
Reading First State Grants	84.357	03FSARFP-360979-10A	7,400
English Language Acquisition Grants	84.365	03FASENG-370733-06A	7,896
Arizona Department of Economic Security			
Special Education—Grants for Infants and Families with Disabilities	84.181	E1800030	200,333
Total U.S. Department of Education			<u>1,122,039</u>
U.S. Department of Health and Human Services			
Passed through:			
Arizona Family Planning Council			
Family Planning—Services	93.217	None	215,883
Sun Life Family Health Center			
Community Health Centers	93.224	PIN2001-14	10,161
Arizona Department of Health Services			
Immunization Grants	93.268	HG352197, 152047	52,232

(Continued)

See accompanying notes to schedule.

Pinal County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Pass-Through Grantor/Program Title	CFDA/Federal Identification Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Centers for Disease Control and Prevention— Investigations and Technical Assistance	93.283	252035	\$ 211,333
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	HG361206, 050314	167,066
HIV Prevention Activities—Health Department Based	93.940	HG352262, 152017	55,444
Preventive Health and Health Services Block Grant	93.991	HG354185, 261113, E3H84370	40,337
Maternal and Child Health Services Block Grant to the States	93.994	261187, 961117, 261196 HG361119, HP361146-003	168,263
Arizona Department of Economic Security Child Support Enforcement	93.563	G04-04AZ-4004	1,733,578
Grants to States for Access and Visitation Programs	93.597	HG352197, 152047	3,199
Pinal/Gila Council for Senior Citizens Social Services Block Grant	93.667	9900-308	131,848
Arizona School Health Insurance Programs, Inc. Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	None	5,621
Gila River Indian Community Rural Health Outreach and Rural Network Development Program	93.912	None	17,606
Office of Rural Health Policy Rural Health Outreach and Rural Network Development Program	93.912	5D04RH00587-2	86,517
Pinal Gila Long-Term Care HIV Emergency Relief Project Grants	93.914	20035-PIN	<u>118,044</u>
Total U.S. Department of Health and Human Services			<u>3,017,132</u>
U.S. Federal Homeland Security Agency			
Passed through:			
Arizona Department of Emergency and Military Affairs State Domestic Preparedness Equipment Support Program	97.004	None	50,875
Public Assistance Grants	97.036	1347DRAZ021-99021-00	61,472
Emergency Management Performance Grants	97.042	GAO210	<u>131,670</u>
Total U.S. Federal Homeland Security Agency			<u>244,017</u>
 Total Expenditures of Federal Awards			 <u>\$ 11,156,358</u>

See accompanying notes to schedule.

Pinal County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Note 1 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pinal 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 2003 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients:

Program Title	CFDA Number	Amount
Fund for the Improvement of Education	84.215	\$257,110

Pinal County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2003

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unqualified	
	Yes	No	
Material weakness identified in internal control over financial reporting?	___	<u>X</u>	
Reportable conditions identified not considered to be material weaknesses?	___	<u>X</u> (None reported)	
Noncompliance material to the financial statements noted?	___	<u>X</u>	

Federal Awards

Material weakness identified in internal control over major programs?		<u>X</u>	
Reportable conditions identified not considered to be material weaknesses?	___	<u>X</u> (None reported)	
Type of auditors' report issued on compliance for major programs:		Unqualified	
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>
14.872	Public Housing Capital Fund
15.226	Payments in Lieu of Taxes
84.215	Fund for the Improvement of Education
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs:		\$334,691	
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>	
---	--	----------	--