



**REPORT  
HIGHLIGHTS**  
FINANCIAL STATEMENT AUDIT

**Subject**

Pima County issues financial statements annually. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

**Our Conclusion**

The information in the County's financial statements is fairly stated in all material respects, and the financial statements can be relied on. However, auditors identified internal control deficiencies and noncompliance as summarized on the back page.



**2009**

Year Ended June 30, 2009

**Condensed Financial Information**

Government-wide financial statements provide readers with a broad overview of the County's finances in a manner similar to a private-sector business.

**Statement of Net Assets**—This statement reports all assets, liabilities, and net assets. Net assets, the difference between assets and liabilities, are reported in three major categories:

- Invested in capital assets, net of related debt, shows the equity in property, plant, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by donors and external parties.
- Unrestricted net assets shows the net resources available to fund general operations.

**Statement of Activities**—This statement shows how net assets increased during the year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues not raised by or dedicated to a specific program). Additionally, revenues and expenses are reported as either governmental activities (principally supported by taxes and intergovernmental revenues) or business-type activities (principally supported by user fees and charges).

Condensed financial statements are presented to the right.

**Condensed Statement of Net Assets**  
June 30, 2009  
Total Primary Government  
(In Millions)

<b>Assets</b>	
Current and other	\$ 586
Capital assets, net	2,300
<b>Total assets</b>	<b>2,886</b>
<b>Liabilities</b>	
Current	135
Noncurrent	936
<b>Total liabilities</b>	<b>1,071</b>
<b>Net assets</b>	
Invested in capital assets, net of related debt	1,512
Restricted	234
Unrestricted	69
<b>Total net assets</b>	<b>\$1,815</b>

**Condensed Statement of Activities**  
Year Ended June 30, 2009  
Total Primary Government  
(In Millions)

<b>Program revenues:</b>	
Governmental activities	\$ 260
Business type activities	348
<b>General revenues:</b>	
Governmental activities	560
Business-type activities	1
<b>Total revenues</b>	<b>1,169</b>
<b>Expenses:</b>	
Governmental activities	729
Business-type activities	342
<b>Total expenses</b>	<b>1,071</b>
Change in net assets	98
Net assets—beginning	1,717
<b>Net assets—ending</b>	<b>\$1,815</b>

# Financial Statement Audit Summary

**Lack of Controls over Medical Claims Data Processing**—Pima Health System and Services (PHS&S), one of Pima County's enterprise funds, operates healthcare plans through contracts with the Arizona Health Care Cost Containment System (AHCCCS). PHS&S implemented a new medical claims payment software system without properly testing it. As a result, mistakes from the new system may require Pima County to pay more than \$5 million in fines to AHCCCS.

**Lack of Controls over the Reporting of Deposit and Investment Risks**—The County Treasurer did not provide Pima County

with accurate financial information. In addition, the Finance Department did not verify the information they received. Because of this, auditors had to recommend corrections for more than \$17 million to the County's deposit and investment risk disclosures in its financial statements.

**Lack of Controls over Computer Systems**—The County's critically important financial computer systems lacked important controls relating to change management, user access, and disaster recovery. As a result, the County's financial information could be misstated, misused, or damaged and the systems may not operate if a disaster occurs.

## Auditor recommendations to improve internal controls

Medical claims data processing:

- Assign experienced staff to correct all current medical claims that have not been properly resolved and paid.
- Make necessary corrections to the existing medical claims data processing system, and in the future, fully test any newly implemented systems prior to use.

Reporting of Deposit and Investment Risk Information:

- Ensure that responsibilities are clearly defined for obtaining, verifying, reconciling, and reporting deposit and investment information.

Computer systems:

- Monitor and track all changes to computer systems and maintain evidence that all changes are accurately documented, tested, reviewed, and approved.
- Limit the use of superuser and group access accounts in accordance with existing policies and monitor and track user activities on these accounts.
- Finalize the disaster recovery plan and update and test the plan on a regular basis.

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A copy of the full report  
is available at:  
[www.azauditor.gov](http://www.azauditor.gov)

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Year Ended June 30, 2009