



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Single Audit

# Pima County

Year Ended June 30, 2012

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**Debra K. Davenport**  
Auditor General

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Pima County  
Single Audit Reporting Package  
Year Ended June 30, 2012

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Reports Issued Separately

Comprehensive Annual Financial Report	
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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 with Requirements  
That Could Have a Direct and Material Effect on 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 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, 2012. 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 12-102 and 12-103 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding reporting that are applicable to its ARRA—Neighborhood Stabilization Program (Recovery Act Funded) and the requirements regarding reporting that are applicable to its ARRA—Energy Efficiency and Conservation Block Grant Program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Pima County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 that are described in the accompanying Schedule of Findings and Questioned Costs as items 12-101 and 12-104.

### **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 to determine the 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, 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 significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be 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 12-101, 12-102, and 12-103 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 12-104 to be a significant deficiency.

### **Schedule of Expenditures of Federal Awards**

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, 2012, and have issued our report thereon dated December 18, 2012, that contained an unqualified 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, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Pima County's responses to the findings identified in our audit are presented on pages 19 through 21. 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, management, others within the County, 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.

Jay Zsorey, CPA  
Financial Audit Director

March 28, 2013

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Pima County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Agriculture</b>			
U.S. Forest Service—Law Enforcement Agreement	10.unknown		\$ 19,671
Child Nutrition Cluster:			
Passed through the Arizona Department of Education			
School Breakfast Program	10.553	ED09-0001	53,488
National School Lunch Program	10.555	ED09-0001	103,331
Total Child Nutrition Cluster			<u>156,819</u>
Passed through the Arizona Department of Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HG50272	1,973,181
Commodity Supplemental Food Program	10.565	12-070887	89,623
WIC Farmers' Market Nutrition Program (FMNP)	10.572	HG861329, HG050272	2,185
Senior Farmers' Market Nutrition Program	10.576	HG861329, HG050272	2,059
Passed through the Arizona State Treasurer			
Schools and Roads—Grants to States	10.665	NFF	338,393
Total U.S. Department of Agriculture			<u>2,581,931</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grants/Entitlement Grants	14.218		2,726,827
Emergency Shelter Grants Program	14.231		115,293
Supportive Housing Program	14.235		2,021,188
Passed through the City of Tucson			
HOME Investment Partnerships Program	14.239	16910	189,061
Housing Opportunities for Persons with AIDS	14.241		497,363
ARRA—Neighborhood Stabilization Program (Recovery Act Funded)	14.256		8,112,026
ARRA—Homeless Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded)	14.257		428,848
Total U.S. Department of Housing and Urban Development			<u>14,090,606</u>
<b>U.S. Department of the Interior</b>			
Bureau of Land Management—Law Enforcement	15.DAU		5,000
Payments in Lieu of Taxes	15.226		2,958,214
Passed through the Arizona State Treasurer			
Distribution of Receipts to State and Local Governments	15.227	TAYLO	7,889
Partners for Fish and Wildlife	15.631		22,965
Passed through the Arizona State Treasurer			
National Wildlife Refuge Fund	15.659	None	36,382
Total U.S. Department of the Interior			<u>3,030,450</u>
<b>U.S. Department of Justice</b>			
Federal Equitable Sharing Program	16.unknown		115,887
Passed through the State Justice Institute			
Transitional and Operational Plan Development	16.unknown	None	18,779
Passed through the Arizona Governor's Office for Children, Youth and Families, Division for Community and Youth Development			
Juvenile Accountability Block Grants	16.523	JB-CSG-10-1273-06, JB-CSG-11-1273-14	58,121
Passed through the Arizona Governor's Office for Children, Youth and Families, Division for Children			
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	J2-CSG-10-181-07, J2-CSG- 10-81-08, J2-CSG-10-0181-06	235,658

(Continued)

See accompanying notes to schedule.



Pima County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(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 National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	IDM-11-002	\$ 83,175
Passed through the Arizona Department of Public Safety Crime Victim Assistance	16.575	DPS2011-120	137,999
Passed through the Arizona Criminal Justice Commission Crime Victim Compensation	16.576	VC-11-059	506,904
Passed through the City of Tucson Edward Byrne Memorial Formula Grant Program	16.579	0277-05	247,740
Drug Court Discretionary Grant Program	16.585		82,091
Passed through the Arizona Governor's Office for Children, Youth and Families, Division for Women Violence Against Women Formula Grants	16.588	ST-WSG-09-9365-17, ST-WSC- 12-2366-05, ST-WSG-09- 9365-16Y3, ST-WSC-12-6366-10	454,944
Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	16.589		46,455
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590		707,804
State Criminal Alien Assistance Program	16.606		600,814
Bulletproof Vest Partnership Program	16.607		32,469
Passed through the Arizona Criminal Justice Commission Project Safe Neighborhoods	16.609	PSN-12-009	6,265
ARRA—Public Safety Partnership and Community Policing Grants	16.710		1,157,201
Passed through the Arizona Governor's Office of Highway Safety Enforcing Underage Drinking Laws Program	16.727	2012-DOJ-0142011(2011)	6,771
Justice Assistance Grant Program Cluster: Passed through the City of Tucson Edward Byrne Memorial Justice Assistance Grant Program	16.738	16634, 16641	105,979
Passed through the Arizona Criminal Justice Commission Edward Byrne Memorial Justice Assistance Grant Program	16.738	DC-12-048	555,071
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>661,050</u>
Passed through the City of Tucson ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	16636	401,629
Total Justice Assistance Grant Program Cluster			<u>1,062,679</u>
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		44,975
Passed through the Arizona Department of Public Safety ARRA—Recovery Act—State Victim Assistance Formula Grant Program	16.801	2009 SG-B9-0090	11,459
ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming From the Southern Border of the United States Competitive Grant Program	16.809		446,947
Second Chance Act Prisoner Reentry Initiative	16.812		68,130
Total U.S. Department of Justice			<u>6,133,267</u>

**U.S. Department of Labor**

WIA Cluster:

Passed through the Arizona Department of Economic Security WIA Adult Program	17.258	DE111012-001	2,183,738
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(Continued)

See accompanying notes to schedule.

Pima County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
WIA Youth Activities	17.259	DE111012-001	\$ 2,704,414
WIA Dislocated Worker Formula Grants	17.278	DE111012-001	<u>1,952,252</u>
Total WIA Cluster			<u>6,840,404</u>
H-1B Job Training Grants	17.268		24,203
Community Based Job Training Grants	17.269		230,201
Passed through the Arizona Department of Economic Security			
ARRA—Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	DE101184001	640,915
Workforce Investment Act (WIA) National Emergency Grants	17.277		433,833
Homeless Veterans Reintegration Project	17.805		<u>204,750</u>
Total U.S. Department of Labor			<u>8,374,306</u>
<b>U.S. Department of Transportation</b>			
Highway Planning and Construction Cluster:			
Passed through the Arizona Department of Transportation			
Highway Planning and Construction	20.205	SL541-01X, SS857-01C, SL659-02D, SL600-01C, SL554-01C, SS713-01C, PSRTS-29P, SZ015-03D, SL699-02D, SZ014-03D, SS926-03D, SL636-02D, SL636-01C	1,343,077
ARRA—Highway Planning and Construction	20.205	SS882-01C, SL553-01C, SS933-01C, SS886-01C, SS739-01C, SS887-01C, SS883-01C, SS884-01C, SS885-01C	<u>136,076</u>
Total Highway Planning and Construction Cluster			<u>1,479,153</u>
Highway Safety Cluster:			
Passed through the Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2011-PS-004, 2011-PT-050, 2011-OP-015, 2-12-SB-001, 2011-OP-14	74,340
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	2011-410-012, 2012-410-023	<u>113,783</u>
Total Highway Safety Cluster			<u>188,123</u>
Passed through the Arizona Emergency Response Commission			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	None	<u>62,302</u>
Total U.S. Department of Transportation			<u>1,729,578</u>
<b>U.S. Department of Treasury</b>			
Federal Equitable Sharing Program	21.unknown		128,215
State and Local Overtime and Authorized Expense Program	21.unknown		<u>36,888</u>
Total U.S. Department of Treasury			<u>165,103</u>
<b>U.S. Institute of Museum and Library Services</b>			
Passed through Arizona State Library, Archives and Public Records			
Grants To States	45.310	212JT017, 212JT015, 212JT016, 212JT014	<u>121,810</u>

(Continued)

See accompanying notes to schedule.

Pima County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
<b>U.S. Environmental Protection Agency</b>			
Air Pollution Control Program Support	66.001		\$ 616,413
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating To The Clean Air Act	66.034		131,076
ARRA—Brownfields Assessment and Cleanup Cooperative Agreements	66.818		<u>234,329</u>
Total U.S. Environmental Protection Agency			<u>981,818</u>
<b>U.S. Department of Energy</b>			
Passed through the Arizona Governor's Office of Energy Policy ARRA—Weatherization Assistance for Low-Income Persons	81.042	C037-0907	525,774
ARRA—Energy Efficiency and Conservation Block Grant Program	81.128		<u>1,919,686</u>
Total U.S. Department of Energy			<u>2,445,460</u>
<b>U.S. Department of Education</b>			
Passed through the Arizona Department of Education Adult Education—Basic Grants to States	84.002	12-AE-ABE-270731-01A	115,408
Title I Grants to Local Educational Agencies	84.010	S010A110003	21,632
Special Education—Grants to States	84.027	H027AD11007	15,065
Twenty-First Century Community Learning Centers	84.287	S287C0200005A	50,798
Improving Teacher Quality State Grants	84.367	S281A030003	4,171
Passed through the Governor's Office of Economic Recovery ARRA—State Fiscal Stabilization Fund (SFSF) Government Services Recovery Act	84.397	OER-11-IGA-GS-162	<u>226,820</u>
Total U.S. Department of Education			<u>433,894</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through the Pima Council on Aging Special Programs for the Aging—Title III, Part D—Disease Prevention and Health Promotion Services	93.043	E6206002	23,603
Passed through the Arizona Department of Health Services Public Health Emergency Preparedness	93.069	HG754202	897,012
Passed through Pima Community College Affordable Care Act (ACA) Health Profession Opportunity Grants	93.093	90FX0005	523,889
Passed through the Arizona Department of Health Services Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	HG852307	110,001
Passed through the Arizona Family Planning Council Family Planning—Services	93.217	6FPHGOA-91701-26	851,926
Passed through Arizona Office of Women's and Children's Health Affordable Care Act (ACA) Abstinence Education Program	93.235	HP061205-010	148,017
Passed through Arizona Department of Health Services Grants to States to Support Oral Health Workforce Activities	93.236	HG061186	22,239
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243		894,725

(Continued)

See accompanying notes to schedule.

Pima County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Passed through the University of Arizona			
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	1H79TIO 18730-01	\$ 35,465
Total Substance Abuse and Mental Health Services— Projects of Regional and National Significance			<u>930,190</u>
Immunization Cluster:			
Passed through the Arizona Department of Health Services			
Immunization Cooperative Agreements	93.268	EOH34816	259,943
ARRA—Immunization	93.712	HG854291	61,214
Total Immunization Cluster			<u>321,157</u>
Passed through the Arizona Department of Health Services			
Centers for Disease Control and Prevention—Investigation and Technical Assistance	93.283	HG761267	485,823
PPHF 2012 National Public Health Improvement Initiative	93.507		32
Passed through the Arizona Department of Economic Security			
Temporary Assistance for Needy Families	93.558	DE-1-11072-001	573,112
Child Support Enforcement	93.563		467,884
Passed through the Arizona Department of Economic Security			
Low-Income Home Energy Assistance	93.568	DE-1-11072-001	1,203,449
Passed through the Governor's Office of Energy Policy			
Low-Income Home Energy Assistance	93.568	LW-ESA-12-2182-07	74,270
Total Low-Income Home Energy Assistance			<u>1,277,719</u>
Passed through the Arizona Department of Economic Security			
Community Services Block Grant	93.569	DE-1-11072-001	876,726
Passed through the Arizona Department of Health Services			
Grants to States for Access and Visitation Programs	93.597	1-866 004791-E8	39,086
Social Services Block Grant	93.667	DE111043001	905,853
ARRA—Prevention and Wellness—Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724		12,804,384
Passed through Pima Community Access Program			
Children's Health Insurance Program	93.767	None	11,222
Passed through the Arizona Department of Health Services			
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	HG652199	220,198
Preventive Health Services—Sexually Transmitted Diseases Control Grants	93.977	HG854318	191,129
Maternal and Child Health Services Block Grant to the States	93.994	HG861299, HG959217	161,764
Total U.S. Department of Health and Human Services			<u>21,842,966</u>
<b>U.S. Office of National Drug Control Policy</b>			
High Intensity Drug Trafficking Areas	95.001		<u>2,231,558</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the United Way			
Emergency Food and Shelter National Board Program	97.024	Phase 28-027200-015	147,428
Passed through the Arizona Department of Emergency and Military Affairs			
Emergency Management Performance Grants	97.042	EMW-2011-EPA-APP-00006	304,736

(Continued)

See accompanying notes to schedule.

Pima County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012  
(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number (Note 2)	Pass-Through Grantor's Number	Expenditures
Passed through Arizona Department of Homeland Security			
Interoperable Emergency Communications Grant Program	97.055	10-AZDOHS-IECGP-777411-03	\$ 58,409
Homeland Security Grant Program	97.067	444905-03, 777401-02, 777904.02, 777904.03, 777904-04, 444905-04, 555408-04, 444906-03, 555904-05, 777905-01, 777411-02, 777905-03, 555408-06, 555408-03, 555904-02, 777411-01, 0777905-02, 555904-05, 888409-01, 888409-02, 888409-03, 555408-08	<u>4,551,002</u>
Total U.S. Department of Homeland Security			<u>5,061,575</u>
Total Expenditures of Federal Awards			<u>\$ 69,224,322</u>

See accompanying notes to schedule.

Pima County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2012

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 2012 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 or Cluster Title	CFDA Number	Amount
Community Development Block Grants/ Entitlement Grants	14.218	\$ 398,836
Housing Opportunities for Persons with AIDS ARRA—Neighborhood Stabilization Program (Recovery Act Funded)	14.241	472,363
Second Chance Act Prisoner Reentry Initiative ARRA—Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	14.256	7,398,124
Centers for Disease Control and Prevention— Investigation and Technical Assistance	16.812	62,361
ARRA—Prevention and Wellness—Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	17.275	327,683
	93.283	213,000
	93.724	8,922,530

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Pima County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012

**Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	<b>Yes</b> <b>No</b>
Material weaknesses identified?	_____ <u>  X  </u>
Significant deficiency identified?	<u>  X  </u> _____
Noncompliance material to the financial statements noted?	_____ <u>  X  </u>

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	<u>  X  </u> _____
Significant deficiency identified?	<u>  X  </u> _____
Type of auditors' report issued on compliance for major programs: Unqualified for all major programs except for the ARRA—Neighborhood Stabilization Program (Recovery Act Funded) and the ARRA—Energy Efficiency and Conservation Block Grant Program which were 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>
14.256	ARRA—Neighborhood Stabilization Program (Recovery Act Funded) Justice Assistance Grant Program Cluster:
16.738	Edward Byrne Memorial Justice Assistance Grant Program
16.804	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units Of Local Government
	WIA Cluster:
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.278	WIA Dislocated Worker Formula Grants



Pima County  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2012

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
81.128	ARRA—Energy Efficiency and Conservation Block Grant Program
93.724	ARRA—Prevention and Wellness—Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$2,076,730

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, 2012

## Financial Statement Findings

Financial statement findings were reported in the separately issued Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*.

## Federal Award Findings and Questioned Costs

12-101

CFDA No.: 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, 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 Public Safety Interoperable Communications program were overstated by \$3,323,658, as these expenditures were already reported in fiscal year 2011.
- Federal award expenditures for the WIA Cluster Youth Activities program were overstated by \$1,972,400.
- Federal award expenditures for Payments in Lieu of Taxes were not reported originally on the SEFA; therefore, expenditures were understated by \$2,958,214.
- Federal award expenditures for the JAG Cluster program were understated by \$401,629.
- Federal award expenditures for the WIA Cluster Dislocated Worker Formula Grants program were understated by \$1,372,677.
- Federal award expenditures for the Highway Planning and Construction program were understated by \$152,520.
- Federal award expenditures for the ARRA—Prevention and Wellness—Communities Putting Prevention to Work Funding Opportunities Announcement (FOA) program were understated by \$2,208,209.
- Federal award expenditures for the Homeland Security program were understated by \$343,174.
- The County incorrectly reported other required information for ten of its federal programs.

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

Pima County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Cause: This is the first year the County prepared the SEFA using their new Advantage Management System (AMS). The County utilized an inappropriate report from the AMS system as a basis for SEFA preparation.

Recommendation: The County should ensure that the SEFA is accurate and complete. The County should establish policies and procedures for preparing the SEFA using the County's AMS system. These procedures should include collecting accurate and complete federal program identifying and expenditure information to use during SEFA preparation and requiring a thorough review of the data and schedule.

12-102

CFDA No.: 14.256 **ARRA—Neighborhood Stabilization Program (Recovery Act Funded)**

**U.S. Department of Housing and Urban Development**

Award Year: February 11, 2009 through February 11, 2013

Award Number: B-09-CN-AZ-0051

Reporting

Questioned Cost: 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 quarterly progress reports, which should be supported by the County's financial records and supporting schedules.

Condition and context: Auditors tested two of the required four quarterly progress reports and noted that the County incorrectly reported the total expended for one of the tested progress reports. Auditors determined the amount reported was understated by \$2,161,105. Additionally, the County failed to provide evidence that the financial information on the reports was appropriately reviewed and approved prior to submission.

Effect: The County submitted inaccurate reports to the federal awarding agency.

Cause: The County did not have adequate policies and procedures to require an independent review and approval of reports to ensure that it accurately entered financial data into the required, electronically submitted, quarterly progress reports.

Recommendation: To help ensure that the County accurately prepares the quarterly progress reports, it should implement policies and procedures requiring that progress reports be based on and reconciled to the County's underlying financial records and requiring an independent review of all information included on each progress report before electronically submitting the reports.

Pima County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

12-103

CFDA No.: 81.128 **ARRA—Energy Efficiency and Conservation Block Grant Program**  
**U.S. Department of Energy**

Award Year: August 17, 2009 through February 16, 2013

Award Number: DE-EE0000852/002

Reporting

Questioned Cost: None

Criteria: According to the grant agreement for the Energy Efficiency and Conservation Block Grant Program (EECBG), the County is required to prepare and submit quarterly progress, financial, and ARRA performance reports that should be supported by the County's financial records and supporting schedules.

Condition and context: For two of four progress reports, the amounts reported could not be traced to the County's accounting records or supporting schedules. For three of four financial status reports, the amounts reported could not be traced to the County's accounting records or supporting schedules. For two of four ARRA Performance Progress reports, some amounts reported could not be traced to the County's accounting records or supporting schedules.

Effect: Amounts reported on the tested EECBG reports were not supported by the County's accounting records or supporting schedules.

Cause: Auditors determined that an inexperienced county employee prepared and submitted progress, financial, and ARRA performance reports without having them approved by a grant official as required by county policies and procedures. When county management identified the errors they performed a comprehensive review and correctly reported the applicable information on the 6/30/12 progress, financial, and ARRA performance reports.

Recommendation: The County should ensure amounts reported in all the progress, financial, and ARRA performance reports are accurate by enforcing existing policies and procedures requiring an independent review of all information included on each report before electronically submitting the reports.

12-104

CFDA No.: 16.804 **ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG)**  
**Program/Grants to Units of Local Government**

**U.S. Department of Justice**

Passed through the City of Tucson

Award Year: March 1, 2009 through February 28, 2013

Award Number: 16636

Period of Availability

Questioned Cost: \$36,494

Criteria: According to the County's grant agreement for the Edward Byrne Memorial Justice Assistance Grant, all funds are to be used for allowable expenditures during the period of availability.

Pima County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2012

Condition and context: The County requested and received reimbursement in the amount of \$36,494 for a multi-year service agreement that extended beyond the period of availability.

Effect: The County incorrectly requested and received reimbursement for services that were outside the period of availability under the grant agreement.

Cause: According to county grant officials, when the County requested reimbursement for the multi-year service agreement, the County believed the multi-year service agreement was an allowable capital expenditure. However, the federal grantor agreed with the auditors that the County was not allowed to spend grant money on the portion of the multi-year service agreement that was outside of the period of availability. Because of this, the County adjusted their records to reverse the initial expenditure for the multi-year service agreement and instead applied the federal monies to certain program-related capital equipment purchases. This capital equipment had originally been purchased with nonfederal monies during the period of availability, and its cost met or exceeded the amount of the questioned cost.

Recommendation: The County should establish policies and procedures that help ensure grant expenditures are made within the program's period of availability.



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

*Thomas E. Burke, Director*

March 20, 2013

Ms. Davenport  
Auditor General  
2910 N 44<sup>th</sup> 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 E. Burke, Director  
Department of Finance & Risk Management

**PIMA COUNTY**

Corrective Action Plan  
Year Ended June 30, 2012

12-101

CFDA No: Not Applicable

Questioned Cost: None

Contact Person: Terry Flores, Manager - Finance and Risk Management Grants Division

Anticipated Completion Date: April 2013

Response: Pima County agrees with the finding. The Grants Division is implementing a procedure for SEFA preparation that will include reconciliation by grants staff with financial records and increased internal review by other finance staff prior to submission to the Auditor General.

12-102

CFDA No: 14.256 **ARRA - Neighborhood Stabilization Program (Recovery Act Funded)**

**U.S. Department of Housing and Urban Development**

Award Year: February 11, 2009 through February 11, 2013

Award Number: B-09-CN-AZ-0051

Reporting

Questioned Costs: None

Contact Person: Gary Bachman, Manager -Community Development Neighbor Conservation

Anticipated Completion Date: Completed June 2012

Response: Pima County agrees with the finding. The County implemented a procedure to have program staff and grants management staff meet regularly to ensure communication and entries are complete and accurate until the grant is closed out.

12-103

CFDA No: 81.128 **ARRA – Energy Efficiency and Conservation Block Program**

**U.S. Department of Energy**

Award Year: August 17, 2009 through February 16, 2013

Award Number: DE-EE0000852/002

Reporting

Questioned Costs: None

Contact Person: Marc Lynn, Manager – Facilities Management

Anticipated Completion Date: Completed March 2012

Response: The County agrees with this finding. The County has adopted procedures to have multiple internal reviews to ensure accuracy of the cost accounting and sufficiency of the supporting documentation, prior to any reports being electronically submitted.

12-104

CFDA No: 16.804 **Justice Assistance Grant Program Cluster**

**U.S. Department of Justice**

Passed through the City of Tucson

Award Year: March 1 2009 through February 28, 2013

Award Number: 16636

Period of Availability

Questioned Costs: \$36,494

Contact Person: Ron K. Jee, Financial Administrator - Sheriff's Department

Anticipated Completion Date: April 2013

Response: The County agrees with this finding. The County Sheriff's Department will implement procedures that help ensure grant expenditures are made within the program period of availability.



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

Thomas E. Burke, Director

March 2, 2013

Ms. Debra Davenport  
Auditor General  
2910 North 44<sup>th</sup> Street, 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 E. Burke  
Finance and Risk Management Director

**PIMA COUNTY**  
Schedule of Prior Year Audit Findings  
Year Ended June 30, 2012

**11-101**

CFDA No.: 14.256 ARRA – Neighborhood Stabilization Programs (Recovery Act Funded)

U.S. Department of Housing and Urban Development

Status – **Fully Corrected**

The County has implemented a procedure where the Department Director reviews the Quarterly Progress report before it is submitted to HUD. This procedure includes the financial support division for the County, the Grants Management Division, entering the financial information, and the department program manager completing the programmatic elements of the Quarterly Report.

**11-102**

CFDA No: 81.128 ARRA – Energy Efficiency and Conservation Block Grant Program

U.S. Department of Energy

Status – **Fully Corrected**

The County has implemented a procedure, where the monthly reconciliation includes specific review from the financial support division to ensure no draws include fringe benefits. This procedure also includes the County department managing this program ensures no draws prepared include fringe benefits in the request for reimbursement.

**10-105**

CFDA No: 81.128 ARRA – Energy Efficiency and Conservation Block Grant

U.S. Department of Energy

Status – **Fully Corrected**

The County has implemented a procedure where the department program manager reviews the programmatic information with the Deputy Director of the department before the quarterly reports are submitted.

**10-101**

CFDA No.: 16.803 Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories

U.S. Department of Justice, Passed through Arizona Criminal Justice Commission

Status – **Fully Corrected**

The Pima County Attorney's Office has fully implemented an internal system, with procedures to ensure that any salaried employees fully funded from federal grants must complete and submit semi-annual certifications.