

## REPORT HIGHLIGHTS FINANCIAL STATEMENT AND SINGLE AUDITS

### Our Conclusion

Pima County is responsible for preparing annual financial statements and a schedule of expenditures of federal awards, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of the financial statements and schedule of expenditures of federal awards is presented to the right.

Based on our audits, we issued reports that included our opinions on the County's financial statements and its schedule of expenditures of federal awards and reports on its internal control and compliance over financial reporting and major federal programs. The information in the County's fiscal year 2013 financial statements and schedule of expenditures of federal awards is reliable. Our reports identified internal control weaknesses and instances of noncompliance over major federal programs. These findings are summarized on the next page.



2013

Year Ended June 30, 2013

## Condensed financial information

**Statement of net position**—This statement reports all of Pima County's assets, deferred outflows of resources, liabilities, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in land, buildings, equipment, and infrastructure.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the resources available for general operations.

**Statement of activities**—This statement reports all revenues, expenses, and the year's change in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes raised for general purposes. It also reports revenues and expenses as either governmental activities—primarily supported by taxes and grant monies—or business-type activities—primarily supported by user fees and charges. During fiscal year 2013, net position increased by \$47 million, or 2 percent, as compared to an increase of \$125 million, or 5.8 percent, in fiscal year 2012.

**Schedule of expenditures of federal awards**—During fiscal year 2013, the County's governmental activities expenses included \$61 million in federal awards expended. The County's federal award expenditures decreased by \$8 million, or 13 percent, compared to fiscal year 2012.

### Condensed statement of net position Governmental and business-type activities

As of June 30, 2013  
(In millions)

<b>Assets</b>	
Current assets	\$ 828
Capital assets, net	3,119
Total assets	<u>3,947</u>
<b>Deferred outflows</b>	4
<b>Liabilities</b>	
Current	145
Noncurrent	1,490
Total liabilities	<u>1,635</u>
<b>Net position</b>	
Net investment in capital assets	1,840
Restricted	229
Unrestricted	247
Total net position	<u>\$2,316</u>

### Condensed statement of activities Governmental and business-type activities

For the year ended June 30, 2013  
(In millions)

<b>Program revenues</b>	
Governmental activities	\$ 242
Business-type activities	169
<b>General revenues</b>	
Governmental activities	538
Business-type activities	9
Total revenues	<u>958</u>
<b>Expenses</b>	
Governmental activities	758
Business-type activities	153
Total expenses	<u>911</u>
Change in net position	47
Net position—beginning, as restated	2,269
Net position—ending	<u>\$2,316</u>

### Condensed schedule of expenditures of federal awards by grantor agency For the year ended June 30, 2013 (In millions)

Department of Housing and Urban Development	\$13
Department of Transportation	9
Department of Health and Human Services	9
Department of Labor	8
Department of Justice	4
Department of Homeland Security	4
Other	14
Total federal expenditures	<u>\$61</u>

## Summary of audit findings and recommendations

For the financial statement audit, we reported no internal control deficiencies. For the federal compliance audit, we tested nine federal programs under the major program guidelines established by the Single Audit Act and found that the County did not always have adequate internal controls and did not always comply with federal program requirements for three of those programs. In addition, we found that the County did not accurately prepare its schedule of expenditures of federal awards (SEFA). Our Single Audit Report over federal programs contains further details to help the County correct these deficiencies. The findings and recommendations are summarized below.

### Noncompliance with federal program requirements

- The County expended approximately \$1.75 million of its Special Supplemental Nutrition Program for Women, Infants, and Children Program monies on salaries and wages. The County charged salaries and wages to the program using estimates based on predetermined distribution percentages. However, the County could not demonstrate that its estimated distribution percentages were reasonable approximations of the actual time and effort employees spent working on the program.
- The County incorrectly reported the Neighborhood Stabilization Program's revenues and expenditures on three required quarterly reports and two reimbursement request vouchers. For example, one quarterly report included a \$1 million understatement of inception-to-date program expenditures, and the County could not provide evidence that this report was reviewed and approved prior to submission. In addition, the County included other amounts on the quarterly reports and reimbursement request vouchers that did not reconcile to its accounting records.
- The County prepared its SEFA without fully implementing its policies and procedures requiring a thorough review of the SEFA to detect errors. Consequently, the initial SEFA provided to auditors included misstated individual program expenditures and other reporting errors that totaled more than \$6 million. The County made all necessary adjustments to correct the SEFA.

### Recommendations

To help improve internal controls over its federal programs and help ensure compliance with federal requirements, the County should:

- Prepare and maintain documentation supporting the distribution of salaries and wages to federal programs and ensure that distribution percentages approximate the actual time and effort employees spent working on the program.
- Reconcile revenues and expenditures included on quarterly reports and reimbursement request vouchers to underlying accounting records and ensure the reports and vouchers are reviewed and approved by an employee who is knowledgeable about the program prior to submission to the grantor.
- Fully implement its established policies and procedures requiring SEFA reviewers to reconcile reported amounts to supporting accounting records and compare the current year SEFA to the prior year SEFA for reasonability.