



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Compliance Attestation Report

# Pima County Highway User Revenue Fund Monies

Year Ended June 30, 2007

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**Debra K. Davenport**  
Auditor General

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Pima County  
Compliance Attestation Report on Highway User Revenue Fund Monies  
Year Ended June 30, 2007

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

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Accountants' Report**

Members of the Arizona State Legislature

The Board of Supervisors of  
Pima County, Arizona

We have examined Pima County's compliance as to whether highway user revenue fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the County were used solely for the authorized transportation purposes during the year ended June 30, 2007. Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements.

In our opinion, Pima County complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Board of Supervisors, 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

December 19, 2007



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

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Accountants' Report on Internal Control over  
Compliance with Requirements Applicable to Highway User Revenue Fund Monies  
and Other Dedicated State Transportation Revenues Received by the County**

Members of the Arizona State Legislature

The Board of Supervisors of  
Pima County, Arizona

In planning and performing our examination of Pima County's compliance as to whether highway user revenue fund monies and any other dedicated state transportation revenues received by the County were used solely for authorized transportation purposes specified in Article IX, §14, of the Arizona Constitution, Arizona Revised Statutes (A.R.S.) §28-5801(B)(1)(c) and (2)(c), and A.R.S. §28-5808(A)(2)(b) and (B)(2)(b) during the year ended June 30, 2007, in accordance with the attestation standards established by the American Institute of Certified Public Accountants, we considered the County's internal control over compliance with those requirements as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance with those requirements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control with those requirements, and accordingly, we do not express such an opinion.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with the compliance requirements for highway user revenue fund monies and any other dedicated state transportation revenues on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer these monies such that there is more than a remote likelihood that noncompliance with the compliance requirements for these monies that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the following deficiency to be a significant deficiency in internal control:

The County should spend highway user and vehicle license tax monies in accordance with state laws

The State distributed \$44.6 million in Highway User Revenue Fund (HURF) monies to the County and mandated that these monies be spent solely for highway and street purposes, as specified in the Constitution of Arizona, Article IX, §14. Additionally, the State distributed

\$14.0 million in vehicle license tax (VLT) monies to the County and mandated through Arizona Revised Statutes (A.R.S.) §28-5801(B)(1)(c) that these monies also be spent solely for highway and street purposes.

Auditors reviewed a sample of the County's expenditures of these restricted monies and noted that the County spent \$1.2 million of restricted VLT monies on general liability insurance. Based on Arizona Attorney General Opinion No. I05-003 that interpreted Article IX, §14, of the Arizona Constitution, expenditures for general liability insurance are not an allowable highway and street purpose. Therefore, the County spent \$1.2 million in violation of state law and for purposes not intended by the State.

County management does not believe that VLT monies are restricted solely for highway and street purposes because the Arizona Constitution, Article IX, §14, does not directly restrict the spending of VLT monies. The County does not believe that the State can restrict the County's spending of VLT monies by enacting legislation. However, the County requested and received a State Attorney General's Opinion (I85-81) that informed the County that the State could and did restrict the spending of VLT monies solely for allowable highway and street purposes by enacting legislation.

The County should design and implement internal control policies and procedures that ensure state HURF and VLT monies are spent in accordance with state law. Additionally, the County should allocate local revenues for highway and street purposes to replenish the monies it spent inappropriately.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with the compliance requirements for these monies will not be prevented or detected by the County's internal control. We do not believe that the significant deficiency described above is a material weakness.

The County's response to the finding identified in our examination is presented on page 4. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Arizona State Legislature and the Board of Supervisors, 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

December 19, 2007



**PIMA COUNTY**  
**DEPARTMENT OF FINANCE & RISK MANAGEMENT**  
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Thomas E. Burke, Director

February 12, 2008

Ms. Debbie Davenport, Auditor General  
2910 N. 44<sup>th</sup> St., Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The following is Pima County's response to the Independent Auditors' Report on Internal Control Over Compliance with Requirements Applicable to Highway User Revenue Fund Monies and Other Dedicated State Transportation Revenues Received by the County for Fiscal Year 2006/2007.

If you have any questions, please feel free to call.

Sincerely,

Thomas Burke  
Director

Attachment

**Pima County Should Spend Highway User Revenue fund and other Dedicated State Transportation Monies in Accordance with State Law**

**Contact Person** – Tom Burke, Director, Finance and Risk Management

**Anticipated Completion Date** – n/a

Pima County disagrees with the position taken by the Auditor General in this audit regarding the interpretation of constitutional restrictions on Pima County's use of unrestricted VLT funds received pursuant to §28-5808 (A) (2) (b), deposited in the County's Transportation fund. We believe that the County's transportation program expenditures of unrestricted VLT funds for general liability relating to the design, construction and maintenance of its streets and highways are in full compliance with all applicable statutes and regulations and are expenditures for highways and street purposes.