

Maricopa County

CONCLUSION: Maricopa County is responsible for preparing its annual financial report and a federal expenditure schedule, 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 County's financial statements and federal expenditure schedule is presented below.

Based on our audits, we issued opinions on the County's financial statements and federal expenditure schedule and issued reports on internal control and on compliance over financial reporting and major federal programs. The information in the County's fiscal year 2017 financial statements and schedule is reliable. Our Office identified internal control weaknesses over financial reporting and internal control weaknesses and instances of noncompliance over major federal programs. The most significant findings are summarized on the next page.

Condensed financial information

Statement of net position—This statement reports all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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 remaining net position balance after allocating the net investment in capital assets and restricted balances.

Statement of activities—This statement reports all revenues, expenses, and other changes in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes. 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. Net position increased by \$47 million, or 1.5 percent, in fiscal year 2017.

Federal expenditure schedule—During fiscal year 2017, the County expended \$170 million in federal awards. The County's federal award expenditures decreased by \$10 million, or 5.6 percent, compared to fiscal year 2016.

Statement of net position As of June 30, 2017 (In millions)

Assets and deferred outflows	
Current and other assets	\$1,632
Capital assets, net of depreciation	3,725
Deferred outflows of resources	424
Total assets and deferred outflows	5,781
Liabilities and deferred inflows	
Current liabilities	227
Noncurrent liabilities:	
Net pension liability	1,789
Other	400
Deferred inflows of resources	147
Total liabilities and deferred inflows	2,563
Net position	
Net investment in capital assets	3,453
Restricted	714
Unrestricted	(949)
Total net position	\$3,218

Statement of activities Year ended June 30, 2017 (In millions)

Program revenues	
Governmental activities	\$ 611
Business-type activities	44
General revenues	
Governmental activities	1,465
Total revenues	2,120
Expenses	
Governmental activities	2,052
Business-type activities	21
Total expenses	2,073
Increase in net position	47
Net position—beginning	3,171
Net position—ending	\$3,218

Federal expenditure schedule Year ended June 30, 2017 (In millions)

Department of Health and Human Services	\$ 52
Department of Agriculture	42
Department of Housing and Urban Development	24
Department of Education	21
Department of Labor	14
Other	17
Total federal expenditures	\$170

Understanding the County's financial report

Understanding how to extract information from the County's financial report is important when reviewing financial performance and evaluating future financial decisions. As described below, our Office's financial report user guide and internal control and compliance reports user guide, available at azauditor.gov, help users identify and understand important and useful information in the County's financial report and in our reports on internal control and on compliance over financial reporting and federal programs. Specifically:

- **Financial report user guide**—describes key financial information contained in county financial reports and indicates where to find this information. Key components in a financial report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements, notes to financial statements, and other required supplementary information.
- **Internal control and compliance reports user guide**—describes our internal control and compliance reports over financial reporting and federal programs. Those reports, which are included in our single audit report, provide information about whether the County has effective internal control procedures and whether it has complied with certain financial- and federal-related laws and regulations.

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial reporting related to its information systems, expenditures, and journal vouchers. For the federal compliance audit, we tested 10 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 5 of its federal programs. Our separately issued report on internal control and compliance and our single audit report include further details to help the County correct the internal control weaknesses and instances of noncompliance. The most significant findings and recommendations are summarized below.

County should improve internal controls over its IT resources—The County's IT resources, which include its systems, network, infrastructure, and data, are vital to its daily operations. However, the County did not have adequate policies and procedures over its IT resources to effectively identify, analyze, and respond to risks and protect sensitive information; sufficiently manage access, including preventing, detecting, and responding to unauthorized or inappropriate access or use, manipulation, damage, or loss; and ensure changes to its IT resources do not adversely affect security or operations.

Recommendations

To help identify, analyze, and respond to risks and protect sensitive information; prevent, detect, and respond to unauthorized or inappropriate access or use, manipulation, damage, or loss to its IT resources; and ensure changes to its IT resources do not adversely affect security or operations, the County needs to update and implement policies and procedures over its IT resources county-wide to ensure they address the following:

- **Sensitive information**—Security measures should be developed to identify, classify, and inventory sensitive information and protect it.
- **User access**—A periodic, comprehensive review should be performed of all existing employee accounts to help ensure that access granted is needed and compatible with employee job responsibilities.
- **Logging and log monitoring**—Key user activity should be logged and monitored, particularly for users with elevated access privileges.
- **Change management process**—A change management process should be established for each type of change, and all changes should be documented, authorized, reviewed, tested, and approved.
- **Contingency planning**—The contingency plan should be updated annually, and a process should be developed and documented to perform regularly scheduled tests of the contingency plan and document the tests performed and results.
- **IT standards and best practices**—IT policies and procedures should be reviewed against current IT standards and best practices, updated where needed, and implemented county-wide, as appropriate.