Maricopa County

REPORT HIGHLIGHTS
SINGLE AUDIT

Subject

Maricopa 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 financial statements is fairly stated in all material respects and the financial statements can be relied on. However, auditors identified 26 deficiencies in internal control over financial reporting, including 3 material weaknesses. In addition, the County maintained adequate internal controls for three of ten federal programs tested and complied with federal compliance requirements for seven programs. However, auditors found material internal control weaknesses for six programs and material noncompliance with program requirements for three programs.

2007

Year Ended June 30, 2007

The County Needs to Improve Infrastructure Reporting

The County maintains a network of transportation and flood control infrastructure assets valued at $1.4 billion. Therefore, it is essential that the County accurately value and account for these assets. However, the County's internal control policies and procedures did not always ensure that its infrastructure assets were properly valued or reported. For fiscal year 2007, auditors noted the following material internal control weaknesses over financial reporting:

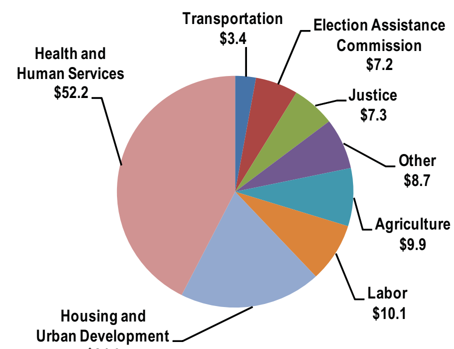
- The County made numerous adjustments to the value of transportation infrastructure assets acquired in previous years due to the implementation of a new asset management system that more accurately measures roads. These adjustments should have been recorded as a restatement of beginning net assets but were recorded in the 2007 financial statements as current year activity, resulting in a total misstatement of $56 million. Furthermore, adjustments for transportation land were calculated using current market values rather than historical costs, and adjustments decreasing the value of transportation infrastructure were not supported.
- The County incorrectly reported nearly $17 million of transportation and flood control infrastructure assets that had been annexed by other governments.
- The County did not maintain an accurate listing of construction in progress for transportation infrastructure projects. The listing included projects that were already completed prior to June 30, 2007.

The County adjusted its financial statements for all significant errors and restated the July 1, 2006, balances for errors affecting prior years.

Expenditures of Federal Monies Increased by $7.2 Million

During fiscal year 2007, expenditures of federal award monies increased by $7.2 million, or 6.2 percent, from the $115.7 expended during fiscal year 2006. The increase was primarily attributed to the County's receiving new federal award monies from the U.S. Election Assistance Commission related to the Help America Vote Act Requirements Payments program, passed through the Arizona Secretary of State. The County expended $7.2 million of federal monies on this program to purchase voting system equipment.

Federal Expenditures by Awarding Agency Totaling $122.8 Million Fiscal Year 2007 (In Millions)



The County Did Not Always Comply with Federal Program Requirements

Auditors identified and tested ten federal programs under the guidelines established by the Single Audit Act. Of those ten federal programs, the federal program administered by the Housing Authority of Maricopa County was audited by other auditors whose report was furnished to us. Audit tests included evaluating the County's compliance with each program's federal requirements generally related to expending, monitoring, and reporting federal awards. Auditors noted internal control weaknesses and instances of noncompliance with program requirements for seven of the programs tested. For three of the seven programs, the instances of noncompliance were considered to be material. As a result, a qualified opinion was expressed for the WIA Cluster and Highway Planning and Construction program, and an adverse opinion was expressed for the Job Access—Reverse Commute program. In addition, the internal control weaknesses for the Child Nutrition Cluster's reporting requirements; WIA Cluster's subrecipient monitoring requirements; Highway Planning and Construction program's subrecipient monitoring requirements; Job Access—Reverse Commute program's activities allowed or unallowed, allowable costs/cost principles, matching, and suspension and debarment requirements; Head Start program's matching and suspension and debarment requirements; and the Immunization Grants program's eligibility requirements were considered to be material.

Summary of Internal Control Weaknesses and Instances of Noncompliance

		Type of Compliance Requirement							
Program	**Responsible Department**	**Activities[1]**	**Costs[2]**	**Eligibility[3]**	**Match[4]**	**Suspension[5]**	**Report[6]**	**Monitoring[7]**	**Special[8]**
Child Nutrition Cluster	Juvenile Probation						X		
WIA Cluster	Human Services							X	
JARC	Human Services	X	X		X	X			
Head Start	Human Services				X	X			
HPC	Transportation							X	
Immunization Grants	Public Health			X			X		X
Section 8 Housing Choice Vouchers	Housing Authority								X

WIA – Workforce Investment Act
JARC – Job Access—Reverse Commute
HPC – Highway Planning and Construction

[1]Activities: Federal monies may have been expended for unallowable activities.
[2]Costs: Support was not retained for cost allocations.
[3]Eligibility: Benefits may have been awarded to ineligible participants.
[4]Match: Cash and in-kind matching contributions were not adequately supported.
[5]Suspension: Suspension and debarment verifications were not documented.
[6]Report: Reports were not submitted on time and contained inaccurate information.
[7]Monitoring: Subrecipient monitoring was not documented.
[8]Special: Special program requirements were not complied with.

The County Did Not Always Comply with Requirements for the Job Access—Reverse Commute Program

Three material weaknesses in internal control were noted for the Job Access—Reverse Commute program administered by the Department of Human Services (Department). As a result, the County did not comply in all material respects with three of the program's five compliance requirements. Specifically, auditors reported the following as material weaknesses or material noncompliance:

- The Department did not retain supporting documentation for expenditure transactions that totaled $9,850. Consequently, the Department was unable to support that the costs were spent on allowable activities. In addition, the Department did not retain adequate documentation supporting its allocations of expenditures between federal and non-federal activities.

- The Department was required by an intergovernmental agreement with the City of Phoenix to pay for at least 50 percent of the program's costs through local monies. The Department reported $608,171 in local matching contributions to the City of Phoenix; however, this was a budgeted amount and did not represent actual costs incurred. The County did not maintain adequate records to support its matching contributions. As a result, auditors could not verify compliance with the program's matching compliance requirement. However, based on documentation provided, auditors determined that the County's matching contributions consisted of work-related transportation costs and Special Needs transportation costs. Special Needs transportation costs were not allowable for matching since they included costs for items such as home-delivered meals that are not related to work activities.

- The Department was required by 49 CFR §18.35 to ensure that transactions were entered into only with entities that were not suspended or debarred. Prior to awarding monies to subrecipients or to vendors for goods and services, the Department must verify that the entities were not suspended or debarred from receiving federal monies. The Department did not retain documentation supporting how verifications were performed for entities that were contracted to provide goods and services.

The Single Audit Fact Sheet

- Twenty-six weaknesses in financial reporting internal controls, including three material weaknesses. Of these twenty-six weaknesses, eleven relate to Maricopa County, ten to the Accommodation Schools, and five to the Sports Commission.
- Eleven weaknesses in federal compliance internal controls, including eight material weaknesses.
- Nine violations of federal compliance requirements, including four instances of material noncompliance.
- Program costs totaling $9,850 were questioned as a result of our audit.

County's Condensed Financial Information

The County's government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private-sector businesses. These statements report the financial activities of the overall government, except for fiduciary activities.

The tables to the right present a summarized version of the County's government-wide Statement of Net Assets and Statement of Activities reported in the current year Comprehensive Annual Financial Report for the primary government.

The Statement of Net Assets presents information on all county assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how net assets changed during the most recent year.

Statement of Net Assets
June 30, 2007

	Total Governmental and Business-type Activities
Current and other assets	$1,547,221,277
Capital assets	2,634,398,125
Total assets	4,181,619,402
Current and other liabilities	200,238,651
Long-term liabilities	370,860,605
Total liabilities	571,099,256
Net assets	
Invested in capital assets, net of related debt	2,490,141,425
Restricted net assets	437,864,518
Unrestricted net assets	682,514,203
Total net assets	$3,610,520,146

Statement of Activities
Year Ended June 30, 2007

	Total Governmental and Business-type Activities
Program revenues:	
Governmental activities	$ 675,840,474
Business-type activities	2,545,683
General revenues and transfers:	
Governmental activities	1,346,526,596
Business-type activities	(5,244,632)
Total revenues and transfers	2,019,668,121
Expenses:	
Governmental activities	1,731,766,277
Business-type activities	925,826
Total expenses	1,732,692,103
Change in net assets	286,976,018
Net assets—beginning, as restated	3,323,544,128
Net assets—ending	$3,610,520,146

TO OBTAIN MORE INFORMATION

A copy of the full report can be obtained by calling
(602) 553-0333

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