



A REPORT  
TO THE  
**ARIZONA LEGISLATURE**

Financial Audit Division

---

Single Audit

# **Maricopa County**

Year Ended June 30, 2007

---



---

**Debra K. Davenport**  
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.  
You may request them by contacting us at:

**Office of the Auditor General**

**2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333**

Additionally, many of our reports can be found in electronic format at:

**[www.azauditor.gov](http://www.azauditor.gov)**

Maricopa County  
Single Audit Reporting Package  
Year Ended June 30, 2007

Table of Contents	Page
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	18
Financial Statement Findings	19
Federal Award Findings and Questioned Costs	34
County Responses	
Corrective Action Plan	43
Summary Schedule of Prior Audit Findings	54
Report Issued Separately	
Comprehensive Annual Financial Report	



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

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

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Basic Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Arizona State Legislature

The Board of Supervisors of  
Maricopa County, Arizona

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 Maricopa County as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 12, 2008. Our report was modified to include a reference to our reliance on other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Stadium District, Maricopa County Accommodation Schools, Phoenix Regional Sports Commission, and Housing Authority of Maricopa County, as described in our report on the County's financial statements. The financial statements of the Maricopa County Sports Commission were not audited by the other auditors in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's basic financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 07-01 through 07-26 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-01, 07-02, and 07-10 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07-07, and 07-13 through 07-20.

Maricopa County's responses to the findings identified in our audit are presented on pages 43 through 53. 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, 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.

Dennis L. Mattheisen, CPA  
Financial Audit Director

June 12, 2008



DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

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

WILLIAM THOMSON  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements  
Applicable to 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  
Maricopa County, Arizona

**Compliance**

We have audited the compliance of Maricopa County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007, except for that portion of the federal programs administered by the Housing Authority of Maricopa County (Authority). The Authority was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the compliance of the Authority with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, is based solely on the report of the other auditors. 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 and the report of the other auditors.

Maricopa County's basic financial statements include the operations of the Maricopa County Accommodation Schools, which expended \$1,740,121 in federal awards that are not included in the County's Schedule of Expenditures of Federal Awards for the year ended June 30, 2007. Our audit, described below, did not include the operations of the Maricopa County Accommodation Schools because the Accommodation Schools engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 and the report of the other auditors provide 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 the following table, the County did not comply with certain compliance requirements that are applicable to the following major federal programs. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Program Title (CFDA Number)	Compliance Requirement	Finding Number
WIA Cluster (17.258, 17.259, and 17.260)	Subrecipient monitoring	07-102
Highway Planning and Construction (20.205)	Subrecipient monitoring	07-106
Job Access–Reverse Commute (20.516)	Activities allowed or unallowed, allowable costs/cost principles, and matching	07-109 and 07-110

In our opinion, because of the effects of the noncompliance described in the preceding table for the Job Access–Reverse Commute program, Maricopa County did not comply in all material respects, with the requirements referred to above that are applicable to that program. Also, in our opinion, based on our audit and the report of the other auditors, except for the noncompliance described in the preceding table for the WIA Cluster and the Highway Planning and Construction program, Maricopa County complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2007. The results of our auditing procedures and the report of the other auditors also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 07-101, 07-103, 07-104, 07-105, and 07-111.

### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we and the report of the other auditors identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

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 a type of compliance requirement of a federal program 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 a federal program such that there is more than a

remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 07-101 through 07-111 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 07-101, 07-102, 07-103, 07-106, 07-107, 07-108, 07-109, and 07-110 to be material weaknesses.

### **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 Maricopa County as of and for the year ended June 30, 2007, and have issued our report thereon dated June 12, 2008. Our report was modified to include a reference to our reliance on other auditors. Our audit was performed 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 has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maricopa County's responses to the findings identified in our audit are presented on pages 43 through 53. 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, 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.

Dennis L. Mattheisen, CPA  
Financial Audit Director

August 8, 2008, except for the  
Schedule of Expenditures of  
Federal Awards, for which the  
date is June 12, 2008



Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Office of National Drug Control Policy</b>			
High Intensity Drug Trafficking Areas, passed through the Arizona Criminal Justice Commission	07.16PSAP501Z	HT16-06-0911, HT16-06-1113, HT16-06-1210, HT16-06-2510	\$ 333,077
High Intensity Drug Trafficking Areas, passed through Pima County	07.15PSAP549	01-11-M-136284-1004, 01-11-M-136285-1004	207,798
Total U.S. Office of National Drug Control Policy			<u>540,875</u>
<b>U.S. Department of Agriculture</b>			
Child Nutrition Cluster:			
School Breakfast Program, passed through the Arizona Department of Education	10.553	ED05-0001	265,334
National School Lunch Program, passed through the Arizona Department of Education	10.555	ED05-0001	<u>385,688</u>
Total Child Nutrition Cluster			<u>651,022</u>
Special Supplemental Nutrition Program for Women, Infants, and Children, passed through the Arizona Department of Health Services	10.557	HG361070, HP661311	8,571,830
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	KR02-1170-ALS	209,992
State Administrative Matching Grants for Food Stamp Program, passed through the Arizona Department of Health Services	10.561	HG361088	157,775
Schools and Roads—Grants to States, passed through the Arizona State Treasurer	10.665	None	148,284
Cooperative Law Enforcement Agreement	10.06-LE-11031200-003		<u>131,374</u>
Total U.S. Department of Agriculture			<u>9,870,277</u>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grants/Entitlement Grants	14.218		3,227,606
Emergency Shelter Grants Program	14.231		123,605
HOME Investment Partnerships Program	14.239		6,127,876
Public and Indian Housing	14.850		1,968,275
Resident Opportunity and Supportive Services— Service Coordinator	14.870		43,052
Section 8 Housing Choice Vouchers	14.871		11,612,131

(Continued)

See accompanying notes to schedule.

Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Public Housing Capital Fund	14.872		\$ 748,368
Lead-Based Paint Hazard Control in Privately-Owned Housing, passed through the City of Phoenix	14.900	118265	50,204
Lead-Based Paint Hazard Control in Privately-Owned Housing, passed through the Southwest Fair Housing Council	14.900	AZLOR001004	14,753
Total Lead-Based Paint Hazard Control in Privately-Owned Housing			64,957
Disaster Voucher Program	14.DVP		56,015
Total U.S. Department of Housing and Urban Development			23,971,885
<b>U.S. Department of the Interior</b>			
Payments in Lieu of Taxes	15.226		1,844,364
Distribution of Receipts to State and Local Governments, passed through the Arizona State Treasurer	15.227	None	9,623
Sport Fish Restoration Program, passed through the Arizona Game and Fish Department	15.605	CA06-03	1,619
Reclamation Projects	15.9-07-30-L0298		51
Total U.S. Department of the Interior			1,855,657
<b>U.S. Department of Justice</b>			
Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	16.203		57,381
Juvenile Accountability Block Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.523	JB-GRA-03-5273-06, JB-GRA-04-6273-04, JB-IGA-05-7273-09	413,265
Gang-Free Schools and Communities— Community-Based Gang Intervention	16.544		586
Title V—Delinquency Prevention Program, passed through the Arizona Governor's Office for Children, Youth and Families	16.548	J5-CSG-04-5273	66,949
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2005-388	44,475
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-06-056, VC-07-056	899,831

(Continued)

See accompanying notes to schedule.

Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Edward Byrne Memorial Formula Grant Program, passed through the Arizona Criminal Justice Commission	16.579	AC-020-06, CRI06-07-105	\$ 15,635
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		687,617
Violence Against Women Formula Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.588	ST-WSG-04-6031-004 Y2, ST-WSG-04-6031-005 Y2	147,838
Local Law Enforcement Block Grant Program	16.592		25,747
Residential Substance Abuse Treatment for State Prisoners, passed through the Arizona Criminal Justice Commission	16.593	SAT-06-108	94,591
Community Capacity Development Office, passed through the John C. Lincoln Health Network	16.595	2004-WS-Q4-0148	3,088
State Criminal Alien Assistance Program	16.606		1,946,762
Bulletproof Vest Partnership Program	16.607		34,300
Community Prosecution and Project Safe Neighborhoods, passed through the Arizona Criminal Justice Commission	16.609	PSN-06-1011, PSN4-06-1015	34,301
Public Safety Partnership and Community Policing Grants	16.710		33,026
Enforcing Underage Drinking Laws Program, passed through the Arizona Governor's Office of Highway Safety	16.727	2005-OJJDP-013	40,003
Gang Resistance Education and Training	16.737		3,849
Edward Byrne Memorial Justice Assistance Grant Program	16.738		1,235,398
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Supreme Court	16.738	AD-07-041	392,792
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	AC-07-020, PC-07-020	605,800
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>2,233,990</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		86,619
Paul Coverdell Forensic Sciences Improvement Grant Program, passed through the Arizona Criminal Justice Commission	16.742	CVF06-07-304	<u>10,920</u>
Total Paul Coverdell Forensic Sciences Improvement Grant Program			<u>97,539</u>
Joint Terrorism Task Force	16.66F-PX-A54566-S/LMOU		19,253

(Continued)

See accompanying notes to schedule.

Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Desert Hawk Violent Crime Task Force	16.88A-PX-46088		\$ 9,813
Federal Equitable Sharing Agreement	16.unknown		780
Southwest Border Prosecution Initiative	16.unknown		323,381
Safe Surrender Grant	16.unknown		58,373
DEA Task Force	16.unknown		<u>28,008</u>
Total U.S. Department of Justice			<u>7,320,381</u>
<b>U.S. Department of Labor</b>			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program, passed through the			
Arizona Department of Economic Security	17.258	E5705007, E5706007	5,057,616
WIA Youth Activities, passed through the			
Arizona Department of Economic Security	17.259	E5705007, E5706007	1,753,816
WIA Dislocated Workers, passed through the			
Arizona Department of Economic Security	17.260	E5705007, E5706007	<u>2,220,896</u>
Total WIA Cluster			<u>9,032,328</u>
WIA Pilots, Demonstrations, and Research Projects	17.261		966,572
WIA Pilots, Demonstrations, and Research Projects, passed through the Goodwill Industries of Central Arizona	17.261	YF-14844-05-60, YF-14846-05-60	<u>66,503</u>
Total WIA Pilots, Demonstrations, and Research Projects			<u>1,033,075</u>
Total U.S. Department of Labor			<u>10,065,403</u>
<b>U.S. Department of Transportation</b>			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	CM-MMA-0(22)P, CM-MMA-0(44)A, JPA 03-122	904,589
Highway Planning and Construction, passed through the Maricopa Association of Governments	20.205	262, 0098	<u>794,309</u>
Total Highway Planning and Construction			<u>1,698,898</u>
Federal Transit—Formula Grants, passed through the City of Phoenix	20.507	AZ-90-X058, AZ-90-X068, AZ-90-X070, AZ-90-X074	847,836
Job Access—Reverse Commute, passed through the City of Phoenix	20.516	90026	708,297

(Continued)

See accompanying notes to schedule.

Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Highway Safety Cluster:			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2006-AL-014, 2006-AL-019, 2006-AI-001, 2006-157PT-006, 2006-OP-004	\$ 127,089
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants, passed through the Arizona Governor's Office of Highway Safety	20.601	2007-K8HV-004	41,906
Total Highway Safety Cluster			<u>168,995</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants, passed through the Arizona Emergency Response Commission	20.703	None	4,338
Total U.S. Department of Transportation			<u>3,428,364</u>
<b>Institute of Museum and Library Services</b>			
Grants to States, passed through the Arizona State Library, Archives, and Public Records	45.310	251-4-1-(09)	<u>210</u>
<b>U.S. Environmental Protection Agency</b>			
Air Pollution Control Program Support	66.001		1,054,512
Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		<u>57,991</u>
Total U.S. Environmental Protection Agency			<u>1,112,503</u>
<b>U.S. Department of Energy</b>			
Weatherization Assistance for Low-Income Persons, passed through the Arizona Department of Commerce	81.042	004-06, C072-06	<u>304,411</u>
<b>U.S. Department of Education</b>			
Adult Education—Basic Grants to States, passed through the Arizona Department of Education	84.002	06FAEABE-670694-03A, 07FAEABE-770694-02A, 07-27-ED	222,252

(Continued)

See accompanying notes to schedule.

Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	06FESSCG-670692-02A, 07FESCBG-760738-02A, 07FESCBG-770692-01A, 07FESSCG-770692-02A	\$ 67,156
Safe and Drug-Free Schools and Communities— State Grants, passed through the Arizona Department of Education	84.186	07FBPIVB-760738-04A	10,804
Fund for the Improvement of Education	84.215		244,700
Twenty-First Century Community Learning Centers, passed through the Arizona Department of Education	84.287	07FBPCY3-770696-01A, 07FBPCY4-760738-01A	243,510
State Grants for Innovative Programs, passed through the Arizona Department of Education	84.298	06FAATVE-660738-02A	1,391
Education Technology State Grants, passed through the Arizona Department of Education	84.318	06FBPETD-660738-05A	39,090
Education Technology State Grants, passed through Cochise County	84.318	07FBPSTP-770666-11A	82,818
Total Education Technology State Grants			<u>121,908</u>
Early Reading First, passed through Arizona State University	84.359	05-549	67,109
English Language Acquisition Grants, passed through the Arizona Department of Education	84.365	06FAAENG-670696-05A, 07FAAENG-770696-05A	140,230
Mathematics and Science Partnerships, passed through the Arizona Department of Education	84.366	06FAAMS2-670696-08A	61,912
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	06FAAIEQ-670696-07A, 07FAAAZE-770696-02A	118,222
Total U.S. Department of Education			<u>1,299,194</u>
<b>U.S. Election Assistance Commission</b>			
Help America Vote Act Requirements Payments, passed through the Arizona Secretary of State	90.401	EPS060022-A2-3	<u>7,225,278</u>

(Continued)

See accompanying notes to schedule.

Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA/ Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Health and Human Services</b>			
Aging Cluster:			
Special Programs for the Aging—Title III, Part B— Grants for Supportive Services and Senior Centers, passed through Area Agency on Aging	93.044	2007-29-MCSM, 2007-38-MCSTS	\$ 502,691
Special Programs for the Aging—Title III, Part C— Nutrition Services, passed through the Area Agency on Aging	93.045	2007-38-MCSTS	369,328
Total Aging Cluster			<u>872,019</u>
Maternal and Child Health Federal Consolidated Programs, passed through the Arizona Department of Health Services	93.110	HG361221	4,840
Project Grants and Cooperative Agreements for Tuberculosis Control Programs, passed through the Arizona Department of Health Services	93.116	HG352247	129,810
Hansen's Disease National Ambulatory Care Program	93.215		41,341
Family Planning—Services, passed through the Arizona Family Planning Council	93.217	None	195,594
Consolidated Health Centers (Health Care for the Homeless)	93.224		2,448,656
Mental Health Research Grants, passed through Arizona State University	93.242	06-683	19,229
Substance Abuse and Mental Health Services— Projects of Regional and National Significance	93.243		44,007
Substance Abuse and Mental Health Services— Projects of Regional and National Significance, passed through the University of Arizona	93.243	Y772798	34,937
Substance Abuse and Mental Health Services— Projects of Regional and National Significance, passed through Terros, Inc.	93.243	1SP13318-01	<u>10,413</u>
Total Substance Abuse and Mental Health Services— Projects of Regional and National Significance			<u>89,357</u>
Immunization Grants, passed through the Arizona Department of Health Services	93.268	HG352193	8,212,572
Centers for Disease Control and Prevention— Investigations and Technical Assistance	93.283		127,623

(Continued)

See accompanying notes to schedule.

Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Centers for Disease Control and Prevention— Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	252031, HG754199	\$ 4,712,209
Total Centers for Disease Control and Prevention— Investigations and Technical Assistance			<u>4,839,832</u>
Promoting Safe and Stable Families, passed through the Child and Family Resources, Inc.	93.556	C-86-97-071-1, C86-98-030-1, C86-01-015-1, C86-01-015-1-01, C86-01-015-1-02, C86-06-577-1, C86-06-577-1-01, 4375068	44,514
Temporary Assistance for Needy Families, passed through the Arizona Department of Economic Security	93.558	E6306005	872,006
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	G 02-04-AZ-4004, G 04-04-AZ-4004, DES060728-1	1,110,556
Low-Income Home Energy Assistance, passed through the Arizona Department of Economic Security	93.568	E6306005	1,941,126
Low-Income Home Energy Assistance, passed through the Arizona Department of Commerce	93.568	004-06, C072-06	<u>443,402</u>
Total Low-Income Home Energy Assistance			<u>2,384,528</u>
Community Services Block Grant, passed through the Arizona Department of Economic Security	93.569	E6306005	700,429
Refugee and Entrant Assistance—Discretionary Grants, passed through the Arizona Department of Economic Security	93.576	E6305001	526,268
Refugee and Entrant Assistance—Targeted Assistance Grants, passed through the International Rescue Committee	93.584	E6304017	11,168
Head Start	93.600		19,332,881
Voting Access for Individuals with Disabilities—Grants to States, passed through the Arizona Secretary of State	93.617	HHS-2006-ACF-ADD- VOTE-0135	38,821
Social Services Block Grant, passed through Area Agency on Aging	93.667	2007-29-MCSM	152,781

(Continued)

See accompanying notes to schedule.



Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Social Services Block Grant, passed through the Arizona Department of Economic Security	93.667	E6306005	\$ 334,153
Total Social Services Block Grant			<u>486,934</u>
Specially Selected Health Projects	93.888		134,636
HIV Emergency Relief Project Grants	93.914		6,769,321
HIV Care Formula Grants, passed through the Arizona Department of Health Services	93.917	HG454431	281
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease, passed through the Maricopa Integrated Health System	93.918	C-86-06-048-2, C-90-06-064-2	28,340
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs, passed through the Arizona Department of Health Services	93.919	HG361201	478,040
Healthy Start Initiative	93.926		365,239
HIV Prevention Activities—Health Department Based, passed through the Arizona Department of Health Services	93.940	HG454516, HG454447, HG352234, HG654116, HG652198	531,032
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance, passed through the Arizona Department of Health Services	93.944	HG652198	75,719
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Department of Health Services	93.977	HG354249, HG354255	512,904
Preventive Health and Health Services Block Grant, passed through the Arizona Department of Health Services	93.991	HG354175	120,557
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	HG361221, HG361140, HP461413, HP461323	<u>799,144</u>
Total U.S. Department of Health and Human Services			<u>52,176,568</u>

(Continued)

See accompanying notes to schedule.

Maricopa County  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007  
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Homeland Security</b>			
Homeland Security Grant Program Cluster:			
State Domestic Preparedness Equipment Support Program, passed through the Arizona Department of Emergency and Military Affairs	97.004	2004-GE-T4-0051	\$ 126,244
State Domestic Preparedness Equipment Support Program, passed through the City of Phoenix	97.004	115440	85,391
Homeland Security Grant Program, passed through the Arizona Department of Emergency and Military Affairs	97.067	2005-GE-T5-0030, 2006-GE-T6-0007	1,739,004
Homeland Security Grant Program, passed through the Arizona Criminal Justice Commission	97.067	HSS-07-002	212,633
Total Homeland Security Grant Program Cluster			<u>2,163,272</u>
Urban Areas Security Initiative, passed through the Arizona Department of Emergency and Military Affairs	97.008	2004-TU-T4-0017	140,946
Emergency Food and Shelter National Board Program, passed through the United Way	97.024	025600-023	155,653
Disaster Grants—Public Assistance (Presidentially Declared Disasters), passed through the Arizona Department of Emergency and Military Affairs	97.036	ADEM/FEMA-3241- EM-AZ-0 13-99013-00	17,140
Emergency Management Performance Grants, passed through the Arizona Department of Emergency and Military Affairs	97.042	None	355,795
Cooperating Technical Partners	97.045		76,602
Law Enforcement Terrorism Prevention Program (LETPP), passed through the Arizona Department of Emergency and Military Affairs	97.074	2006-GE-T6-0007	1,196
Buffer Zone Protection Program (BZPP), passed through the Arizona Department of Emergency and Military Affairs	97.078	2005-GR-T5-0062	335,102
Homeland Security Biowatch Program	97.091		<u>380,498</u>
Total U.S. Department of Homeland Security			<u>3,626,204</u>
Total Expenditures of Federal Awards			<u>\$ 122,797,210</u>

See accompanying notes to schedule.

Maricopa County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

Note 1 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Maricopa County and is presented on the modified accrual basis of accounting, except for the following programs: Schools and Roads—Grants to States (10.665), Payments in Lieu of Taxes (15.226), Distribution of Receipts to State and Local Governments (15.227), and State Criminal Alien Assistance Program (16.606). For these programs, revenues received during the fiscal year are considered earned and are reported as expenditures. 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.

The amounts included on the schedule of \$6,610,701 for the Immunization Grants program (93.268), \$34,731 for the HIV Prevention Activities—Health Department Based program (93.940), and \$65,107 for the Preventive Health Services—Sexually Transmitted Diseases Control Grants program (93.977) represent the value of noncash assistance expended for each of the federal programs.

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 2007 *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 Title	CFDA Number	Amount
High Intensity Drug Trafficking Areas	07.16PSAP501Z	\$ 10,107
Community Development Block Grants/Entitlement Grants	14.218	2,844,353
Emergency Shelter Grants Program	14.231	87,180
HOME Investment Partnerships Program	14.239	5,889,605
Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	16.203	38,117

Maricopa County  
Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2007

Program Title	CFDA Number	Amount
Juvenile Accountability Block Grants	16.523	\$ 164,668
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	341,725
Edward Byrne Memorial Justice Assistance Grant Program	16.738	593,915
WIA Adult Program	17.258	35,530
WIA Youth Activities	17.259	1,240,595
WIA Dislocated Workers	17.260	93,560
Highway Planning and Construction	20.205	594,511
Weatherization Assistance for Low-Income Persons	81.042	290,429
Consolidated Health Centers (Health Care for the Homeless)	93.224	32,810
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	49,276
Temporary Assistance for Needy Families	93.558	307,426
Low-Income Home Energy Assistance	93.568	435,405
Community Services Block Grant	93.569	502,776
Head Start	93.600	7,780,496
Social Services Block Grant	93.667	334,153
HIV Emergency Relief Project Grants	93.914	5,931,687
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	354,219
State Domestic Preparedness Equipment Support Program	97.004	6,785
Total Awards to Subrecipients		<u>\$27,959,328</u>

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unqualified

	<b>Yes</b>	<b>No</b>
Material weaknesses identified in internal control over financial reporting?	<u>X</u>	<u>    </u>
Significant deficiencies not considered to be material weaknesses?	<u>X</u>	<u>    </u>
Noncompliance material to the financial statements noted?	<u>    </u>	<u>X</u>

***Federal Awards***

Material weaknesses identified in internal control over major programs?	<u>X</u>	<u>    </u>
Significant deficiencies identified not considered to be material weaknesses?	<u>X</u>	<u>    </u>

Type of auditors' report issued on compliance for major programs:  
     Unqualified for all major programs except for the WIA Cluster and the Highway Planning and Construction program, which were qualified and the Job Access—Reverse Commute program, which was adverse.

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])? X     

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
14.871	Section 8 Housing Choice Vouchers
17.258, 17.259, 17.260	WIA Cluster
20.205	Highway Planning and Construction
20.516	Job Access—Reverse Commute
66.001	Air Pollution Control Program Support
90.401	Help America Vote Act Requirements Payments
93.268	Immunization Grants
93.600	Head Start
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee?      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

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

## Financial Statement Findings

07-01

### **The County needs to improve infrastructure reporting**

The County maintains a network of transportation and flood control infrastructure assets valued at \$1.4 billion, so 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 transportation and flood control infrastructure assets were properly valued and reported. Specifically, the County made numerous adjustments to the value of transportation land and infrastructure assets acquired in previous years due to the implementation of a new asset management system that more accurately measures roads. The County recorded these prior year adjustments in its 2007 financial statements by recording them as current year activity, resulting in a total misstatement of \$56 million. However, generally accepted accounting principles require that such error corrections be recorded as a restatement of beginning net assets. Further, the County used current market values when calculating the adjustments for transportation land rather than historical costs, resulting in a \$27 million overstatement of transportation land in the 2007 financial statements. Also, the County could not support adjustments decreasing the value of transportation land and infrastructure assets by \$15 million.

In addition, the County did not always record transportation and flood control infrastructure annexations in the proper fiscal year. For example, the County did not remove from its 2007 financial statements transportation infrastructure assets valued at over \$3 million that had been annexed by other governments. Also, the County removed transportation infrastructure assets valued at nearly \$9 million and a flood control asset valued at nearly \$5 million in fiscal year 2007 that had been annexed by other governments in prior fiscal years. Furthermore, the County did not maintain an accurate listing of construction in progress for transportation infrastructure projects and did not document its determination of fair values for donated land.

The County adjusted its financial statements for all significant errors and restated the July 1, 2006, balances for errors affecting prior years. These deficiencies are considered to be a material internal control weakness.

To help ensure that the County accurately accounts for its capital assets, the County should ensure that the flood control department records infrastructure assets annexed in the year the annexation occurred. Further, the transportation department should implement the following procedures:

- Record donated assets at estimated fair value when received plus ancillary charges, if any.
- Retain documentation supporting all adjustments to infrastructure accounts.
- Examine the agendas of each meeting of the Maricopa Board of Supervisors to identify infrastructure assets annexed by another government and approved by the Board. Further, obtain annexations not requiring board approval within 30 days of being filed with the County Recorder's Office. These infrastructure assets should then be removed from the County's records in the year of annexation.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

- Review the detailed records of all projects listed as construction in progress at year-end to identify whether any of the projects listed are completed, record completed projects in the appropriate capital asset accounts, and expense projects that are not being completed.
- Maintain an up-to-date inventory of county-owned infrastructure assets.
- Capitalize costs for infrastructure construction projects in the year incurred.

A similar recommendation was provided to the County in the prior year.

07-02

**The County's transactions for the Solid Waste Management Fund should be recorded accurately**

The County's management has the responsibility to prepare accurate financial statements for the Solid Waste Management Fund in order to demonstrate compliance with federal and state laws and regulations over municipal landfill closure and postclosure care costs and to provide accurate information to the public. However, auditors noted several errors when auditing the Fund's financial statements. For example, some revenues and expenses were misclassified, and some fiscal year 2007 revenues were excluded. Also, depreciation was recorded for some assets that were already fully depreciated, and some assets were reported even though they were disposed of earlier in the year. Finally, the County found and corrected an error that overstated landfill closure and postclosure care costs payable and related expenses in the previous year by \$116,134.

The County adjusted its financial statements for all significant errors and restated the July 1, 2006, balances for errors affecting prior years. These deficiencies are considered to be a material internal control weakness.

To help ensure that Solid Waste Management Fund transactions are recorded accurately and, therefore, reported accurately in the financial statements, the County should establish the following procedures:

- Require a supervisor to review all revenue and expense transactions to verify that they are classified correctly and are recorded in the correct fiscal year.
- Have a second employee check to verify that capital asset and depreciation information, including useful lives, is recorded accurately in the capital assets system.
- Require employees to prepare asset disposal forms and submit them within 15 days after the asset is disposed of to ensure that the asset is removed from the capital assets system before financial statement preparation.
- Require a supervisor not involved in financial statement preparation to review the financial statements for accuracy and completeness.

07-03

**The County needs to improve capital assets reporting**

Capital assets represent more than 63 percent of the County's total assets. Therefore, it is essential that the County accurately report these assets in its financial statements and maintain control over them. However, the County's internal control policies and procedures did not always ensure that its capital

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

assets were properly reported. For example, the County restated beginning balances by \$1.6 million to correct an error for assets that had been recorded twice in the accounting records and to record \$3.4 million of capital assets acquired under capital lease agreements in previous years. Furthermore, the County reported \$16.5 million of land additions related to construction projects as construction in progress increases and decreases in the notes to the financial statements. The County subsequently adjusted its notes to the financial statements for this error.

To help ensure that the County maintains physical control over its capital assets and accurately reports them, the County should enforce its existing internal control policies and procedures that require departments to prepare and submit forms to the Department of Finance for newly acquired assets in a timely manner. In addition, the Department of Finance should ensure land purchases associated with construction projects are not reported within the construction in progress accounts.

A similar recommendation was provided to the County in the prior year.

07-04

**The County needs to improve access controls for its information systems**

The County uses computerized information systems to process and record its financial transactions. Consequently, the County's information systems are vital to its operations and financial reporting. Therefore, the County needs to ensure the integrity of the financial transactions processed on these systems. However, the County did not ensure that appropriate access was granted to its systems since some employees in two departments were granted access to computerized functions that resulted in inadequate separation of responsibilities. For example, some employees had access rights that allowed them to create and approve vendors, purchase requisitions, receiving documents, and initiate payment vouchers. Furthermore, department administrators were not provided with a listing of access and approval authority granted to system users in their departments unless they requested such a listing.

To help ensure the integrity of financial information and to help mitigate the risk of loss caused by misappropriation, theft, or abuse, the County should follow its existing policies and procedures to help ensure system access is compatible with an employee's assigned job responsibilities and that responsibilities are properly separated. Department administrators should be periodically provided with a listing of employees' access rights and review them to ensure that users have only the access they need to perform their job duties. If department administrators find computer access that is incompatible with an employee's responsibilities, they should revoke that access. When circumstances exist that require an employee to have access that is incompatible with their job responsibilities, a supervisor should review the employee's computer activity.

A similar recommendation was provided to the County in the prior year.



Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

07-05

**The Treasurer should ensure that responsibilities over investment transactions are separated**

The Treasurer is responsible for managing and investing more than \$3.7 billion in public monies belonging to the County, school districts, and other special districts in the County. Therefore, it is essential that the Treasurer have internal controls to ensure that those monies are adequately safeguarded against loss, misappropriation, and abuse, and are invested as authorized by the Treasurer's policies. However, the Treasurer did not adequately separate its investing responsibilities. For example, the Treasurer's chief investment officer was responsible for initiating, evaluating, and approving investment transactions with no required independent review. As a result, investments might be purchased that are not authorized by the Treasurer's investment policies or that are not the most advantageous to the Treasurer's investment pool.

To safeguard public monies and help ensure that investments are in accordance with policy and are the most advantageous to the investment pool, the Treasurer should separate responsibilities so that the same employee does not initiate, evaluate, and approve investment transactions. Alternatively, the Treasurer could institute independent review over these activities.

A similar recommendation was provided to the County in the prior year.

07-06

**The County should accurately report net assets of the investment trust fund**

Accurate financial information reported in the County's financial statements is necessary to demonstrate accountability to the Board of Supervisors, federal and state grantors, and the public. To achieve this objective, management should ensure that account balances and transaction amounts are recorded accurately, in the appropriate accounts, and in the proper fiscal year. However, when preparing the financial statements of the investment trust funds, the County inadvertently recorded an adjustment to the funds' financial statements that overstated investments and net assets held in trust for investment trust funds participants by \$25 million. The County adjusted its financial statements for this error.

To help ensure the accuracy of the County's financial statements, all year-end adjustments to financial statement balances should be reviewed and approved by someone other than the preparer. This procedure is extremely important since year-end financial statement adjustments may be more significant than adjusting journal entries for the rest of the year.

07-07

**The County must collateralize all deposits as required by statute**

To protect public monies from potential loss, Arizona Revised Statutes (A.R.S.) §35-323 and the County's written policies and procedures require that eligible banks, before receiving a deposit in excess of the federally insured amount, pledge collateral equal to at least 101 percent of the deposit. However, the County did not always follow statute or its policy. Specifically, at June 30, 2007, \$12 million of the County's bank balances were uninsured and uncollateralized. No loss of public monies resulted from these uninsured and uncollateralized deposits.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

To help protect public monies from potential loss and to comply with statute and its policy, the County must ensure that all deposits not covered by federal depository insurance are collateralized in accordance with A.R.S. §35-323.

A similar recommendation was provided to the County in the prior year.

07-08

**The County should develop policies and procedures for identifying and disclosing related party transactions**

Financial accounting reporting standards require that financial statements include disclosures of related party transactions. The County's policies require anyone with a potential conflict of interest to inform appropriate county management; however, the County did not require all employees having purchasing, spending, or investing authority to file conflict-of-interest statements, and it did not review conflict-of-interest and financial disclosure statements that were filed by county employees and elected officials to identify potential related parties. Further, the County's procurement policies and procedures require that conflict-of-interest statements be filed by the evaluation committee members for competitively bid procurements. However, for two competitive purchases tested, the procurement files did not include conflict-of-interest statements for the evaluation committee members.

To help ensure that related party transactions are properly identified, accounted for, and disclosed, the County should establish policies and procedures to review the conflict-of-interest and financial disclosure statements to ascertain and disclose significant related party transactions. Additionally, the County should maintain all conflict-of-interest statements for evaluation committee members in the procurement files.

A similar recommendation was provided to the County in the prior year.

07-09

**The County should develop, implement, and test a disaster recovery plan**

The County's payroll information system is vital to the County's daily operations. The system processes and stores critical financial and other information. Consequently, the County should ensure that it can continue to operate in the event of a system or equipment failure by developing, implementing, and testing a disaster recovery plan. A properly designed disaster recovery plan helps ensure that proper procedures are in place to provide for the continuity of operations and that electronic data files are not lost in the event of a disaster or other interruption. In addition, written policies and procedures that provide instructions to employees for processing daily transactions in the event of a disaster are also necessary. However, the County has not established a disaster recovery plan for its payroll information system.

To help strengthen controls over the payroll information system, to provide for the continuity of its operations, and to help prevent loss of data in the event of a system or equipment failure or a service interruption, the County should develop and implement a disaster recovery plan and test it annually. In addition, the County should ensure the plan includes the following:

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

- A risk analysis identifying exposures, and an assessment of the impact on the County.
- A listing of employees assigned to disaster teams, including telephone numbers.
- Employee assignments and responsibilities.
- A designated alternative computer facility or arrangements with vendors to support hardware and software requirements.
- Details of off-site storage locations.
- A list of procedures for processing critical transactions, including forms or other documents to use.

A similar recommendation was provided to the County in the prior year.

07-10

**The County should take timely corrective action on internal control weaknesses**

We have reported to the County certain internal control deficiencies noted during our previous years' audits of the Maricopa Managed Care Systems that should have been corrected to help ensure the County properly reports financial data accurately and reliably in its annual financial statements in accordance with generally accepted accounting principles. However, the County did not have a system in place to ensure that our recommendations were implemented. For example, as a result of uncorrected internal control deficiencies noted during our previous years' audits for the Maricopa Managed Care Systems, we were unable to determine whether the financial information reported in the County's basic financial statements for these programs was accurate. In addition, beginning net assets at June 30, 2006, for its business-type activities and proprietary funds had to be restated for uncorrected errors as a result of these internal control deficiencies.

This deficiency is considered to be a material weakness over financial reporting.

To help ensure that the County prepares accurate and reliable financial statements, maintains strong internal controls, and is accountable for its use of public monies, the County should establish policies and procedures to assess and correct internal control deficiencies. Procedures should include the following:

- Perform a risk analysis identifying exposures and make an assessment of the impact on the County.
- Develop a corrective action plan.
- Assign roles and responsibilities to employees and establish timelines for completion.
- Monitor progress of the corrective action taken and make changes to planned corrective action as needed.

07-11

**The County needs to ensure its Self Insurance Trust Funds' financial statements are accurate**

The County and the Employee Health Initiative and Risk Management Departments' management depend on accurate financial information to fulfill their oversight responsibility and report accurate information to the public and other interested parties. To achieve this objective, the County needs detailed policies and procedures over general ledger accounting to help ensure that the Funds' accounting records and financial statements are accurate. However, the County did not have detailed policies and procedures that

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

addressed infrequent or unusual transactions such as when to record liabilities for medical incentive payments to healthcare providers or how to classify expense refunds. Specifically, the Employee Health Initiatives Department reported a \$600,000 liability for a medical incentive payment to a healthcare provider in prior fiscal year financial statements even though it could not determine if the provider qualified for the incentive. Subsequently, the Department determined that the provider did not qualify for the incentive and did not pay the provider, and the County restated its July 1, 2006, deficit net assets. Also, the Risk Management Department incorrectly classified almost \$300,000 of refunds for prior year expenses as reductions of current year operating expenses rather than as other revenues. The County adjusted its financial statements for these errors.

To help ensure accurate financial reporting, the County should establish detailed policies and procedures instructing departments as to how to record infrequent or unusual transactions. In addition, the County should provide training to the various departments and monitor them to make sure they are following the procedures. The policies and procedures should include the following:

- Require the Employee Health Initiative Department to record only medical incentive payments as expenses and liabilities when providers have met their performance measures.
- Require the Risk Management Department to record refunds of current year expenses as reductions of those expenses and refunds of prior year expenses as other operating revenues.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

The other auditors who audited the Maricopa County Regional School District No. 509 (Accommodation School) and the discretely presented component unit, Phoenix Regional Sports Commission (Sports Commission) reported the following significant deficiencies:

07-12  
Accommodation School  
**Day Care Receipts**

<i>Condition</i>	Adequate documentation was not maintained for the District's day care receipts.
<i>Context</i>	For fifteen of fifteen day care receipts tested, cash receipts were not maintained. For four of fifteen day care receipts tested, child care account ledgers were not maintained. For five of fifteen day care receipts tested, DES Certificate of Authorizations were not maintained. For six of fifteen day care receipts tested, the amount billed to DES did not agree to the County Treasurer's receipt. For fifteen of fifteen day care receipts tested, cash receipts were not deposited in a timely manner.
<i>Criteria</i>	The USFR and internal control procedures.
<i>Effect</i>	Noncompliance with the USFR and internal control weakness.
<i>Cause</i>	The District was unaware that the day care center was not maintaining proper documentation.
<i>Recommendation</i>	In order to comply with the USFR and strengthen internal controls, the District should prepare and maintain proper documentation for its day care receipts.
<i>Corrective Action Plan</i>	The Auditor's Qualified Opinion regarding the Other Special Revenue Fund stems from weak internal controls over the recording of Day Care revenue of \$67,452 by the Williams location. We concur, meanwhile the Williams location and related Day Care Center was closed December 2006.
<i>Contact Person</i>	Janice Wheeler, Business Manager

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

07-13

Accommodation School

**Attendance**

*Condition* Membership and absence days reported to the Arizona Department of Education (ADE) did not always agree to the District's attendance records.

*Context*

	<i>Overstated (Understated) <u>Membership</u></i>	<i>Overstated (Understated) <u>Absences</u></i>
Mesa Detention Center	(1,357.00)	(184.00)
Phoenix Thomas J. Pappas Elementary School	(2,890.50)	(614.75)
Phoenix Thomas J. Pappas Middle School	395.50	10.00
Spectrum Regional Academy	(238.50)	0.00
St Luke's Hospital	<u>(738.50)</u>	<u>(1,468.00)</u>
Total	<u>(4,829.00)</u>	<u>(2,256.75)</u>

*Criteria* The USFR and internal control procedures.

*Effect* Noncompliance with the USFR and internal control weakness.

*Cause* Clerical oversight.

*Recommendation* In order to comply with the USFR and strengthen internal controls, membership and absence days reported to ADE should agree to the District's records.

*Corrective Action Plan* The District concurs with this recommendation and will ensure that membership and absence days are properly reconciled.

*Contact Person* Doug Banfelder, Student Information Coordinator

07-14

Accommodation School

**Attendance**

*Condition* Sign in and out sheets were not always maintained to support student absences.

*Context* Mesa Detention Center.  
Spectrum Regional Academy

*Criteria* The USFR and internal control procedures.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

<i>Effect</i>	Noncompliance with the USFR and internal control weakness.
<i>Cause</i>	Clerical oversight
<i>Recommendation</i>	In order to comply with the USFR and strengthen internal controls, sign in and out sheets should be maintained to support student absences.
<i>Corrective Action Plan</i>	The District concurs with this recommendation and will ensure that all schools maintain sign in and out sheets
<i>Contact Person</i>	Doug Banfelder, Student Information Coordinator

07-15  
Accommodation School  
**Attendance**

<i>Condition</i>	Student enrollment and/or withdrawal forms were not always maintained.
<i>Context</i>	One of ten student entries tested. One of ten student withdrawals tested.
<i>Criteria</i>	The USFR and internal control procedures.
<i>Effect</i>	Noncompliance with the USFR and internal control weakness.
<i>Cause</i>	Clerical error.
<i>Recommendation</i>	In order to comply with the USFR and strengthen internal controls, enrollment and withdrawal forms should be prepared and maintained for all entries and withdrawals.
<i>Corrective Action Plan</i>	The District concurs with this recommendation and will prepare and maintain enrollment and withdrawal forms for all entries and withdrawals.
<i>Contact Person</i>	Doug Banfelder, Student Information Coordinator

07-16  
Accommodation School  
**Attendance**

<i>Condition</i>	Membership/absence information was not always submitted to the Arizona Department of Education (ADE) at least once every 20 school days.
------------------	--

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

<i>Context</i>	Three submissions for Phoenix Thomas J. Pappas Regional Elementary School. Two submissions for St. Luke's Hospital. Two submissions for Mesa Detention Center. One submission for Spectrum Regional Academy. Two submissions for Phoenix Thomas J. Pappas Regional Middle School.
<i>Criteria</i>	The USFR and internal control procedures.
<i>Effect</i>	Noncompliance with the USFR and internal control weakness.
<i>Cause</i>	Clerical oversight.
<i>Recommendation</i>	In order to comply with the USFR and strengthen internal controls, attendance information should be submitted to ADE at least every 20 school days.
<i>Corrective Action Plan</i>	The District concurs with this recommendation and will ensure that attendance information is uploaded in a timely manner.
<i>Contact Person</i>	Doug Banfelder, Student Information Coordinator

07-17

Accommodation School

**Attendance**

<i>Condition</i>	Documentation was not always maintained to support that entries and withdrawals were entered into the attendance system within 5 working days of the actual date of entry or withdrawal.
<i>Context</i>	Nine of ten student entries tested. Two of ten student withdrawals tested.
<i>Criteria</i>	The USFR and internal control procedures.
<i>Effect</i>	Noncompliance with the USFR and internal control weakness.
<i>Cause</i>	Clerical oversight.
<i>Recommendation</i>	In order to comply with the USFR and strengthen internal controls, the date on which entries or withdrawals are entered into the attendance system should be documented.



Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

*Corrective Action Plan*      The District concurs with this recommendation and will ensure entries and withdrawals are properly entered and documented. Management changes have been put into effect. Targets have been set for returning accuracy and reliability to the system.

*Contact Person*      Doug Banfelder, Student Information Coordinator

07-18  
Accommodation School  
**Attendance**

*Condition*      Absences were not always properly calculated.

*Context*      One of three kindergarten students tested.  
Five of ten elementary and junior high school students tested.

*Criteria*      The USFR and Internal control procedures.

*Effect*      Noncompliance with the USFR and Internal control weakness.

*Cause*      Clerical oversight.

*Recommendation*      In order to comply with the USFR and strengthen internal controls, student absences should be calculated in accordance with the *Instructions for Required Reports*.

*Corrective Action Plan*      The District concurs with this recommendation and will ensure that student absences are properly calculated and recorded.

*Contact Person*      Doug Banfelder, Student Information Coordinator

07-19  
Accommodation School  
**Attendance**

*Condition*      Adequate documentation was not always maintained to support the student's identity and age.

*Context*      Two of ten student entries tested.  
Two of ten student withdrawals tested.

*Criteria*      Internal control procedures.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

<i>Effect</i>	Internal control weakness.
<i>Cause</i>	Clerical oversight.
<i>Recommendation</i>	In order to strengthen internal controls, adequate documentation should be maintained to support the student's identity and age.
<i>Corrective Action Plan</i>	The District concurs with this recommendation and will ensure adequate documentation is maintained to support the student's identity and age.
<i>Contact Person</i>	Doug Banfelder, Student Information Coordinator

07-20  
Accommodation School  
**Disbursement**

<i>Condition</i>	Credit card receipts were not always maintained to support the purchase of goods and/or services.
<i>Context</i>	Five of thirty credit card disbursements tested.
<i>Criteria</i>	USFR and internal control procedures.
<i>Effect</i>	Noncompliance with the USFR and internal control weakness.
<i>Cause</i>	Clerical oversight.
<i>Recommendation</i>	In order to comply with the USFR and strengthen internal controls, credit card receipts should be maintained to support all purchases of goods and/or services.
<i>Corrective Action Plan</i>	The District concurs with this recommendation and will ensure that credit card receipts are maintained for all purchases.
<i>Contact Person</i>	Janice Wheeler, Business Manager

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

07-21

Accommodation School

**Financial Statements**

<i>Condition/Context</i>	The year-end financial statements and related disclosures (statement of cash flows and notes to the financial statements) were not prepared by management.
<i>Criteria</i>	Internal control procedures.
<i>Effect</i>	Internal control weakness and the financial statements and related disclosures were compiled by the auditors and reviewed by management.
<i>Cause</i>	The District has historically contracted with its external auditors to compile the financial statements and related disclosures.
<i>Recommendation</i>	In order to strengthen internal controls, the annual financial statements and related disclosures should be prepared by management.
<i>Corrective Action Plan</i>	The District concurs with this recommendation and will evaluate the cost-benefit factor of compiling its own financial statements and related disclosures. Until the cost-benefit factor is properly evaluated, the District will continue to contract with its external auditors to compile the financial statements and related disclosures.
<i>Contact Person</i>	Janice Wheeler, Business Manager

07-22

**Sports Commission**

Absence or inadequate oversight by the Board of Directors: It was noted during the audit that the Board of Directors did not review financial records such as bank statements, balance sheets, and income statements on a regular basis. Also, the Board had limited oversight concerning the day-to-day activities of staff including travel expenditures. We recommend that the Board review these financial items and communicate with staff on a more regular basis.

Management response: none reported

07-23

**Sports Commission**

Internal controls over the safeguarding of assets: It was noted during the audit of fixed assets that several items purchased during the year did not remain in the control of the Commission. We recommend that a policy be established to track the additions and dispositions of fixed assets so that the location of fixed assets is always known.

Management response: none report.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

07-24

**Sports Commission**

Lack of segregation of duties: Internal controls are designed to safeguard assets and help or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. Although the small size of the Commission's office staff limits the extent of separation of duties, certain steps could be taken to separate incompatible duties. The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. We recommend that accounting duties be divided between staff and the Board so that access to both physical assets and records by one person be minimized.

Management response: none reported

07-25

**Sports Commission**

Failure to reconcile significant accounts: Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. There was no evidence that the bank accounts had been reconciled during the year. We recommend that the bank statements be reconciled each month in a timely manner and that the Board of Directors review the reconciliation and bank statements on a monthly basis as well.

Management response: none reported

07-26

**Sports Commission**

Absence or inadequate maintenance of accounting records or supporting documents: It was noted that the Commission failed to maintain an adequate set of financial records for the year. Supporting documents for certain receipts and disbursements could not be found. Also, no general ledger or other accounting records could be produced to account for the activity during the year. We recommend establishing a policy for record retention and to maintain financial records such as a general ledger. Without adequate financial records, management is basing its decision on incomplete and/or inaccurate information during the year, and excessive time is spent at year end in preparing and auditing financial statements.

Management response: none reported

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

Federal Award Findings and Questioned Costs

07-101

**Child Nutrition Cluster**

CFDA No.: 10.553 **School Breakfast Program**

10.555 **National School Lunch Program**

**U.S. Department of Agriculture**

**Passed through the Arizona Department of Education**

Award Year: July 1, 2006 through June 30, 2007

Award Number: ED05-0001

Reporting

Questioned Cost: Unknown

The Juvenile Probation Department has a Food Program Service Agreement with the Arizona Department of Education to provide meals to juveniles incarcerated in its juvenile correctional facilities. The Department is responsible for submitting monthly claim forms to the Arizona Department of Education to receive meal reimbursements for breakfast and lunch. The Department is required to submit accurate meal counts and not claim more than one breakfast/lunch per child, per day. However, the Department did not have adequate policies and procedures to ensure that accurate meal counts were reported to the Arizona Department of Education. Auditors examined the supporting documentation for four monthly claim forms and noted instances where the Department did not comply with the Food Program Service Agreement as meals were both over-reported and under-reported on the monthly claim forms.

It was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. This finding is a material internal control weakness and noncompliance with the cluster's reporting requirements.

To help ensure compliance with the Food Program Service Agreement, the Department should develop policies and procedures to ensure that meals are accurately counted and reported. In addition, the monthly claim reimbursement forms should have a supervisory level of review before they are submitted to the Arizona Department of Education.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

07-102

**WIA Cluster**

CFDA No.: 17.258 **WIA Adult Program**

17.259 **WIA Youth Activities**

17.260 **WIA Dislocated Workers**

**U.S. Department of Labor**

**Passed through the Arizona Department of Economic Security**

Award Year: July 1, 2006 through June 30, 2007

Award Numbers: E5705007, E5706007

Subrecipient Monitoring

Questioned Cost: Unknown

The Human Services Department passed through 10 percent of its WIA federal program monies to two subrecipients. According to the OMB Circular A-133, Subpart D, § \_\_.400(d), pass-through entities should monitor the activities of subrecipients to ensure federal awards are used for authorized purposes. The Department has written policies and procedures in place for subrecipient monitoring, such as requiring formal site visits, reviewing subrecipients' detailed expenditure records, and evaluating subrecipients' compliance with audit requirements. However, the Department did not maintain documentation to support its financial monitoring of the two subrecipients. As a result, auditors were unable to determine if the Department effectively monitored the subrecipient's financial records to ensure program monies were spent in accordance with program requirements.

This finding is considered to be a material internal control weakness and material noncompliance with the cluster's subrecipient monitoring requirement. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

To help ensure compliance with OMB Circular A-133, Subpart D, § \_\_.400(d), the Department should follow its policies and procedures to perform fiscal monitoring reviews of its subrecipients' accounting records to ensure pass-through monies were used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements.

07-103

CFDA No.: 93.268 **Immunization Grants**

**U.S. Department of Health and Human Services**

**Passed through the Arizona Department of Health Services**

Award Year: July 1, 2006 through June 30, 2007

Award Number: HG352193

Eligibility

Questioned Cost: Unknown

The Department of Public Health is required to determine if a child is eligible to receive a vaccine from the Immunization Grant, Vaccine for Children program. An eligible child is defined as a child who is Medicaid eligible, an American Indian or Alaskan Native, uninsured, or insured but the insurance does not cover the vaccination. The Department has procedures in place that require a Consent for Immunization form be

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

completed by the parent or legal guardian and require the form be reviewed by a screener to ensure that eligibility has been determined. However, the child's eligibility was not indicated on the Consent for Immunization form for 4 out of 57 forms tested. Consequently, auditors could not determine if the children were eligible to receive the federally funded vaccine.

It was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. This finding is a material internal control weakness and noncompliance with the program's eligibility requirements. This finding is similar to a prior year finding.

To help ensure that only eligible children receive the federally funded vaccine, the Department should make sure employees follow its procedures to verify eligibility on all Consent for Immunization forms.

07-104

CFDA No.: 93.268 Immunization Grants

**U.S. Department of Health and Human Services**

**Passed through the Arizona Department of Health Services**

Award Year: July 1, 2006 through June 30, 2007

Award Number: HG352193

Reporting and Special Tests and Provisions

Questioned Cost: Unknown

The Department of Public Health is required by the Arizona Department of Health Services to transmit information on all immunizations administered through the program twice a month to the Arizona State Immunization Information System (ASIIS). The Department is also required to randomly select and validate the immunization records for accuracy on a weekly basis and file the results on quarterly reports. However, for the period January 1, 2007 through March 31, 2007, the Department did not transmit this data to ASIIS, perform the weekly immunization record validation, or file the quarterly reports until fiscal year 2008.

It was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency and noncompliance with the program's reporting and special tests and provisions requirements.

To help ensure the Department complies with its Intergovernmental Agreement with the Arizona Department of Health Services, the Department should transmit immunization data to ASIIS twice a month, perform weekly immunization record validations, and file required quarterly reports.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

07-105

CFDA No.: **93.268 Immunization Grants**

**U.S. Department of Health and Human Services**

**Passed through the Arizona Department of Health Services**

Award Year: July 1, 2006 through June 30, 2007

Award Number: HG352193

Special Tests and Provisions

Questioned Cost: Unknown

The Department of Public Health is required to comply with 45 Code of Federal Regulations (CFR) §92.20(b)(3) by maintaining effective control and accountability for all vaccines. In addition, the Department must ensure that vaccines are adequately safeguarded and used solely for authorized purposes. The Department has procedures to ensure the proper recording of receipt, transfer, and usage of vaccines. However, for the period of May 1, 2007 through May 31, 2007, the Department's Vaccine Order and Reporting Form showed 218 doses of Hep B/Hib vaccine administered while the corresponding usage report showed only 51 doses of Hep B/Hib vaccine administered. Consequently, auditors could not determine the actual doses of Hep B/Hib vaccine administered for the period and were unable to determine whether the Department adequately safeguarded and used vaccines for authorized purposes.

It was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. This finding is a significant deficiency and noncompliance with the program's special tests and provisions requirements.

To help ensure the propriety and accuracy of Hep B/Hib vaccine administered, the Department should adhere to 45 CFR §92.20(b)(3) and follow departmental procedures to ensure the proper recording of, receipt, transfer, and usage of vaccines.

07-106

CFDA No.: **20.205 Highway Planning and Construction**

**U.S. Department of Transportation**

**Passed through the Arizona Department of Transportation**

Award Year: July 1, 2006 through June 30, 2007

Award Number: CM-MMA-0(44)A

Subrecipient Monitoring

Questioned Cost: Unknown

During fiscal year 2007, the Department of Transportation passed through \$187,768 of the Highway Planning and Construction monies it received to a single subrecipient. According to the OMB Circular A-133, Subpart D, §\_\_400 (d), pass-through entities should inform subrecipients of the CFDA title and number, and advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contracts or grant agreements. However, the Department did not include this information in its contract or provide this information by other means to the subrecipient. Additionally, because the Department did not inform the subrecipient that these were federal monies, the subrecipient did not include these grant monies on its schedule of expenditures of federal awards; consequently, this federal program was not subject to auditing by the subrecipient's auditor.



Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

It was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. This finding is a material internal control weakness and material noncompliance with the program's subrecipient monitoring requirement.

To help ensure that subrecipients are in compliance with the requirements imposed on them by federal laws, regulations, and provisions of contracts and grant agreements, contracts with subrecipients should identify the specific award, including the federal program title and CFDA number, federal awarding agency, program requirements, and each subrecipient's compliance responsibilities.

07-107

CFDA No.: 20.516 **Job Access—Reverse Commute**

**U.S. Department of Transportation**

**Passed through the City of Phoenix**

Award Number: 90026

CFDA No.: 93.600 **Head Start**

**U.S. Department of Health and Human Services**

Award Year: July 1, 2006 through June 30, 2007

Award Number: 09CH7096/41

Suspension and Debarment

Questioned Cost: Unknown

The Human Services Department is required by each grantor agency's Code of Federal Regulations pertaining to administrative requirements to verify that vendors and subrecipients are not suspended or debarred before entering into transactions with them to be paid with federal monies. This verification may be accomplished by checking the Excluded Parties List System maintained by the General Services Administration, obtaining a certification from the vendor or subrecipient, or adding a clause or condition to the contract with that entity. However, the Department was unable to provide documentation that it performed this verification. Auditors performed additional procedures and noted no instances of payments made to suspended or debarred individuals or organizations.

This finding is a material internal control weakness with the program's suspension and debarment requirements. This finding is similar to a prior-year finding.

To help ensure compliance with 49 CFR §18.35 and 45 CFR §92.35, the Department should ensure that its procurement files contain supporting documentation verifying that the vendor has not been suspended or debarred.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

07-108

CFDA No.: 93.600 **Head Start**

**U.S. Department of Health and Human Services**

Award Year: July 1, 2006 through June 30, 2007

Award Number: 09CH7096/41

Matching

Questioned Cost: Unknown

The Human Services Department is required to provide 25 percent of the total cost of the program, which can include cash and in-kind matching contributions. The Department records in-kind contributions in its ChildPlus database system with in-kind forms. The Department has procedures in place that require in-kind forms to be signed by both the volunteer and donor and for those forms to be reviewed and approved by the Head Start program staff. However, 11 of 38 in-kind forms tested did not include the signature by Head Start program staff. Therefore, auditors could not determine if the in-kind forms had been reviewed and approved by Head Start program staff.

This finding is a material internal control weakness with the program's matching requirements.

To help ensure the propriety, accuracy, and reasonability of in-kind matching contributions, the Department should adhere to its policies and procedures to ensure that in-kind forms are reviewed, approved, and signed by Head Start program staff.

07-109

CFDA No. 20.516 **Job Access—Reverse Commute**

**U.S. Department of Transportation**

**Passed through the City of Phoenix**

Award Number: 90026

Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Questioned Cost: \$9,850

The Human Services Department did not retain supporting documentation for 9 of 33 expenditure transactions tested that totaled \$9,850. Consequently, auditors were unable to determine if the costs were spent on allowable activities and for allowable costs. In addition, the Department did not retain adequate supporting documentation for its cost allocations between federal and nonfederal activities. As a result, auditors were unable to verify if payroll charges and other costs, such as supplies and services, were properly allocated to the program in accordance with the relative benefits received.

It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. Based on auditors' evaluation of the cumulative effect of these internal control deficiencies in relation to the program's compliance requirements, this finding is a material internal control weakness and material noncompliance with the program's activities allowed or unallowed and allowable costs/cost principles requirements.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

To comply with 2 CFR §225.55 (c)(1)(j), the Department should maintain adequate supporting documentation for each expenditure transaction, such as purchase requisitions, purchase orders, vendor invoices, and travel claims. In addition, the Department should develop written policies and procedures for allocating costs between federal and nonfederal activities and ensure that these procedures are followed.

07-110

CFDA No: 20.516 **Job Access—Reverse Commute**

**U.S. Department of Transportation**

**Passed through the City of Phoenix**

Award Number: 90026

Matching

Questioned Cost: Unknown

The Department of Human Services is required to provide at least 50% of the Job Access—Reverse Commute program's total eligible costs from local monies. According to 49 CFR §18.24 (a)(1), the local match may be satisfied through allowable costs incurred by the Department. From the grant's inception in fiscal year 1999 through fiscal year 2007, the County should have matched nearly \$8.5 million in program costs. In August 2006, the Department reported \$608,171 in matching expenditures of local monies for fiscal year 2007; however, this was a budgeted amount and did not represent actual costs incurred. The County did not maintain sufficient records to support its matching contributions, but auditors determined its matching contributions consisted of various costs for related transportation activities and the County's Special Needs transportation program. However, the Special Needs transportation program was not an allowable cost since it included costs for such items as special needs transportation trips and home-delivered meals that are not related to work activities. Therefore, it was not practicable to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding.

This finding is considered a material internal control weakness and material noncompliance with the program's matching requirements.

To help ensure compliance with 49 CFR §18.24(a)(1), the Department should ensure that matching expenditures of local monies are for allowable transportation activities. Furthermore, the Department should develop written policies and procedures to help ensure matching contributions are supported by accounting records, are spent for allowable grant expenditures, and are made from local monies.

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

The other auditors who audited the Housing Authority of Maricopa County reported the following significant deficiency:

07-111

CFDA No.: 14.871 **Section 8 Housing Choice Vouchers**

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

Award Year: July 1, 2005 to June 30, 2006 and July 1, 2006 to June 30, 2007

Award Number: AZ009

Special Tests and Provisions

Questioned Cost: None

Criteria

The Code of Federal Regulations and HUD guidelines give the requirements related to the Section Eight Management Assessment Program (SEMAP) for Public Housing Agencies. Specifically, 24CFR Part 985 gives the requirements in relation to the SEMAP certification. SEMAP is used to remotely measure the Authority's performance and administration of the Housing Choice Vouchers program. SEMAP uses HUD's national database of tenant information and information from audits conducted annually by independent auditors. HUD will annually assign each Authority a rating on each of the 14 indicators and an overall performance rating of high, standard, or troubled. Metropolitan Authorities will also be able to earn bonus points for their achievements in encouraging assisted families to choose housing in low poverty areas.

Condition & Cause

HUD conducted a SEMAP Confirmatory Review and a SEMAP Quality Control Review of the Authority during the fiscal year ending June 30, 2006. HUD conducted another SEMAP Confirmatory Review during the current year audit period. The issue date of the reports was July 28, 2006 and July 2, 2007. The modified scores resulting from the reviews were percentages of 42% and 41%, which designates a troubled rating. The reviews contained the following findings:

The Authority did not maintain Quality Control files thus was unable to document quality control activities were completed which:

1. leave a clear audit trail that can be used to verify that quality control samples were taken in an unbiased manner in a size meeting at least the minimum level required
2. have a methodology of the quality control testing which reflect the SEMAP indicator criteria being tested
3. confirm the SEMAP certification is consistent with the quality control documentation on file at the Authority
3. that the annual examination of utility expense was conducted (Note – the FY 2006 Confirmatory Review revealed that the Authority was in compliance with requirement)

Maricopa County  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2007

The FY 2006 SEMAP Confirmatory Review contained the following additional findings:

4. a review of seven tenant files revealed the Authority's system for calculating asset income of the HUD 50058 form did not provide the correct Passbook rate of 2%
5. the Authority did not provide evidence to dispute the MTCS report that the Authority did not conduct HQS inspections at least annually in 7% of its units under contract

Recommendation

HUD had the following recommendations as a result of the review. They are as follows:

1. The Authority must prepare a Corrective Action Plan (CAP) or submit documentation that deficiencies have been corrected.
2. The Authority must maintain detailed documentation, indicator – by – indicator in its quality control files. Quality control files must be established and maintained for Indicator 1 – Waiting List; Indicator 2 – Rent Reasonableness; Indicator 3 – Determination of Adjusted Income; Indicator 5 – Housing Quality Control Inspectors; and Indicator 6 – HQS Enforcement.
3. The minimum sample size must be in compliance with the regulations at 24 CFR 985.2. As prescribed in 24 CFR 985.3, the method of selecting the Authority's quality control sample must leave a clear audit trail that can be used to verify that the sample was drawn in an unbiased manner for the required quality control indicators. Documentation must be resident in the Authority's file to indicate that supervisory quality control reviews have been completed and indicate corrective action for identified errors.

Reply and Corrective Action Plan

The Authority has submitted a FY 2005 – 2006 SEMAP Corrective Action Plan meeting HUD's recommendations. Alphonso Patrick, Executive Director, expects this situation to be resolved in the current fiscal year.



# Maricopa County

Department of Finance

## Tom Manos

Chief Financial Officer

301 West Jefferson Street

Suite 950

Phoenix, AZ 85003-2278

Phone: 602.506-3561

Fax: 602.506-4451

[www.maricopa.gov](http://www.maricopa.gov)

August 8, 2008

Debbie Davenport

Auditor General

2910 North 44<sup>th</sup> Street, Suite 410

Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons 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,

Shelby L. Scharbach

Deputy Finance Director

**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

**Financial Statement Findings**

**07-01**

The County needs to improve infrastructure reporting

Contact Person: Chris Plumb, Programming and System Analysis Manager, Maricopa County Department of Transportation, (602) 506-4176; Linda Mardian, Acting Chief Financial Officer, Maricopa County Flood Control District, (602) 506-1524

Anticipated Completion Date: Department of Transportation June 30, 2009; Flood Control District completed

The Department of Transportation concurs. The Department is in the process of evaluating the areas of deficiency and intends to implement internal policies and procedures to improve infrastructure asset valuation and financial reporting. In addition, it is the Department's intent to work with both the Auditor General and the Maricopa County Department of Finance to develop processes that improve the year-end audit process for the fiscal year 2008 audit.

The Flood Control District concurs. The Flood Control District has policies and procedures in place to accurately record and report annexed infrastructure assets. The particular situation that resulted in the misstatement was infrequent and unusual in nature. As a result, the Flood Control District will review internal policies and procedures as they relate to annexed infrastructure assets and implement appropriate corrective action as necessary.

**07-02**

The County's transactions for the Solid Waste Management Fund should be recorded accurately

Contact Person: Nicole Kasting, Financial Supervisor, Maricopa County Department of Finance, (602) 506-2558

Anticipated Completion Date: June 30, 2008

The Department of Finance concurs. The Department of Finance will work with the Department of Solid Waste Management to ensure that the County's established policies and procedures over financial reporting are followed.

**07-03**

The County needs to improve capital assets reporting

Contact Person: Cynthia Moder, Senior Financial Analyst, Maricopa County Department of Finance, (602) 506-7842

Anticipated Completion Date: June 30, 2008

The Department of Finance concurs. The County is currently working on improving oversight and adherence to already established capital asset policies. In addition, the County will continue to review all opportunities to improve procedures to ensure proper physical control and reporting of capital assets is maintained.

**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

07-04

The County needs to improve access controls for its information systems

Contact Person: Gina Denney, Financial Services Manager, Maricopa County Department of Finance, (602) 506-7297; Walt Weglarz, Deputy Director, Maricopa County Materials Management Department, (602) 506-3312

Anticipated Completion Date: Department of Finance June 30, 2008; Materials Management December 31, 2008

The Department of Finance concurs. The Department of Finance corrected the system profiles for several department employees who inadvertently had improper access controls; however, there were no improper financial transactions posted. The Department will periodically review the employee profiles to ensure they are consistent with the employee's job duties.

The Materials Management Department has evaluated the information provided by the auditors and has provided a detailed analysis of where some recommendations can be implemented as noted in the analysis. For other items the Department of Finance, Materials Management, and the auditors have met and the County is working toward an appropriate solution. The County believes that an acceptable resolution can be implemented by December 31, 2008.

The Department of Finance will annually provide each department administrator with a list of system users and profiles to ensure that employee profiles are compatible with their job duties. The Department of Finance currently reviews departmental modifications to system users to ensure a segregation of system abilities.

07-05

The Treasurer should ensure that responsibilities over investment transactions are separated

Contact Person: Steve Partridge, Chief Deputy Treasurer, Maricopa County Department Treasurer's Office, (602) 506-1323

Anticipated Completion Date: Completed – Investment Committee has been formed

The Treasurer's Office does not concur. The investment functions are properly segregated to protect the pool participants from loss due to unauthorized use, damage, or modification of investments. The investment office operates directly under the authorization of the County Treasurer, who is solely responsible for the investments of the investment pool per ARS § 35-323(A). The Maricopa County Treasurer established the limits of the investments as outlined by ARS § 35-323 and the investment officer purchases said investments according to those directions. Any investment outside the defined parameters (such as registered warrants) are reviewed and discussed by the Treasurer, Chief Deputy, Investment Officer and the Accounting Manager to insure that the investment is safe and secure.



**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

The investment officer purchases the investments as instructed and records the details of the transactions on the investment system that was designed for his use. He records the nature and details of the investment transactions. The details are then submitted electronically to accounting for verification.

The accounting group will print a copy of the investment summary and match the detailed information provided by the bank's daily transaction report (an independent source) daily. The investments purchased, matured, sold, and any related interest received, are verified. The net cash is then matched to the bank statement to insure that the total dollars transacted match the reported investment transactions. Any questions are reported to the accounting manager or supervisor for research and resolution.

Upon verification of the details with the cash deposited or expended, the electronic data is released and posted to the accounting general ledger and to the treasurer's receipt system. The investment officer does not have the ability to modify or reverse the posted transactions on the accounting database.

Monthly, the accounting department will reconcile the bank safekeeping record, the investment officer's portfolio and the accounting investment funds to insure that all items are in agreement. The reconciliation is reviewed by the accounting manager. Any exceptions are reported to the accounting manager.

The audit finding concludes that investments "might" be purchased to the disadvantage of the investment pool. The use of this term points out the speculative nature of this finding. In point of fact, there is no evidence of any of the deleterious events suggested by the audit of ever having occurred.

Additionally, the recommendation of multiple parties reviewing the same transaction does not prevent these unfortunate speculations from occurring. For example, the State Treasurer has a much larger investment staff. They have the redundancies suggested by your finding in place. Additionally, the Treasurer maintained an Advisory Committee in addition to its own staff. Nevertheless, in 2001, the State Treasurer invested \$131 million from the Local Government Investment Pool ("LGIP") in National Century Financial Enterprises ("NCFE"). This investment was in commercial paper, which is permitted by statute. In 2002, NCFE became defunct. All of the participants in the LGIP lost money. Although there has been some recapture of these dollars, the magnitude of the loss remains severe. Several cities have moved their money from the LGIP and have chosen to invest on their own. The Maricopa County Treasurer, with its investment manager, and without the redundancies suggested on every transaction, did not invest in NCFE and did not lose one dollar of public money.

This is fact, not conjecture. Implementing the suggestions of the audit does not provide a guarantee that bad investments won't be made. Competent, conservative investment managers are the best defense against a loss. We believe the primary job of the Treasurer is to protect principal, with the secondary goal to maximize profits.

**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

That said, the Treasurer's Office is currently in the process of forming an Investment Committee consisting of four individuals who will review investments, make determinations concerning new investments and otherwise oversee the investment function.

07-06

The County should accurately report net assets of the investment trust fund

Contact Person: Mayra Salcido, Senior Financial Analyst, Maricopa County Department of Finance, (602) 372-3506

Anticipated Completion Date: Completed

The Department of Finance concurs. The Department of Finance will ensure that existing controls for review and approval of financial statement adjustments are properly followed.

07-07

The County must collateralize all deposits as required by statute

Contact Person: Mayra Salcido, Senior Financial Analyst, Maricopa County Department of Finance, (602) 372-3506

Anticipated Completion Date: June 30, 2008

The Department of Finance concurs. The Department of Finance is currently working with the Treasurer's Office to ensure that all County deposits are properly collateralized in accordance with A.R.S. §35-323. The County plans to be in compliance with A.R.S. §35-323 by June 30, 2008.

07-08

The County should develop policies and procedures for identifying and disclosing related party transactions

Contact Person: Lynda Cull, Article 5 Procurement Officer, Maricopa County Facilities Management Department, (602) 506-2046; John Lewis, Financial Reporting Manager, Maricopa County Department of Finance, (602) 506-1373

Anticipated Completion Date: Completed

Facilities Management concurs. Maricopa County's procurement code for public contracting under Article 5 and Article 12 requires evaluation committee members for public procurement to disclose related party conflicts. Evaluation committee members who disclose a conflict of interest will not participate in the selection process. The auditors noted that two files were missing the confidentiality and conflict of interest certifications forms for two Article 5 Procurements. The County has policies and procedures in place that require the forms to signed and retained. However, the County will ensure that these forms are properly placed in the project's procurement folders.

**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

The Department of Finance concurs. The Department of Finance will annually review the conflict of interest and financial statement disclosure statements that are filed by county employees and elected officials as maintained with the Clerk of the Board.

07-09

The County should develop, implement, and test a disaster recovery plan

Contact Person: Rohini Badwal, Application Development Officer, Maricopa County Office of Enterprise Technology, (602) 506-8044

Anticipated Completion Date: December 31, 2008

The Office of Enterprise Technology concurs. The PeopleSoft payroll system does not have a full disaster recovery process in place; however, the County does have or is implementing the following: 1) hardware redundancy is currently in place, 2) redundant data centers are currently under construction, and 3) a disaster recovery plan is currently under development. The County also has a data back up schedule that includes daily, monthly, and yearly archiving in which the payroll data is maintained off site. The County is in the process of outsourcing the payroll function with an estimated implementation date beginning calendar year 2009.

07-10

The County should take timely corrective action on internal control weaknesses

Contact Person: John Lewis, Financial Reporting Manager, Maricopa County Department of Finance, (602) 506-1373

Anticipated Completion Date: Completed

The Department of Finance concurs. The auditor's financial statement finding pertains only to the Maricopa County Health Plans (AHCCCS and ALTCS). The County transferred the AHCCCS – Acute Health Care program to the Maricopa County Special Health Care District effective October 1, 2005. Additionally, the ALTCS program was discontinued effective September 30, 2005. The County continued to report program activity during the close out period that ended June 30, 2007. The County restated asset and liability accounts at July 1, 2006, for estimated accrued transactions that were unlikely to occur.

07-11

The County needs to ensure its Self Insurance Trust Funds' financial statements are accurate

Contact Person: Peter Crowley, Risk Manager, Maricopa County Risk Management, (602) 506-8226; Pat Vancil, Employee Health Initiatives Manager, Maricopa County Employee Health Initiatives, (602) 372-2837

Anticipated Completion Date: June 30, 2008

**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

Risk Management and Employee Health Initiatives concur. County Trust Fund management will implement internal control policies and procedures to 1) record current year refunds as a reduction of current year expenses and prior period refunds as other income, and 2) accrue liabilities for benefit plan incentives only when the performance measure criteria have been fully met by the health care provider by end of the reporting period.

**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

**Federal Award Findings and Questioned Costs**

**07-101**

CFDA No.: 10.553 School Breakfast Program

CFDA No.: 10.555 National School Lunch Program

Contact Person: Tony Weaver, Director of Budget and Finance, Maricopa County Juvenile Probation Department, (602) 506-4338

Anticipated Completion Date: July 30, 2008

In order to ensure the accuracy of meal count information, the Juvenile Probation Department has established a process where by a Judicial Clerk Supervisor at each of the Detention Facilities will inspect and confirm the accuracy of the daily meal count sheets prior to their submittal to the Juvenile Probation Finance Unit. A process will also be created to provide a supervisory review of the Child Nutrition Program Web Claim forms prior to its submission to the Arizona Department of Education.

**07-102**

CFDA No.: 17.258 WIA Adult Program

CFDA No.: 17.259 WIA Youth Activities

CFDA No.: 17.260 WIA Dislocated Workers

Contact Person: Michelle Stevens, Senior Grant Accountant, Maricopa County Human Services Department, (602) 506-4859

Anticipated Completion Date: June 30, 2008

In fiscal year 2008, the Maricopa County Human Services Department entered into a partnership with another municipality for the engagement of services of a public accounting firm to monitor common subrecipients of the Workforce Initiative Act program funds. This plan of action was implemented to ensure that subrecipients are monitored properly. The Arizona Department of Economic Services during their recent fiscal review acknowledged this business process as a "best practice".

Further, the Maricopa County Human Services Department monitors subrecipient programmatic compliance quarterly by performing audits of client files, site visits and meetings with the subrecipients. Quality assurance audits are performed and the findings from these reviews are provided to the subrecipients. The subrecipients are required to respond with corrective action plans, which are then subsequently monitored.

The subrecipients further report operating results to the Maricopa Workforce Connections Youth Council, which meets ten times each year. These results include required performance metrics.

**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

**07-103**

CFDA No.: 93.268 Immunization Grants

Contact Person: Machrina Leach, Community Health Nursing Program Manager,  
Maricopa County Department of Public Health, (602) 506-6662

Anticipated Completion Date: August 31, 2008

The Maricopa County Department of Public Health immunization staff screeners are instructed to check that clients have indicated their eligibility status on the consent form. The Department of Public Health has procedures in place for recipients of this program to record eligibility on the proper forms and for the form to be reviewed by a screener for accuracy. The Department of Public Health will conduct trainings on these procedures for all employees involved with this program.

**07-104**

CFDA No.: 93.268 Immunization Grants

Contact Person: Machrina Leach, Community Health Nursing Program Manager,  
Maricopa County Department of Public Health, (602) 506-6662

Anticipated Completion Date: April 16, 2008

The Maricopa County Department of Public Health provides immunizations to over 110,000 clients on an annual basis. Every effort is made to validate eligibility records in a timely manner; however, due to the volume it is difficult to validate all records on a weekly basis. Documentation is now on file verifying that a random sampling of records have been validated for the period 1/1/07 – 3/31/07. The completion date for filing this documentation was April 16, 2008.

**07-105**

CFDA No.: 93.268 Immunization Grants

Contact Person: Machrina Leach, Community Health Nursing Program Manager,  
Maricopa County Department of Public Health, (602) 506-6662

Anticipated Completion Date: July 31, 2007

The Maricopa County Department of Public Health had job tasks being performed by interim staff during the periods referenced by the auditors. The discrepancies noted were the result of administrative reporting errors. Full time staff were hired in April 2007 and the reports submitted are currently verified for accuracy by supervisory personnel.

**07-106**

CFDA No.: 20.205 Highway Planning and Construction

Contact Person: Rodney Rach, Financial Support Supervisor, Maricopa County  
Department of Transportation, (602) 506-8170

Anticipated Completion Date: August 1, 2008

**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

The Department of Transportation will ensure that the CFDA title and number and grant requirements are included in the Intergovernmental Agreement. The Department will also recommend that Grant Program Managers attend County training on the OMB Circular A-133 compliance requirements.

07-107

CFDA No.: 20.516 Job Access – Reverse Commute

CFDA No.: 93.600 Head Start

Contact Person: Patrick Burkhart, Assistant Director, Workforce Development, Maricopa County Human Services Department, (602) 506-4146

Anticipated Completion Date: December 31, 2008

The Maricopa County Human Services Department will implement internal control policies and procedures to ensure compliance with the program's suspension and debarment requirements. The procedures will be implemented across all programs and will be in compliance with one of the three federal acceptable methods – verification by checking the Excluded Parties Lists System maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

07-108

CFDA No.: 93.600 Head Start

Contact Person: Marjorie Weiss, Assistant Director, Education, Maricopa County Human Services Department, (602) 506-4841

Anticipated Completion Date: December 31, 2008

The Maricopa County Human Services Department will ensure the appropriate staff adheres to its existing policies and procedures to ensure that in-kind forms are properly signed to document review of in-kind contributions. Though staff training is conducted at the start of the educational program over a four-day period and again in mid-year for two-day training, additional training will be provided on a one-on-one basis as needed. In addition, the Department will implement internal control monitoring policies and procedures to ensure compliance with proper review of in-kind contributions.

07-109

CFDA No.: 20.516 Job Access – Reverse Commute

Contact Person: Patrick Burkhart, Assistant Director, Workforce Development, Maricopa County Human Services Department, (602) 506-4146

Anticipated Completion Date: December 31, 2008

**Maricopa County  
Corrective Action Plan  
Year Ended June 30, 2007**

The Maricopa County Human Services Department developed a cost allocation methodology approved by the Grantor for allocating costs between Federal and non-Federal activities for fiscal year 2008. The methodology will be incorporated into the Department's internal policies and procedures.

In addition, the Department will maintain adequate supporting documentation for each expenditure transaction in compliance with OMB Circular A-87, Attachment A, §C(1)(j).

07-110

CFDA No.: 20.516 Job Access – Reverse Commute

Contact Person: Patrick Burkhart, Assistant Director, Workforce Development,  
Maricopa County Human Services Department, (602) 506-4146

Anticipated Completion Date: December 31, 2008

The Maricopa County Human Services Department will implement internal control policies and procedures to accurately document and comply with the program's source of matching contributions.





# Maricopa County

Department of Finance

## Tom Manos

Chief Financial Officer

301 West Jefferson Street

Suite 950

Phoenix, AZ 85003-2278

Phone: 602.506-3561

Fax: 602.506-4451

[www.maricopa.gov](http://www.maricopa.gov)

August 8, 2008

Debbie Davenport

Auditor General

2910 North 44<sup>th</sup> Street, Suite 410

Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by 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. This schedule also includes audit findings reported in the prior audit's Summary Schedule of Prior Audit Findings that have not been corrected.

Sincerely,

Shelby L. Scharbach

Deputy Finance Director

**Maricopa County**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2007**

**Status of Federal Award Findings and Questioned Costs**

**CFDA No.: 16.592** – Local Law Enforcement Block Grants Program

**Finding No.** 04-106

**Status:** Fully corrected.

**CFDA No.: 84.287** – Twenty-First Century Community Learning Centers

**Finding No.** 06-101

**Status:** Not corrected.

The Maricopa County Superintendent of Schools will implement internal control policies and procedures to ensure that the learning centers comply with the program's activities allowed or unallowed and allowable costs/cost principles requirements. These procedures will include requiring actual time in/out worked on the timesheets. The site coordinator will approve all time sheets for approval to pay. Timesheets are sent to Maricopa County Superintendent of Schools for final approval by the program manager for the payment to be processed. As the Single Audit for fiscal year 2006 was not completed until November 2007, the County was unable to implement a corrective action plan until fiscal year 2008. Contact person is Terry Quest, Director of Finance, Maricopa County Superintendent of Schools, (602) 506-4761.

**CFDA No.: 84.287** – Twenty-First Century Community Learning Centers

**Finding No.** 06-102

**Status:** Fully corrected.

**CFDA No.: 84.287** – Twenty-First Century Community Learning Centers

**Finding No.** 06-103

**Status:** Fully corrected.

**CFDA No.: 84.287** – Twenty-First Century Community Learning Centers

**Finding No.** 06-104

**Status:** Fully corrected.

**CFDA No.: 93.268** – Immunization Grants

**Finding No.** 06-105

**Status:** Not corrected.

The Maricopa County Department of Public Health currently has procedures in place for recipients of this program to record eligibility on the proper forms and for the form to be reviewed by a screener for accuracy. The Department of Public Health will conduct trainings for all employees involved with this program on the proper procedures for screening review and to ensure that this area is verified. As the Single Audit for fiscal

**Maricopa County**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2007**

year 2006 was not completed until November 2007, the County was unable to implement a corrective action plan until fiscal year 2008. Contact person is Scot Pitcairn, Finance/Budget Supervisor, Maricopa County Department of Public Health, (602) 506-6963.

**CFDA No.: 93.283** – Centers for Disease Control and Prevention – Investigations and Technical Assistance

**CFDA No.: 93.940** – HIV Prevention Activities – Health Department Based

**Finding No.** 05-105

**Status:** Fully corrected.

**CFDA No.: 93.568** – Low-Income Home Energy Assistance

**Finding No.** 06-106

**Status:** Not corrected.

The Maricopa County Human Services Department, Community Services Division has developed and will implement internal control policies and procedures to ensure compliance with the program's eligibility requirements. These procedures will include providing training to and monitoring of subrecipient staff on these requirements. The subcontracted Community Action Programs (CAP) will be requested to contact clients in order to obtain the missing information to be placed in each of the client files. On site monitoring visits in fiscal year 2008 will review these files for compliance. The Community Services Division conducts new CAP Case worker training for all CAP case workers before they are allowed to take financial assistance applications, as well as training for all CAP workers to provide updated information on funding sources on at least an annual basis. The training does include the requirements for documentation of income eligibility. The training scheduled for November 2007 was updated to include additional specific information regarding the utilization of bank statements as sources of income. As the Single Audit for fiscal year 2006 was not completed until November 2007, the County was unable to implement a corrective action plan until fiscal year 2008. Contact person is Eileen Hartnett, Community Services Operation Supervisor, Maricopa County Human Services Department, (602) 506-4844.

**CFDA No.: 93.569** – Community Services Block Grant

**Finding No.** 06-107

**Status:** Not corrected.

The Maricopa County Human Services Department will implement internal control policies and procedures to ensure compliance with the program's allowable costs/cost principles requirements. These procedures will require monthly activity reports for those employees who worked on multiple federal programs, including the Community Service Block Grant (CSBG) to be available for review on a quarterly basis starting the second quarter of fiscal year 2008. A report showing the comparisons of actual payroll costs to budgeted distributions based on the monthly activity reports will be maintained. If there

**Maricopa County**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2007**

are changes, adjustments to accounting records will be made and this information will be maintained in a quarterly file for review. As the Single Audit for fiscal year 2006 was not completed until November 2007, the County was unable to implement a corrective action plan until fiscal year 2008. Contact person is Angela Martinez, Grant Accountant, Maricopa County Human Services Department, (602) 506-4815.

**CFDA No.: 93.600 – Head Start**

**Finding No. 06-108**

**Status:** Fully corrected.

**CFDA No.: 93.600 – Head Start**

**Finding No. 06-109**

**Status:** Not corrected.

The Maricopa County Human Services Department will implement internal control policies and procedures to ensure compliance with the program's suspension and debarment requirements. These procedures will require that the suspension and debarment certifications be maintained in the contractor files for all new contracts signed in fiscal year 2008. As the Single Audit for fiscal year 2006 was not completed until November 2007, the County was unable to implement a corrective action plan until fiscal year 2008. Contact person is Steven Willis, Grant Accountant, Maricopa County Human Services Department, (602) 506-3007.

**CFDA No.: 93.914 – HIV Emergency Relief Project Grants**

**Finding No. 05-106**

**Status:** Fully corrected.

**CFDA No.: 93.914 – HIV Emergency Relief Project Grants**

**Finding No. 05-107**

**Status:** Fully corrected.

**CFDA No.: 93.914 – HIV Emergency Relief Project Grants**

**Finding No. 05-109**

**Status:** Fully corrected.

**CFDA No.: 93.914 – HIV Emergency Relief Project Grants**

**Finding No. 06-110**

**Status:** Fully corrected.

**CFDA No.: 93.940 – HIV Prevention Activities – Health Department Based**

**Maricopa County**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2007**

**Finding No.** 05-101

**Status:** Fully corrected.

**CFDA No.:** 93.940 – HIV Prevention Activities – Health Department Based

**Finding No.** 05-103

**Status:** Fully corrected.

**CFDA No.:** 93.940 – HIV Prevention Activities – Health Department Based

**Finding No.** 05-104

**Status:** Fully corrected.

**CFDA No.:** 14.871 – Section 8 Housing Choice Vouchers

**Finding No.** 06-111

**Status:** Not corrected.

The Authority has submitted a FY 2005 – 2006 SEMAP Corrective Action Plan meeting HUD's recommendations. Alphonso Patrick, Executive Director, expects this situation to be resolved in the current fiscal year.

**CFDA No.:** 14.871 – Section 8 Housing Choice Vouchers

**Finding No.** 06-112

**Status:** Fully corrected.