



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Maricopa County

Year Ended June 30, 2010



Debra K. Davenport
Auditor General

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Maricopa County
Single Audit Reporting Package
Year Ended June 30, 2010

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Reports Issued Separately

Comprehensive Annual Financial Report

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*



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on 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 Maricopa County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010, 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 \$1,064,431 in federal awards that are not included in the County's Schedule of Expenditures of Federal Awards for the year then ended June 30, 2010. Our audit, described below, did not include the operations of the Maricopa County Accommodation Schools because the Accommodation School 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 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
Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)	Davis-Bacon Act, and Procurement and Suspension and Debarment	10-101
CDBG—Entitlement Grants Cluster (14.218 and 14.253)	Reporting	10-103
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories (16.803)	Procurement and Suspension and Debarment	10-104

In our opinion, based on our audit and the report of the other auditors, except for the noncompliance described in the preceding table, Maricopa County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 that are described in the accompanying Schedule of Findings and Questioned Costs as items 10-102, 10-105, 10-108, 10-110, 10-111, 10-112, 10-113, 10-114, and 10-115.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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 material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-101, 10-102, 10-103, 10-104, 10-106, 10-107, 10-109, 10-110, and 10-111 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-104, 10-105, 10-108, 10-112, 10-113, 10-114, and 10-115 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2010, and have issued our report thereon dated December 20, 2010. 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 39 through 45. 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, management, others within the County, 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.

Jay Zsorey, CPA
Financial Audit Director

March 30, 2011, except for the
Schedule of Expenditures of
Federal Awards, for which the
date is December 20, 2010

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Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas	07.06PSAP501Z		\$ 28,999
High Intensity Drug Trafficking Areas	07.17PSAP005Z		5,505
High Intensity Drug Trafficking Areas, passed through the Arizona Criminal Justice Commission	07.17PSAP501Z	HT17-07-1113, HT17-07-2512	29,930
High Intensity Drug Trafficking Areas	07.18PSAP005Z		1,986
High Intensity Drug Trafficking Areas, passed through the Arizona Criminal Justice Commission	07.18PSAP501Z	HT18-08-0711, HT18-08-0911, HT18-08-1113, HT18-08-1210	84,188
High Intensity Drug Trafficking Areas	07.G09SA0005A		575,466
High Intensity Drug Trafficking Areas	07.G10SA0005A		31,576
Total U.S. Office of National Drug Control Policy			<u>757,650</u>
U.S. Department of Agriculture			
Child Nutrition Cluster:			
School Breakfast Program, passed through the Arizona Department of Education	10.553	ED09-0001	175,427
National School Lunch Program, passed through the Arizona Department of Education	10.555	ED09-0001	286,433
Total Child Nutrition Cluster			<u>461,860</u>
Special Supplemental Nutrition Program for Women, Infants, and Children, passed through the Arizona Department of Health Services	10.557	HG861080, HG961186, HG050026	12,330,396
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	KR02-1170-ALS	255,205
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, passed through the Arizona Department of Health Services	10.561	HG861075, HI050071	219,020
Schools and Roads—Grants to States, passed through the Arizona State Treasurer	10.665	None	527,890
Solid Waste Management Grants	10.762		65,462
Cooperative Law Enforcement Agreement	10.06-LE-11031200-003		34,474
Cooperative Law Enforcement Agreement	10.10-LE-11031200-002		74,288
White Tanks No. 3 FRS Rehabilitation Project Phase II	10.68-9457-9-478		1,389,750
Total U.S. Department of Agriculture			<u>15,358,345</u>
U.S. Department of Housing and Urban Development			
CDBG—Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218		7,290,310

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
ARRA—Community Development Block Grant ARRA Entitlement Grants (CDBG-R)—(Recovery Act Funded)	14.253		\$ 464,018
Total CDBG—Entitlement Grants Cluster			<u>7,754,328</u>
Emergency Shelter Grants Program	14.231		91,071
HOME Investment Partnerships Program	14.239		3,709,371
ARRA—Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257		113,297
Public and Indian Housing	14.850		2,892,228
Resident Opportunity and Supportive Services— Service Coordinators	14.870		60,849
Section 8 Housing Choice Vouchers	14.871		14,015,637
CFP Cluster:			
Public Housing Capital Fund (CFP)	14.872		631,911
ARRA—Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885		<u>1,443,669</u>
Total CFP Cluster			<u>2,075,580</u>
Lead-Based Paint Hazard Control in Privately-Owned Housing, passed through the City of Phoenix	14.900	125739	17,200
ARRA—Lead-Based Paint Hazard Control in Privately- Owned Housing, passed through the City of Phoenix	14.900	1126719	<u>76,942</u>
Total Lead-Based Paint Hazard Control in Privately-Owned Housing			<u>94,142</u>
Total U.S. Department of Housing and Urban Development			<u>30,806,503</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		2,652,085
Distribution of Receipts to State and Local Governments, passed through the Arizona State Treasurer	15.227	None	9,304
National Fire Plan—Wildland Urban Interface Community Fire Assistance, passed through the Wickenburg Fire Department	15.228	L08AC13026	20,000
Challenge Cost Share	15.238		<u>17,021</u>
Total U.S. Department of the Interior			<u>2,698,410</u>
U.S. Department of Justice			
Juvenile Accountability Block Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.523	JB-CSG-08-9273-05, JB-CSG-09-0273-04	212,481
Juvenile Justice and Delinquency Prevention—Allocation to States, passed through the Arizona Governor's Office for Children, Youth and Families	16.540	J2-CSG-07-8182-12, J2-CSG-08-8182-12, J5-CSG-08-8182-00	132,229

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
National Criminal History Improvement Program (NCHIP), passed through the Arizona Criminal Justice Commission	16.554	NCP09-10-116	\$ 266,248
National Institute of Justice Research, Evaluation, and Development Project Grants, passed through the Arizona Department of Public Safety	16.560	2008-154	1,830
National Institute of Justice Research, Evaluation, and Development Project Grants, passed through the Arizona Criminal Justice Commission	16.560	IDM-10-001	29,934
Total National Institute of Justice Research, Evaluation, and Development Project Grants			31,764
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2009-VA-GX-0060	50,144
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-09-056	391,362
ARRA—Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-10-056	278,493
Total Crime Victim Compensation			669,855
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		175,912
Crime Victim Assistance/Discretionary Grants, passed through the National Association of VOCA Assistance Administrators	16.582	10-138	5,000
Residential Substance Abuse Treatment for State Prisoners, passed through the Arizona Criminal Justice Commission	16.593	RSAT-09-004, RSAT-10-001	42,966
Community Capacity Development Office, passed through the City of Phoenix	16.595	124974, 124978	7,940
Bulletproof Vest Partnership Program	16.607		71,657
Project Safe Neighborhoods, passed through the Arizona Criminal Justice Commission	16.609	PSN-09-009	32,364
Public Safety Partnership and Community Policing Grants	16.710		198,934
Enforcing Underage Drinking Laws Program, passed through the Arizona Governor's Office of Highway Safety	16.727	2010-OJJDP-003	17,500
Edward Byrne Memorial Justice Assistance Grant Program	16.738		2,220,143
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	DC-09-027	25,832
Total Edward Byrne Memorial Justice Assistance Grant Program			2,245,975
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		95,000
Paul Coverdell Forensic Sciences Improvement Grant Program, passed through the Arizona Criminal Justice Commission	16.742	CV-09-003, CV-10-002	26,742
Total Paul Coverdell Forensic Sciences Improvement Grant Program			121,742

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Anti-Gang Initiative, passed through the Arizona Criminal Justice Commission	16.744	ANTI-GANG-09-001	\$ 85,764
Southwest Border Prosecution Initiative Program	16.755		700,742
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories, passed through the Arizona Criminal Justice Commission	16.803	DC-10-021, DC-10-033	2,927,129
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		9,614,785
ARRA—Recovery Act—Edward Byrne Memorial Competitive Grant Program	16.808		469,184
ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program	16.809		254,780
U.S. Marshals Service District Fugitive Apprehension Task Force	16.09-08-0682		14,969
U.S. Marshals Service District Fugitive Apprehension Task Force	16.09-08-0835		17,831
Financial Crimes/Mortgage Fraud Task Force	16.290-PX-C81654		16,847
ITOS I Joint Terrorism Task Force	16.415-PX-A54566-S/LMOU		17,013
Joint Terrorism Task Force	16.66F-PX-A54566-S/LMOU		15,075
Desert Hawk Violent Crime Task Force	16.88A-PX-46088		39,854
Federal Equitable Sharing Agreement	16.AZ0070000		555,406
Organized Crime Drug Enforcement Task Forces	16.SWAZ0442		15,721
Arizona Wanted	16.unknown		5,305
DEA Task Force	16.unknown		7,675
Total U.S. Department of Justice			<u>19,040,791</u>
U.S. Department of Labor			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	DE081290001, DE101047, DE070298001	1,859,313
ARRA—WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	DE091201001	1,217,745
Total WIA Adult Program			<u>3,077,058</u>
WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	DE081290001, DE101047, E5706007, DE070298001	2,602,847

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
ARRA—WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	DE091201001	\$ 1,754,946
Total WIA Youth Activities			<u>4,357,793</u>
WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	DE081290001, DE101047001	2,227,265
ARRA—WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	DE091201001	<u>2,228,369</u>
Total WIA Dislocated Workers			<u>4,455,634</u>
Total WIA Cluster			<u>11,890,485</u>
Incentive Grants—WIA Section 503, passed through the Arizona Department of Economic Security	17.267	DE091093-01	<u>11,537</u>
Total U.S. Department of Labor			<u>11,902,022</u>
U.S. Department of Transportation			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	CM-MMA-0(204)X, CM-MMA (043)A, CM-MMA (046)A, CM-MMA (047)A, ER-MMA-0(203), JPA 09-002M, JPA 10-006T, JPA 03-122, ITS 999-M(001)	5,238,293
ARRA—Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	ARRA-MMA-0(201)A	552,384
Highway Planning and Construction, passed through the Maricopa Association of Governments	20.205	C-85-10-013-3-00, C-85-10-027-G-00, 262, 412	<u>968,411</u>
Total Highway Planning and Construction			<u>6,759,088</u>
Highway Safety Cluster:			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2008-PT-014, 2009-OP-001, 2010-AI-006, 2010-AI-007, 2010-PT-020, 2010-PT-021	167,922
Alcohol Impaired Driving Countermeasures Incentive Grants I, passed through the Arizona Governor's Office of Highway Safety	20.601	2008-410-028, 2008-410-047, 2010-410-029, 2010-410-030, 2010-410-047	<u>199,134</u>
Total Highway Safety Cluster			<u>367,056</u>
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants, passed through the Arizona Governor's Office of Highway Safety	20.614	2009-NG-009	16,466

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Interagency Hazardous Materials Public Sector Training and Planning Grants, passed through the Arizona Emergency Response Commission	20.703	HM-HMP-0044-09-01-00	\$ 1,376
Total U.S. Department of Transportation			<u>7,143,986</u>
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		1,018,005
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		<u>94,052</u>
Total U.S. Environmental Protection Agency			<u>1,112,057</u>
U.S. Department of Energy			
Weatherization Assistance for Low-Income Persons, passed through the Arizona Department of Commerce	81.042	C051-09-03	131,555
ARRA—Weatherization Assistance for Low-Income Persons, passed through the Arizona Department of Commerce	81.042	C037-09-03	<u>2,600,655</u>
Total Weatherization Assistance for Low-Income Persons			<u>2,732,210</u>
ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		<u>523,548</u>
Total U.S. Department of Energy			<u>3,255,758</u>
U.S. Department of Education			
Adult Education—Basic Grants to States, passed through the Arizona Department of Education	84.002	10FAEABE-070694-01A, 10FAEAEF-070694-02A	251,791
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	09FESSCG-970692-02A, 10FESSCG-070692-02A, 10FESCBG-070692-01A	60,969
Safe and Drug-Free Schools and Communities—State Grants, passed through the Arizona Department of Education	84.186	09FSDIVB-960738-02A, 10FSDIVB-060738-02A	13,318
Education Technology State Grants, passed through Pima County	84.318	09FETSTP-960950-09A, 10FETSTP-060950-04A	163,411
English Language Acquisition Grants, passed through the Arizona Department of Education	84.365	09FACENG-970696-04A, 10FACENG-070696-02A	121,518
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	09FAAAZE-970696-02A, 10FAAAZE-070696-03A	<u>78,213</u>
Total U.S. Department of Education			<u>689,220</u>

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services			
Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers, passed through Area Agency on Aging	93.044	2009-30-MCH	\$ 324,098
Public Health Emergency Preparedness, passed through the Arizona Department of Health Services	93.069	HG754199	6,725,001
Project Grants and Cooperative Agreements for Tuberculosis Control Programs, passed through the Arizona Department of Health Services	93.116	HG852310	260,941
Consolidated Health Centers (Health Care for the Homeless)	93.224		2,471,817
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243		105,381
Immunization Cluster:			
Immunization Grants, passed through the Arizona Department of Health Services	93.268	HG352193, HG854288	1,795,083
ARRA—Immunization, passed through the Arizona Department of Health Services	93.712	HG854288	183,049
Total Immunization Cluster			<u>1,978,132</u>
Substance Abuse and Mental Health Services—Access to Recovery, passed through the Arizona Governor's Office for Children, Youth and Families	93.275	AR-GSA-09-9273-02	543,496
Drug Abuse and Addiction Research Programs, passed through Arizona State University	93.279	09-031, 10-315	20,944
Centers for Disease Control and Prevention—Investigations and Technical Assistance	93.283		35,794
Centers for Disease Control and Prevention—Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	HQ953297	35,476
Total Centers for Disease Control and Prevention— Investigations and Technical Assistance			<u>71,270</u>
Promoting Safe and Stable Families, passed through the Child and Family Resources, Inc.	93.556	4375068	6,692
Temporary Assistance for Needy Families, passed through the Arizona Department of Economic Security	93.558	E6306005	448,369
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	G 02-04-AZ-4004, G 04-04-AZ-4004	2,088,123
Low-Income Home Energy Assistance, passed through the Arizona Department of Economic Security	93.568	E6306005	2,732,899
Low-Income Home Energy Assistance, passed through the Arizona Department of Commerce	93.568	C052-09-03	542,310
Total Low-Income Home Energy Assistance			<u>3,275,209</u>

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
CSBG Cluster:			
Community Services Block Grant, passed through the Arizona Department of Economic Security	93.569	E6306005, DE111071001	\$ 567,605
ARRA—Community Services Block Grant, passed through the Arizona Department of Economic Security	93.710	E6306005	1,009,463
Total CSBG Cluster			<u>1,577,068</u>
Refugee and Entrant Assistance—Discretionary Grants, passed through the Arizona Department of Economic Security	93.576	E6305001, DE101038001	2,261,072
Head Start Cluster:			
Head Start	93.600		19,677,727
ARRA—Head Start	93.708		1,494,520
ARRA—Early Head Start	93.709		755,589
Total Head Start Cluster			<u>21,927,836</u>
Voting Access for Individuals with Disabilities—Grants to States, passed through the Arizona Secretary of State	93.617	HHS-2006-ACF-ADD- VOTE-0135	559,943
Social Services Block Grant, passed through Area Agency on Aging	93.667	2009-30-MCH	147,317
ARRA—Grants to Health Center Programs	93.703		188,489
National Bioterrorism Hospital Preparedness Program, passed through the Arizona Department of Health Services	93.889	HG754199	8,832
HIV Emergency Relief Project Grants	93.914		8,116,477
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs, passed through the Arizona Department of Health Services	93.919	HG761266	275,021
Healthy Start Initiative	93.926		471,976
HIV Prevention Activities—Health Department Based, passed through the Arizona Department of Health Services	93.940	HG652198	495,902
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance, passed through the Arizona Department of Health Services	93.944	HG652198	150,111
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Department of Health Services	93.977	HG854317, HG854321	486,206
Preventive Health and Health Services Block Grant, passed through the Arizona Department of Health Services	93.991	HG854371	133,952
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	HG754060, HG861344, HP961245	1,013,174
Total U.S. Department of Health and Human Services			<u>56,132,849</u>

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Homeland Security			
Pre-Disaster Mitigation (PDM) Competitive Grants (2004), passed through the Arizona Department of Emergency Management	97.017	PDMC-PL-09-AZ-2008-02	\$ 25,000
Emergency Management Performance Grants, passed through the Arizona Department of Emergency and Military Affairs	97.042	None	453,568
Cooperating Technical Partners	97.045		547,626
Homeland Security Grant Program, passed through the Arizona Department of Emergency and Military Affairs	97.067	2007-GE-T7-0006, 222207-12	2,552
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	333201-02, 333201-03, 333212-01, 333212-02 333212-04, 333212-05, 333803-03, 444201-01, 444207-01, 444817-01, 444817-02, 444817-03, 444817-04, 444817-05, 444817-06, 444817-07, 555200-01, 555200-02, 555208-01, 555208-03, 555811-01, 555811-02, 555811-03	601,696
Total Homeland Security Grant Program			<u>604,248</u>
Buffer Zone Protection Program (BZPP), passed through the Arizona Department of Homeland Security	97.078	444207-02, 444207-03, 444207-04	304,772
Homeland Security Biowatch Program	97.091		402,789
Disaster Housing Assistance Grant	97.109		<u>3,128</u>
Total U.S. Department of Homeland Security			<u>2,341,131</u>
Total Expenditures of Federal Awards			<u>\$ 151,238,722</u>

See accompanying notes to schedule.

Maricopa County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

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), and Distribution of Receipts to State and Local Governments (15.227). 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 \$5,376 for the School Breakfast Program (10.553), \$8,779 for the National School Lunch Program (10.555), and \$50,574 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 2010 *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 agency identifier, 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
Community Development Block Grants/Entitlement Grants	14.218	\$1,432,259
Emergency Shelter Grants Program	14.231	81,000
HOME Investment Partnerships Program	14.239	3,527,622
ARRA—Community Development Block Grant ARRA Entitlement Grants (CDBG-R)—(Recovery Act Funded)	14.253	458,135
ARRA—Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	113,297
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	31,427

Maricopa County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

Program Title	CFDA Number	Amount
Public Safety Partnership and Community Policing Grants	16.710	\$ 198,934
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2,087,836
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	16.803	163,422
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	9,071,918
WIA Youth Activities	17.259	1,962,812
ARRA—WIA Youth Activities	17.259	1,744,180
Highway Planning and Construction	20.205	345,667
Weatherization Assistance for Low-Income Persons	81.042	128,546
ARRA—Weatherization Assistance for Low-Income Persons	81.042	2,288,775
ARRA—Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	294,447
Consolidated Health Centers (Health Care for the Homeless)	93.224	133,762
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	79,733
Immunization Grants	93.268	209,082
Centers for Disease Control and Prevention—Investigations and Technical Assistance	93.283	35,794
Low-Income Home Energy Assistance	93.568	852,885
Community Services Block Grant	93.569	57,135
Head Start	93.600	7,318,885
ARRA—Head Start	93.708	683,779
ARRA—Early Head Start	93.709	226,389
ARRA—Community Services Block Grant	93.710	1,009,463
HIV Emergency Relief Project Grants	93.914	6,260,884
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	142,960
Maternal and Child Health Services Block Grant to the States	93.994	208,350
Homeland Security Grant Program	93.067	43,199
Total Awards to Subrecipients		<u>\$41,192,577</u>

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Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified	
	Yes	No
Internal control over financial reporting:		
Material weaknesses identified?	<u> X </u>	<u> </u>
Significant deficiencies identified?	<u> X </u>	<u> </u>
Noncompliance material to the financial statements noted?	<u> </u>	<u> X </u>

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	<u> X </u>	<u> </u>
Significant deficiencies identified?	<u> X </u>	<u> </u>
Type of auditors' report issued on compliance for major programs:		
Unqualified for all major programs except for the Special Supplemental Nutrition Program for Women, Infants, and Children; the CDBG—Entitlement Grants Cluster; and the ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories, which were qualified.		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u> X </u>	<u> </u>

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
14.218, 14.253	CDBG—Entitlement Grants Cluster
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
14.872, 14.885	CFP Cluster
16.803	ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Financial Statement Findings

Financial statement findings were reported in the separately issued 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*.

Federal Award Findings and Questioned Costs

10-101

CFDA No.: 10.557 **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**
U.S. Department of Agriculture

Passed through the Arizona Department of Health Services

Award Period/Award Numbers: October 1, 2007 through September 30, 2012, HG861080
October 1, 2008 through September 30, 2013, HG961186
October 1, 2009 through September 30, 2010, HG050026

Davis-Bacon Act and Procurement and Suspension and Debarment

Questioned Cost: Unknown

Criteria: According to the Davis-Bacon Act, as set forth in 29 Code of Federal Regulations (CFR) §5, the County must require all contractors and subcontractors who are awarded more than \$2,000 in federal monies for construction and minor remodeling projects to pay wages at least equal to rates prevailing for similar projects in the area, as determined by the U.S. Secretary of Labor.

According to federal procurement requirements as set forth in 7 CFR §3016.36, the County should use an approved procurement method to purchase construction services, not impose local geographical preferences in the evaluation of vendors, and include the required contract provisions.

Condition and context: The County's Public Health Department spent \$12.3 million in program monies during the year, \$873,614 of which was spent to construct a new WIC clinic. The County was required to comply with Davis-Bacon Act requirements according to correspondence received by the auditors from the federal grantor; however, it did not ensure that the contractors and subcontractors working on this construction project were paid at prevailing wage rates. In addition, the County procured the vendor for constructing the new clinic without ensuring the contract met the federal requirements. Only one such construction contract was entered into during the year for this program.

Effect: The County was in noncompliance with 29 CFR §5 and 7 CFR §3016.36. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control and material noncompliance with the program's Davis-Bacon Act and procurement and suspension and debarment requirements.

Cause: The County believed that the Davis-Bacon Act requirements were not applicable to the program. Further, federal guidelines were not followed for procurement because there was a lack of communication within the County to inform the appropriate people that this project included federal monies.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Recommendation: To help ensure that the County complies with the Davis-Bacon Act requirements, it should require contractors and subcontractors who are awarded federal monies exceeding \$2,000 to pay employees the prevailing wage rates established by the U.S. Department of Labor. To accomplish this, the County should include the prevailing wage rate contract clauses defined in 29 CFR §5 and request and review contractors' and subcontractors' payroll certification reports to verify that prevailing wages were paid. If the County determines that the contractors or subcontractors did not pay prevailing wages or if the County does not receive payroll certification reports, it should withhold payment until the requirements are met.

To help ensure that the County complies with the procurement requirements, the Public Health department should make the procurement department aware of all funding requirements, so that it can comply with them and add all of the required contract clauses.

10-102

CFDA No.: 10.557 **Special Supplemental Nutrition Program for Women, Infants, and Children**

U.S. Department of Agriculture

Passed through the Arizona Department of Health Services

Award Period/Award Numbers: October 1, 2007 through September 30, 2012, HG861080

October 1, 2008 through September 30, 2013, HG961186

October 1, 2009 through September 30, 2010, HG050026

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

20.205 ARRA—Highway Planning and Construction

U.S. Department of Transportation

Passed through the Arizona Department of Transportation and the Maricopa Association of Governments

Award Period/Award Numbers: June 24, 2004 through indefinite, JPA 03-122

August 22, 2005 through indefinite, CM-MMA (043)A

March 20, 2007 through indefinite, CM-MMA (047)A

September 8, 2008 through indefinite, CM-MMA-0(204)X

October 1, 2008 through September 30, 2009, 262

December 30, 2008 through December 30, 2010, JPA 09-002M

July 1, 2009 through September 30, 2011, ARRA-MMA-0(201)A

September 3, 2009 through indefinite, ITS 999-M(001)

October 1, 2009 through September 30, 2010, 412

November 19, 2009 through November 19, 2011, JPA 10-006T

December 10, 2009 through December 10, 2010, C-85-10-013-3-00

March 4, 2010 through September 30, 2010, C-85-10-027-G-00

No award period, CM-MMA (046)A

No award period, ER-MMA-0(203)

Procurement and Suspension and Debarment

Questioned Cost: None

Criteria: In accordance with 7 CFR §3017.300 and 2 CFR §180.300, when a nonfederal entity enters into a procurement transaction that is expected to equal or exceed \$25,000 or makes a subaward to a subrecipient regardless of award amount, the nonfederal entity must verify that the entity is not suspended

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), obtaining a certification from the vendor or subrecipient, or adding a clause or condition to the contract. Further, 7 CFR §3016.35 and 49 CFR §18.35 states that grantees and subgrantees must not make any award to or contract with any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs.

Condition and context: The County's Department of Public Health and Department of Transportation did not establish adequate procedures to verify that vendors providing goods and services paid with federal monies had not been suspended or debarred, or otherwise excluded, from federal contracts. Specifically, auditors noted instances of noncompliance with this requirement for all five vendors tested for the WIC program and three of four vendors tested for the Highway Planning and Construction program. Auditors performed additional procedures and expanded test work to select all vendors for the WIC and the Highway Planning and Construction programs and did not note any questioned costs as a result of this finding since no payments were made to suspended or debarred vendors. Further, this finding did not affect any ARRA—Highway Planning and Construction monies since the Department included a clause in that contract.

Effect: Payments could be made to suspended or debarred vendors. This finding is a material weakness in internal control over compliance and noncompliance with the WIC and Highway Planning and Construction programs' procurement and suspension and debarment requirement. This finding has the potential to affect other federal programs the County administers.

Cause: The departments did not have training on this compliance requirement, and there was a lack of communication between county administration and the various departments.

Recommendation: The departments should establish procedures to document their determinations that vendors being paid over \$25,000 in federal monies have not been suspended or debarred from doing business with governmental entities. This verification may be accomplished by checking the *EPLS* maintained by the GSA, obtaining vendor certifications, or adding clauses or conditions to the contracts. In addition, the departments should review all contracts that were entered into prior to the County's including a clause in the contract regarding suspension and debarment and make sure that the vendors were not suspended or debarred.

This finding is similar to a prior-year finding.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

10-103

CDBG—Entitlement Grants Cluster

CFDA No.: 14.218 Community Development Block Grants/Entitlement Grants

14.253 ARRA—Community Development Block Grant ARRA Entitlement Grants (CDBG-R)—
(Recovery Act Funded)

U.S. Department of Housing and Urban Development

Award Period/Award Numbers: March 19, 2009 through March 19, 2013, B-08-04-0501

June 4, 2009 through September 30, 2012, B-09-UY-04-0501

July 1, 2009 through June 30, 2010, B-09-UC-04-0501

Reporting

Questioned Cost: None

Criteria: According to the Guidelines for Preparing Consolidated Plan and Performance and Evaluation Report Submissions for Local Jurisdictions, the County's Department of Human Services is required to submit an updated CDBG Financial Summary Report (C04PR26) and must provide the CDBG Activity Summary Report (C04PR03) to citizens in order to satisfy annual performance report requirements for its Consolidated Plan as required by 24 CFR §91.520. In addition, a supervisor should review all reports to help ensure the data reported is accurate and complete before the Department submits the reports.

Condition and context: The Department used the Integrated Disbursement and Information System (IDIS) to prepare the activity summary and financial summary reports. However, the Department did not accurately prepare and review these reports. As a result, auditors noted the following errors:

- On the activity summary report, the amount drawn did not agree to the Department's accounting records for 9 of 16 activities reported, and one activity that had \$196,707 drawn during the program year was excluded.
- The financial summary report contained numerous discrepancies. For example, required data elements, such as the unexpended CDGB monies at the end of the previous program year and the low/moderate benefit for multi-year certifications, were not included in the report. In addition, supporting documentation was not maintained to support the adjustments to the administrative costs, the adjustment made to compute total expenditures was inaccurate, and totals were not calculated accurately.

In addition, the activity summary report was not made available to citizens for its CDBG-funded activities. Further, while performing other reporting test work, auditors noted that there was no documentary evidence that the annual Section 3 Summary report was reviewed before it was submitted. This finding did not affect the ARRA program.

Effect: The federal grantor may be relying on inaccurate financial data. This finding is a material weakness in internal control over compliance and material noncompliance with the Cluster's reporting requirements.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Cause: Improperly designed procedures were in place for processing drawdown requests near the start of the new plan year, which affected the activity summary report and procedures were not followed for ensuring that correct financial data was reported on the financial summary report. In addition, the activity summary report for the CDBG-funded activities was inadvertently excluded from the program year 2009 Consolidated Plan Annual Performance Report and not made available to citizens through other means.

Recommendation: To help ensure that the correct program year expenditures are reported, employees should select the prior year option when drawing down monies, if the expenditures pertain to the prior award period. In addition, a supervisor should perform and document his review of reports for accuracy and completeness and ensure the citizens are provided with the reports needed to satisfy annual performance report requirements for the Consolidated Plan under 24 CFR §91.520.

10-104

CFDA No.: 16.803 **ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG)**
Program/Grants to States and Territories

U.S. Department of Justice

Passed through the Arizona Criminal Justice Commission

Award Period/Award Numbers: July 1, 2009 through June 30, 2011, DC-10-021 and DC-10-033

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Procurement and Suspension and Debarment

Questioned Cost: Unknown

Criteria: OMB Circular A-133, §.310, requires that the Schedule of Expenditures of Federal Awards (SEFA) present the total federal awards expended for each federal program. Further, the County should ensure that federal monies are expended on allowable activities and allowable costs. Additionally, in accordance with 28 CFR §66.36 (b)(9), the County should maintain records sufficient to detail the significant history of a procurement. Lastly, in accordance with 2 CFR §180.300, the County must verify when entering into a procurement transaction that the vendor is not suspended or debarred from doing business with governmental entities before making a purchase that is expected to equal or exceed \$25,000 that will be paid with federal monies.

Condition and context: The County reported \$2,351,861 of expenditures on the SEFA for this program passed through from the Arizona Criminal Justice Commission (ACJC). Auditors reviewed the financial reports submitted to the ACJC for fiscal year 2010 and determined that the County Attorney's Office reported \$575,268 in program income and related expenditures to ACJC; however, these expenditures were not reported on the SEFA. In addition, the County Attorney's Office did not have controls in place to review expenditures made with program income monies to help ensure they were spent on allowable activities and allowable costs. Further, for two out of five procurement transactions tested, the County Attorney's Office did not retain documentation to support the procurement and for four of these transactions it did not retain documentation that the selected vendors were not suspended or debarred from doing business with governmental entities. However, auditors performed additional procedures and determined that these vendors were not suspended or debarred.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Effect: By not properly identifying and accounting for all expenditures related to this program, the County understated its expenditures on the SEFA by \$575,268, or approximately 24 percent, for this program. The County adjusted its SEFA for this understatement. Further, the County Attorney's Office may not have received the best price for goods and services if procurement was not properly performed. In addition, expenditures could be made for unallowable activities or costs and payments could be made to suspended or debarred vendors. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance with the program's activities allowed or unallowed, allowable costs/cost principles, and procurement and suspension and debarment requirements, and material noncompliance with procurement and suspension and debarment requirements. This finding is also a significant deficiency in internal control over compliance and noncompliance with OMB Circular A-133, §.310.

Cause: The County Attorney's Office was not aware that the program income was considered federal monies and, therefore, did not follow the appropriate requirements related to these monies.

Recommendation: The County should implement internal control policies and procedures to help ensure that all expenditures of federal monies are identified and reported on its SEFA. In addition, expenditures of federal monies should be reviewed and approved by a responsible official to help ensure they are spent only for allowable activities and allowable costs. Further, the County Attorney's Office should retain documentation of its procurement transactions and document that vendors being paid over \$25,000 in federal monies have not been suspended or debarred from doing business with governmental entities. This verification may be accomplished by checking the excluded parties list system, obtaining a certification from the vendor, or adding a clause or condition to the contract.

10-105

WIA Cluster

CFDA No.: 17.258 **WIA Adult Program**, 17.258 **ARRA—WIA Adult Program**

17.259 **WIA Youth Activities**, 17.259 **ARRA—WIA Youth Activities**

17.260 **WIA Dislocated Workers**, 17.260 **ARRA—WIA Dislocated Workers**

U.S. Department of Labor

Passed through the Arizona Department of Economic Security

Award Period/Award Numbers: April 1, 2006 through June 30, 2009, E5706007

April 1, 2007 through June 30, 2010, DE070298001

April 1, 2008 through June 30, 2011, DE081290001

February 17, 2009 through June 30, 2011, DE091201001

April 1, 2009 through June 30, 2012, DE101047

Cash Management, Earmarking, and Reporting

Questioned Cost: \$21,466

Criteria: In accordance with 29 CFR §97.20(b)(1-2,6), accurate, current, and complete disclosure of the financial results of federally-assisted activities must be made in accordance with the grant's financial reporting requirements. Grantees must maintain records that adequately identify the source and application of monies provided for federally-assisted activities and accounting records must be supported by source documentation. In addition, when entities are funded on a reimbursement basis, program costs must be paid for with entity monies before reimbursement is requested from the grantor.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Further, in accordance with 20 CFR §664.320, 30 percent of youth activity monies allocated to a local area under WIA section 128(b)(2)(A) or (b)(3) must be used to provide services to out-of-school youth.

Condition and context: The County's Department of Human Services spent \$11,890,485 of WIA Cluster monies during the fiscal year. The Department reported the expenditures monthly to the Arizona Department of Economic Security (DES) and had a procedure in place to review the financial reports prior to submission. However, the Department did not always maintain complete records to help identify monies to be reimbursed or appropriately review the reports prior to submission. Specifically, auditors noted the following errors:

- For 2 of 33 reports tested, disbursements to date did not agree to the September 30, 2009 accounting records by \$1,466 and \$7,265, resulting in excess cash on hand.
- For 1 of 33 reports tested, revenues recorded in the accounting system exceeded reimbursements reported by \$21,466. The Department could not verify what these revenues related to and subsequently transferred these monies out of the Cluster to an indirect cost account.
- For two of six youth reports tested, the out-of-school and in-school youth expenditure line items used for earmarking purposes were not accurately reported and did not agree to supporting documentation. Total expenditures on these reports were reported accurately.

Effect: The Department had an excess cash balance of \$8,731 on September 30, 2009. Auditors performed additional work and determined that the excess cash had been spent in October 2009 and any potential interest accrued on the cash balances would be immaterial. In addition, the County could spend \$21,466 of federal monies on activities not directly related to the WIA Cluster. Further, there was the potential that the earmarking requirements may not have been met; however, auditors performed additional work and determined that the Department was in compliance with the earmarking requirements for the year ended June 30, 2010. This finding is a significant deficiency in internal control over compliance with the Cluster's cash management, earmarking, and reporting requirements and noncompliance with the Cluster's cash management and reporting requirements.

Cause: The Department's workload increased because of ARRA funding and, consequently, employees were not able to perform a thorough review of reports. Further, it is the Department's practice to transfer expenditures between funding sources to close out prior-period grants; however, the Department transferred expenditures that were previously drawn upon, creating excess cash.

Recommendation: The Department should ensure that supervisors review the reports for mathematical accuracy and compare amounts to supporting documentation. This documentation should also be retained with the report. Further, the Department should seek guidance from the DES on how to resolve the errors noted.

This finding is similar to a prior-year finding.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

10-106

CFDA No.: 20.205 **Highway Planning and Construction,**
20.205 **ARRA—Highway Planning and Construction**

U.S. Department of Transportation

Passed through the Arizona Department of Transportation and the Maricopa Association of Governments

Award Period/Award Numbers: June 24, 2004 through indefinite, JPA 03-122

August 22, 2005 through indefinite, CM-MMA (043)A

March 20, 2007 through indefinite, CM-MMA (047)A

September 8, 2008 through indefinite, CM-MMA-0(204)X

October 1, 2008 through September 30, 2009, 262

December 30, 2008 through December 30, 2010, JPA 09-002M

July 1, 2009 through September 30, 2011, ARRA-MMA-0(201)A

September 3, 2009 through indefinite, ITS 999-M(001)

October 1, 2009 through September 30, 2010, 412

November 19, 2009 through November 19, 2011, JPA 10-006T

December 10, 2009 through December 10, 2010, C-85-10-013-3-00

March 4, 2010 through September 30, 2010, C-85-10-027-G-00

No award period, CM-MMA (046)A

No award period, ER-MMA-0(203)

Davis-Bacon Act

Questioned Cost: Unknown

Criteria: Under Section 1606 of the American Recovery and Reinvestment Act (ARRA) of 2009, the Davis-Bacon Act applies to all ARRA-funded highway construction projects regardless of location. As set forth in 40 USC 3141 through 3145, the Davis-Bacon Act requires all laborers employed by contractors or subcontractors who are funded with federal monies to be paid prevailing wage rates established by the U.S. Department of Labor. In addition, the Davis-Bacon Act includes a requirement for the contractor or subcontractor to submit weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance.

Condition and context: During fiscal year 2010, the Department of Transportation paid contractors and subcontractors approximately \$471,524 over a period of 24 weeks for work performed on an ARRA-funded highway project, award number ARRA-MMA-0(201)A. The Department included standard language in its construction contracts requiring the payment of prevailing wages. However, while gaining an understanding of internal control over the Davis-Bacon Act requirements, auditors determined the Department did not perform a timely review of the certified payrolls submitted by the contractors and subcontractors. Specifically, even though construction work started in October 2009, the Department performed a one-time review of the certified payrolls just prior to completion of the project in March 2010.

Effect: Noncompliance with the Davis-Bacon Act requirements could occur and not be detected in a timely manner. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance with the program's Davis-Bacon Act requirements.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Cause: The Department lacked an understanding of the Davis-Bacon Act requirements associated with the ARRA highway project since the project did not relate to a federal highway and there was a lack of communication between the Department and the pass-through grantor.

Recommendation: The Department should establish policies and procedures to review the certified payrolls on a timely basis to ensure the contractors or subcontractors were paying prevailing wage rates.

10-107

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

20.205 **ARRA—Highway Planning and Construction**

U.S. Department of Transportation

Passed through the Arizona Department of Transportation and the Maricopa Association of Governments

Award Period/Award Numbers: June 24, 2004 through indefinite, JPA 03-122

August 22, 2005 through indefinite, CM-MMA (043)A

March 20, 2007 through indefinite, CM-MMA (047)A

September 8, 2008 through indefinite, CM-MMA-0(204)X

October 1, 2008 through September 30, 2009, 262

December 30, 2008 through December 30, 2010, JPA 09-002M

July 1, 2009 through September 30, 2011, ARRA-MMA-0(201)A

September 3, 2009 through indefinite, ITS 999-M(001)

October 1, 2009 through September 30, 2010, 412

November 19, 2009 through November 19, 2011, JPA 10-006T

December 10, 2009 through December 10, 2010, C-85-10-013-3-00

March 4, 2010 through September 30, 2010, C-85-10-027-G-00

No award period, CM-MMA (046)A

No award period, ER-MMA-0(203)

Cash Management and Reporting

Questioned Cost: Unknown

Criteria: In accordance with 49 CFR §18.20(b)(3), effective controls and accountability must be maintained over federal monies to ensure that they are used solely for authorized purposes. Therefore, responsibilities for reporting and cash management should be separated so that no one employee is responsible for compiling, approving, and submitting reports to draw down federal monies.

Condition and context: The County's Department of Transportation did not establish adequate procedures to ensure that requests for reimbursement were reviewed and approved prior to submission. While gaining an understanding over the program's internal controls, auditors determined that one employee was responsible for compiling, approving, and submitting the reimbursement requests during the period of July 2009 through April 2010. Further, this finding did not affect any ARRA—Highway Planning and Construction monies received by the Department since this reimbursement request occurred after April 2010 and a second employee reviewed the request.

Effect: The Department could request reimbursement for unallowed activities and receive federal monies that it is not entitled to. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding is a material weakness in internal control over compliance with the program's cash management and reporting requirements.

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Cause: Prior to May 2010, the Department had not fully established procedures for reviewing reimbursement requests. The Department believed that its reconciliation of cash receipts to the budget for all programs was adequate; however, it did not prepare this reconciliation at the program level.

Recommendation: In May 2010, the Department established a procedure requiring a second employee to review reimbursement requests for accuracy before submitting them to the grantor. The Department should continue this practice.

This finding is similar to a prior-year finding.

10-108

CFDA No.: 81.042 **Weatherization Assistance for Low-Income Persons**

81.042 **ARRA—Weatherization Assistance for Low-Income Persons**

U.S. Department of Energy

Passed through the Arizona Department of Commerce

Award Period/Award Numbers: July 1, 2009 through June 30, 2010, C051-09-03

July 31, 2009 through March 31, 2012, C037-09-03

Cash Management and Reporting

Questioned Cost: \$1,727

Criteria: In accordance with 2 CFR §215.21(b)(1-2), financial management systems shall provide accurate, current, and complete disclosure of the financial results of each federally sponsored project or program in accordance with the grant's financial reporting requirements. Additionally, grantees must maintain records that adequately identify the source and application of monies provided for federally sponsored activities. In addition, OMB Circular A-133 Compliance Supplement (3)(C)(1) states that when entities are funded on a reimbursement basis, program costs must be paid for with entity monies before reimbursement from the pass-through entity.

Condition and context: The County's Department of Human Services had a procedure in place to review the financial reports prior to submission. However, for 1 of 5 financial reports tested, the report was not appropriately reviewed and auditors noted errors. Specifically, monthly reported expenditures exceeded actual expenditures in the accounting system by \$1,727 because of the following errors:

- An estimate was used for indirect costs because the journal voucher had not been posted to the accounting system, resulting in an understatement of \$1,492 in reported expenditures.
- Amounts accumulated directly from the accounting system were incorrectly calculated, resulting in an overstatement of \$3,219 in reported expenditures.

Further, the Department reported \$1,510 in expenditures from its subrecipient in the incorrect budget line items on the financial report.

Effect: The Department received a \$1,727 reimbursement with no corresponding expenditures and did not report accurate expenditures by budget line item to its pass-through grantor. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. This finding is a significant deficiency in internal control over compliance and noncompliance with the program's cash management and reporting requirements.

Maricopa County
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Year Ended June 30, 2010

Cause: The Department's workload increased because of ARRA funding and, consequently, it was understaffed and employees were not able to perform a thorough review.

Recommendation: The Department should ensure expenditures reported to the Arizona Department of Commerce agree to its accounting system. Further, the Department should perform a detailed reconciliation of reported program expenditures for the award period to its accounting system to ensure monthly reimbursement requests were accurate and take appropriate corrective action based on the results of the reconciliation.

10-109

Head Start Cluster

CFDA No.: 93.600 **Head Start**

93.708 **ARRA—Head Start**

93.709 **ARRA—Early Head Start**

U.S. Department of Health and Human Services

Award Period/Award Numbers: September 30, 2008 through September 29, 2009, 90YD0225/02

July 1, 2009 through June 30, 2010, 09CH7096/44

July 1, 2009 through September 30, 2010, 09SE7096/01

September 30, 2009 through September 29, 2010, 90YD0225/03

September 30, 2009 through September 29, 2010, 09SH7096/01

November 1, 2009 through September 29, 2010, 09SA7096/01

Matching

Questioned Cost: Unknown

Criteria: In accordance with 45 CFR §1301.20, the County's Department of Human Services is required to provide at least 20 percent of the total cost of the program, which can include cash and in-kind matching contributions.

Condition and context: The Department recorded in-kind contributions in its ChildPlus database system using data from approved in-kind forms. However, the County did not ensure that in-kind data entered into the ChildPlus System was independently reviewed for accuracy. As a result, auditors noted that for 3 of the 54 in-kind contributions tested, the information recorded in the ChildPlus database system did not agree to the approved in-kind forms.

Effect: Failure to properly enter information into the County's ChildPlus database system could result in noncompliance with the County's matching requirements. It could also result in inaccurate data being submitted to the federal grantor. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. However, based on test work performed, auditors determined that the Department met the 20 percent contribution requirement. This finding is a material weakness in internal control over the Cluster's matching requirement.

Cause: The County did not have a procedure in place to review the accuracy of the in-kind data entered into the ChildPlus system.

Maricopa County
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Recommendation: To help ensure that the County is in compliance with its matching requirement and that the matching data submitted to the federal grantor is accurate, the County should develop procedures to review the in-kind information entered into its ChildPlus system. This review should be performed by someone who is not responsible for entering the data into the system.

10-110

Head Start Cluster

CFDA No.: 93.600 **Head Start**

93.708 **ARRA—Head Start**

93.709 **ARRA—Early Head Start**

U.S. Department of Health and Human Services

Award Period/Award Numbers: September 30, 2008 through September 29, 2009, 90YD0225/02

July 1, 2009 through June 30, 2010, 09CH7096/44

July 1, 2009 through September 30, 2010, 09SE7096/01

September 30, 2009 through September 29, 2010, 90YD0225/03

September 30, 2009 through September 29, 2010, 09SH7096/01

November 1, 2009 through September 29, 2010, 09SA7096/01

Reporting

Questioned Cost: None

Criteria: In accordance with Section 1512 of the Recovery Act, recipients must ensure accurate and complete reporting of Section 1512 data. Recipients should establish internal controls to ensure data quality, completeness, accuracy and timely reporting of all amounts funded by the Recovery Act. Further, recipients reporting Section 1512 data must initiate a review of the data both prior to and following the formal submission of data. Further, in accordance with OMB Guidance M-10-14, Updated Guidance on the American Recovery and Reinvestment Act, the County can correct the reported data for the immediately preceding reporting quarter after that reporting quarter has ended and after the data is published on the federal Web site.

Condition and context: The Department of Human Services had a review process in place to review the Section 1512 report; however, this review did not include ensuring the accuracy of amounts. For instance, for all three Section 1512 reports tested, auditors found errors in the amounts reported for subrecipients.

Effect: Not reviewing the accuracy of data on the Section 1512 report resulted in an overstatement of subrecipient expenditures by \$443,468. However, this did not affect the amount of funding the County received. This finding is a material weakness in internal control over compliance and noncompliance with the Cluster's reporting requirements.

Cause: The Department's review of the Section 1512 report did not consist of ensuring the accuracy of amounts reported due to oversight.

Recommendation: The Department should establish internal controls to ensure the accuracy of all amounts reported on the Section 1512 report. Further, the Department should initiate a review of the data both prior to and following the formal submission of data onto the federal Web site.

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Other auditors' findings:

The other auditors who audited the federal programs administered by the Housing Authority of Maricopa County (HAMC) reported the following findings:

Finding 10-111 – HUD Management and Financial Review

Public and Indian Housing – CFDA No. 14.850, Section 8 Housing Vouchers – CFDA No. 14.871, Public Housing Capital Fund – CFDA No. 14.872, Community Development Block Grants/ Entitlement Grants – CFDA No. 14.218; Grant periods – year ended June 30, 2010

Criteria

The Code of Federal Regulations, OMB Circular A-87, the HUD Handbook and the Annual Contributions Contract (ACC) provide guidelines for the allowable uses of HUD funds, and the administration and management of public housing authorities.

Condition, Cause and Effect

From March of 2010 through July of 2010, the HUD conducted a Management and Financial Review of the Authority's financial management, and administration and governance over operations. The Review resulted in the following findings:

- 1) Mismanagement of the Housing Choice Voucher Program
 - a. The Authority failed to bill and collect funds owed to them by other Housing Authorities in a timely manner during fiscal year 2008.
 - b. The decision to designate \$359,221 as Bad Debt Expense had an adverse effect on the Financial Data Schedule (FDS) HCV program Administrative Fee Equity computation (fiscal year ended 6/30/2008).
 - c. During fiscal year 2009, HAMC increased the number of housing choice vouchers issued beyond their ability to fund the increase, resulting in a HAP net asset deficit of \$69,803.
 - d. There was a significant difference between HAP expense reported in the Voucher Management System (VMS) and HAP expense reported in the general ledger for fiscal year 2009.
 - e. Income Statement accounts in the general ledger were not closed out at the end of the fiscal year ending 6/30/2009.
- 2) Misuse of Program Funds via the Housing Authority Credit Card
 - a. During fiscal years 2009 and 2010, the Authority paid for unallowable meals and social activities totaling \$4,225.
 - b. The HAMC credit card was used for frequent small purchases without attaining prior approval.
 - c. HAMC does not have a written policy for credit card use.
- 3) HAMC Expenditures of HUD Program Funds on Consultant Contracts Violated 2 CFR Part 225 (OMB Circular A-87) Cost Allowability Requirements and the Annual Contributions Contract (ACC)

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- a. HAMC expenditures from HUD Low-Income Public Housing funds for consultant contracts were for services that were not necessary and at prices that were not established as reasonable.
- 4) Severance Pay to Executive Director Did Not Meet Cost Allowability Requirements in 2 CFR Part 225, (OMB Circular A-87)
 - a. Upon the former Executive Director's resignation, HAMC paid him severance pay equal to three months salary without a policy or contractual obligation that would support a severance payment of this amount.
- 5) The Former Executive Director Violated Federal Procurement Requirements and HAMC Policy by Hiring Family Members for Repair Jobs
 - a. The former Executive Director contracted his brother and his son to perform various repair jobs totaling \$8,650.
- 6) Cost Allocations of Indirect Overhead Were Not Properly Distributed to All Programs
 - a. Expenditures for salaries and benefits of central office staff were not allocated to the Peoria Housing Authority contract of the Neighborhood Stabilization Program (NSP/CDBG) contract.
- 7) HAMC Did Not Have Executed General Depository Agreements
 - a. HAMC did not have executed General Depository Agreements (Form HUD 51999) for program bank accounts.
- 8) The HAMC Failed to Adequately Manage Cash Reserves to Maximize interest Income During Fiscal Year 2009
 - a. HAMC lost the opportunity to earn interest income in the amount of at least \$30,000 during fiscal year 2009.
- 9) Conflict of Interest Violation
 - a. In April of 2009, the then Interim Executive Director (also a principal of World Class Services) signed two agreements with the Authority, to provide services as their Government Relations Representation on the Veteran Housing Project and Neighborhood Stabilization Program (NSP/CDBG). The Interim Executive Director's employment contract terminated on September 21, 2008 and he was prohibited by the Annual Contribution Contract from signing a contract with the Authority for one year or after September 2009. In addition, the Interim Executive Director signed the newly hired Executive Director's Employment Agreement and Performance Management Plan on August 28, 2008. The newly hired Executive Director then hired the previous Interim Executive Director as a consultant less than a year later, violating conflict of interest requirements. As a result, the Authority misappropriated funds in the amount of \$40,350 (NSP/CDBG, Public Housing and COCC).
- 10) Failure to Properly Execute its Authority Over the Executive Director Position
 - a. The Interim Executive Director signed the newly hired Executive Director's Employment Agreement and Performance Management Plan on August 28, 2008. In February of 2010, the newly appointed Acting Executive Director signed the outgoing Executive Director's Administrative

Maricopa County
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Leave disciplinary action notice. The signing of the documents referenced breaches the traceable evidence of hiring, terminating and the division of authority between the Board and the Executive Director.

- 11) Failure to Adequately Document the Performance Evaluation of the Executive Director
 - a. Two of the Executive Director's performance evaluation goals, related to securing development deals and related financing, and securing non-HUD funds, were determined to have been met by the Board without supporting documentation that the goals were met. This resulted in the Board incorrectly rewarding the completion of goal attainments in basic fundamental duties, responsibilities and management.
- 12) Failure to Insure Written Performance Standards for Classified Positions; Failure to Ensure Standard Evaluation Forms are Used; Failure to Ensure Management's Timely Completion and Appropriate Filing of all Required Evaluations for Classified Employees
- 13) Failure to Monitor and Enforce Cell Phone Policy
 - a. HAMC is making inappropriate payments to the cell phone company with federal funds for the excessive charges by the employees.
- 14) Inconsistent Record Keeping of Employee Files
- 15) Agency's Exception Rule on Hiring a Relative of an Employee in Violation of ACC Conflict of Interest Requirements
 - a. The Authority's Personnel Policy at 5.0(A) has an exception to the hiring of relatives if a prospective employee has "...experience, expertise, or skills that would benefit HAMC..." This exception violates the ACC Conflict of Interest requirements, resulting in nepotism and an uncomfortable work environment for other employees.
- 16) HAMC Failed to Regularly Review and Maintain Adequate Files on Employee Driving Records
 - a. Personnel files do not provide evidence that the Authority is periodically or annually checking driving records of employees as required, which may cause employees to drive HAMC vehicles with suspended licenses or active driving citations.
- 17) Inconsistent Implementation of Disciplinary Actions
 - a. Personnel files reviewed revealed the Authority is inconsistent when issuing and implementing the disciplinary progress steps. Unequal dissemination of reprimands may cause a negative work environment.
- 18) Failure to Maintain Adequate File Documentation for Administrative Leave Notification
 - a. Two employees were on Administrative Leave without sufficient information in their personnel files to justify the action of removing the employees from the workplace pending an investigation. The lack of clarity in management's written transmission of the Administrative Leaves may cause the employees to misinterpret the circumstances of the actions.
- 19) Failure to Follow Disciplinary Action Requirements and Employees' Rights to Appeal

Maricopa County
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- a. The Executive Director imposed disciplinary action against a Public Housing employee without the Public Housing Supervisor's input. This process did not allow the employee the right to appeal to the Executive Director as per the policy.
- 20) Lack of Written Relocation Policy and Procedures
 - a. The Authority approved relocation compensation of \$1,000 for a property manager during the initial hiring process. The lack of policy and procedures for payment of relocation may cause inconsistent approval and payments among newly hired personnel.
- 21) Expired Temporary Hiring Contract; Lack of Monitoring of Temporary Hiring Contracts; Lack of Personnel File Maintenance and Record Keeping for Temporary Employees
 - a. The Goodwill Staffing Solutions' temporary hiring contract for the period of December 1, 2008 – December 1, 2009 expired, even though services and payments continued to be provided.
- 22) Lack of Internal Written Procedures for Applicant Processing/New Hires; Incomplete and Inconsistent Applicant Recruitment Files
 - a. The hiring process of NSP positions that HAMC conducted included multiple steps during the recruitment of applicants hired, but HAMC lacks the procedures in writing. The incomplete recruitment and applicant files do not insure fair selection of the hiring and selection process.
- 23) Incorrect Use and Payment of Employment Compensation
 - a. An NSP grant funded employee was incorrectly paid for four hours worked.
- 24) Failure to Develop and Adopt a Written Section 3 Policy and Procedures
 - a. The Authority could not provide a copy of its Section 3 implementation policy and procedures.
- 25) The HAMC Procurement Policy Does Not Comply with Federal Requirements
 - a. HAMC's small purchase threshold of \$25,000, requiring solicitation from only one source, violates 24 CFR 85.36, which requires competition for all procurements. The threshold exceeds the Micro Purchase Threshold of \$2,000 permitted by HUD Handbook 7460.8, Section 5.2B.
- 26) The HAMC Violated Federal and HUD Small Purchase Procedures, Contract Requirements, and Cost Principles
 - a. The Authority violated Federal and HUD Small Purchase Procedures by establishing a \$25,000 small purchase threshold (see #25 above). In addition, some contracts awarded specified a scope of work so vague, it was unclear what the consultant was working on or whether the activity was eligible. The HAMC awarded multiple contracts without competition; expended Federal funds on costs not permitted by 2 CFR Part 225, and awarded contracts without required contractual language/clauses.
- 27) HAMC Awarded Multiple Construction/Renovation Contracts Using Qualification Based Selection (QBS)
 - a. The Authority incorrectly awarded multiple construction/renovation contracts in the NSP program using Qualification Based Selection (QBS), resulting in multiple contracts awarded without required competition. Use of QBS is limited to architect-engineering services or development partners in mixed financing development projects.

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- 28) HAMC Procurement Files Lacked Adequate Documentation Sufficient to Detail the Significant History of the Procurement
- a. Many procurements, particularly those for management (non-construction), lacked adequate documentation to detail the history of the procurement.
- 29) Payment of Salaries to Employees Placed on Administrative Leave With Pay and Not Working Directly on Capital Fund Projects
- a. Two employees were placed on paid Administrative Leave during the month of January 2010, and their salaries and benefits have been charged to Capital Fund grants. This resulted in approximately \$23,858 in ineligible charges against the CFP between 1/11/2010 and 4/4/2010.
- 30) Payment of Salaries to Employees Not Working Directly on Capital Fund Projects
- a. HAMC transferred the Procurement Officer to the position of Grants Writer and hired a new Procurement Officer on June 25, 2010. 50% of the Grants Writer's salary and benefits were charged to Capital Fund grants. This resulted in approximately \$17,275 in ineligible charges against the CFP between 6/15/2009 and 1/10/2010.

Recommendation

HUD's Review Report recommended corrective actions for the Review Findings which included a transfer of Section 8 Housing Voucher Program Administrative Equity to Housing Assistance Payments Equity of \$69,803; a repayment to federal programs, from non-federal funds, in the amount of \$181,406; a reclassification of salaries and benefits from the Capital Fund Program of \$41,133; the creation and revision of Authority policy and procedures; and staff training. We recommend the Authority continue to work with HUD to finalize a Corrective Action Plan.

Reply and Corrective Action Plan

The Authority concurs with the audit finding and is having on-going discussions with HUD to finalize a Corrective Action Plan. Karen Mofford, Interim Executive Director, has assumed the responsibility of implementing the Recommendations and Corrective Action Plan by June 30, 2011, or earlier.

Finding 10-112 – Housing Quality Standard Inspections and Enforcement

Section 8 Housing Choice Vouchers – CFDA No. 14.871; Grant period – year ended June 30, 2010

Criteria

The PHA must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. For units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. The PHA must not make any housing assistance payments for a dwelling unit that fails to meet the HQS, unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. The PHA must stop (abate) Housing Assistance Payments

Maricopa County
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beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The Code of Federal Regulations gives the requirements for Housing Quality Standard Inspections and Enforcement. Specifically, 24 CFR sections 982.158(d) and 982.404 describe the applicable minimum standards to be maintained by the PHA to comply with federal regulations.

Condition & Cause

During audit fieldwork, 40 HAP contract files were reviewed for HQS compliance. Two contract files revealed HQS inspections for which the Authority did not verify the correction within 30 calendar days, and did not abate the applicable Housing Assistance Payment.

Recommendation

We recommend the Authority implement and execute a re-inspection and abatement process to provide assurance that HQS corrections are verified within 30 calendar days or a specified PHA-approved extension, or Housing Assistance Payments are abated no later than the first of the month following the specified correction period.

Reply and Corrective Action Plan

Karen Mofford, interim Executive Director, has assumed the responsibility of implementing the Recommendation by June 30, 2011.

Finding 10-113 – Public Housing Unit Annual Inspections

Public and Indian Housing – CFDA No. 14.850; Grant period – year ended June 30, 2010

Criteria

24 CFR Part 5, Sub-Part G, specifies physical inspections of public housing units must be conducted annually.

Condition & Cause

During audit fieldwork, 40 Public Housing unit files were reviewed for compliance with HUD guidelines. Of the 40 unit files reviewed, 3 were missing documentation that an annual physical inspection was performed.

Recommendation

We recommend the Authority implement and execute a unit physical inspection process to provide assurance that Public Housing units are maintained in accordance with HUD standards.

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Reply and Corrective Action Plan

Karen Mofford, Interim Executive Director, has assumed the responsibility of implementing the Recommendation by June 30, 2011.

Finding 10-114 – Equipment and Real Property Management

Public and Indian Housing – CFDA No. 14.850, Public Housing Capital Fund – CFDA No. 14.872; Grant period – year ended June 30, 2010

Criteria

The requirements for the management of equipment are contained in the A-102 Common Rule and OMB Circular A-110. A physical inventory of equipment is required to be taken at least once every two years.

Condition & Cause

During audit fieldwork, Authority staff could not provide evidence that a physical inventory of equipment acquired under the Public Housing or Capital Fund programs was taken within the previous 2 years.

Recommendation

We recommend the Authority implement a periodic physical inventory process, and reconcile the results of the inventories to the equipment records maintained in the Authority's accounting software.

Reply and Corrective Action Plan

Karen Mofford, Interim Executive Director, has assumed the responsibility of implementing the Recommendation by June 30, 2011.

Finding 10-115 – Reporting, Section 3 Summary Report

Public and Indian Housing – CFDA No. 14.850, Public Housing Capital Fund – CFDA No. 14.872, ARRA – Public Housing Capital Fund Stimulus (Formula) – CFDA No. 14.885; Grant period – year ended June 30, 2010

Criteria

Public housing authorities are required to submit the Section 3 Summary Report (HUD Form 60002) to HUD annually. This report documents a housing authority's efforts to hire low-income and very low-income individuals and contract with companies who hire them.

Maricopa County
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Condition & Cause

The Section 3 Summary Report applicable to the calendar year 2009, has not been submitted as of the date of the fiscal year ended June 30, 2010 audit fieldwork.

Recommendation

We recommend the Authority submit the required Section 3 Summary Reports, annually. The Report applicable to calendar year 2010 is due in January of 2011.

Reply and Corrective Action Plan

Karen Mofford, Interim Executive Director, has assumed the responsibility of implementing the Recommendation by June 30, 2011.



Maricopa County

Department of Finance

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March 29, 2011

Debbie Davenport
Auditor General
2910 North 44th 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
Chief Financial Officer

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2010**

Federal Award Findings and Questioned Costs

10-101

CFDA No.:10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Department: Maricopa County Department of Public Health

Contact person(s): Scot Pitcairn, Financial Supervisor, Maricopa County Department of Public Health, (602) 506-6963

Anticipated completion date: June 30, 2011

County Response: Not Concur

County Corrective Action Plan: The Maricopa County Department of Public Health does not believe that the Davis-Bacon Act requirements apply to the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (CFDA 10.557) program. The June 2010 OMB Circular A-133 Compliance Supplement Part 2 indicates that the Davis-Bacon Act compliance requirement is not applicable to the WIC program. Further, the A-102 Common Rule for the U.S. Department of Agriculture at 7 CFR §3016.36 (i)(5) states the subgrantee's contract provisions should contain provisions for compliance with the Davis-Bacon Act when required by Federal grant program legislation. The U.S. Department of Labor's website for Davis-Bacon states "Generally, the application of prevailing wage requirements to projects receiving federal assistance under any particular "related" Act depends on the provisions of that law." The Child Nutrition Act of 1966 (amended through Public Law 111-296) and the WIC program regulations at 7 CFR §246 do not contain provisions for complying with the Davis-Bacon Act. Also, the U.S. Department of Labor regulation statutes related to the Davis-Bacon Act at 29 CFR Appendix A to Part 1 and 29 CFR §5.1 (a) do not include statutes for the Child Nutrition Act to comply with the Davis-Bacon Act. The grant assurances for non-construction programs on the SF-424B state the applicant will comply, as applicable, with the provisions of the Davis-Bacon Act; however, it also notes that certain assurances may not be applicable to a program. As referenced above, the County does not believe the Davis-Bacon Act requirements are applicable to the WIC program. In addition, the County's intergovernmental agreement with the Arizona Department of Health Services (ADHS) for the WIC clinic building replacement does not contain provisions to comply with the Davis-Bacon Act. The WIC program normally does not perform construction activities; however, the County received one-time WIC funding from ADHS in fiscal year 2010 to replace an outdated WIC clinic modular building.

The Maricopa County Department of Public Health utilized the Maricopa County Facilities Management Department to procure the construction of the WIC clinic modular building; however, the federal requirements were not communicated. For future contracts, the Maricopa County Department of Public Health will inform the appropriate procurement departments when projects are funded with federal monies in order to ensure that federal procurement requirements are followed.

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10-102

CFDA No.:10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

CFDA No.:20.205 Highway Planning and Construction

20.205 ARRA – Highway Planning and Construction

Department: Maricopa County Department of Public Health; Maricopa County Department of Transportation

Contact person(s): Scot Pitcairn, Financial Supervisor, Maricopa County Department of Public Health, (602) 506-6963; Cynthia Slaughter, Contracts Specialist, Maricopa County Department of Transportation, (602) 506-8038; Bonnie Williams, Contract Specialist, Maricopa County Department of Transportation, (602) 506-4108

Anticipated completion date: June 30, 2011

County Response: Concur

County Corrective Action Plan: In September 2008, the Maricopa County Materials Management Department began including a suspension and debarment clause in all County contracts to document the suspension and debarment status of vendors. Also, in September 2009, the Materials Management Department began verifying the vendor status for intergovernmental agreements in the Excluded Parties List System (EPLS). This finding was also noted in fiscal year 2009. As the Single Audit for fiscal year 2009 was not completed until March 2010, the County was unable to implement a corrective action plan until fiscal year 2010. The Maricopa County Department of Public Health started reviewing the applicable vendor status for all contracts initiated by the department by checking the EPLS in August 2010; however, the contracts for the vendors noted were initiated in other departments. Also, the Maricopa County Department of Transportation added a suspension and debarment clause to new contracts in April 2010; however, the vendors noted were utilizing older contracts. The Departments will also review the applicable vendor status of all contracts by checking the EPLS.

10-103

CDBG – Entitlement Grants Cluster

CFDA No.:14.218 Community Development Block Grants/Entitlement Grants

14.253 ARRA – Community Development Block Grant ARRA Entitlement Grants (CDBG-R)

Department: Maricopa County Human Services Department

Contact person(s): Melba Davidson, Finance Administrator, Maricopa County Human Services Department, (602) 506-2513

Anticipated completion date: September 30, 2011

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department will correct its processes to ensure that expenditures reported on the Activity Summary Report agree to the general ledger and will take greater care to document the reconciliation process. In addition, the Activity Summary Report will be included in the Consolidated Plan Annual Performance Report (CAPER) to ensure that the report is provided and available to the citizens. The Financial Summary Report will be revised,

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2010**

and the corrected report will be included in the CAPER and submitted to HUD to ensure that the document reflects accurate information. Furthermore, formal review procedures will be implemented for the CAPER and the Section 3 reports to ensure that the documents are accurate and the review process is documented.

10-104

CFDA No.: 16.803 ARRA-Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories

Department: Maricopa County Human Services Department

Contact person(s): Catherine Martin, Finance Bureau Chief, Maricopa County Attorney's Office, (602) 506-3180

Anticipated completion date: April 30, 2011

County Response: Concur

County Corrective Action Plan: The Maricopa County Attorney's Office will enhance its internal controls to ensure that all federal expenditures are identified and reported on the SEFA. The program income amounts identified for fiscal year 2010 were subsequently included in the fiscal year 2010 SEFA. Further, the County Attorney's Office will implement internal controls to ensure monies are expended only on valid expenditures and any procurement for program expenditures over \$25,000 will include checks for vendor or contractor suspension and debarment.

10-105

WIA Cluster

CFDA No.: 17.258 WIA Adult Program, 17.258 ARRA-WIA Adult Program,
17.259 WIA Youth Activities, 17.259 ARRA-WIA Youth Activities,
17.260 WIA Dislocated Workers, 17.260 ARRA-WIA Dislocated Workers

Department: Maricopa County Human Services Department

Contact person(s): Melba Davidson, Finance Administrator, Maricopa County Human Services Department, (602) 506-2513

Anticipated completion date: June 30, 2011

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department, Finance Office, will review and revise its financial reporting procedures to include a second level of review for its reports. The review will consist of ensuring calculations are correct and agree to the supporting documentation. The procedures will include the requirement to properly maintain all supporting documentation in the files. The Department will seek guidance from DES on how to resolve the differences noted.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2010**

10-106

CFDA No.:20.205 Highway Planning and Construction

Department: Maricopa County Department of Transportation

Contact person(s): Alfred Kattan, Division Manager, Maricopa County Department of Transportation, (602) 506-4618; Dave Hopper, Construction Engineer, Maricopa County Department of Transportation, (602) 506-2882; Lisa Ruane, Construction Engineer, Maricopa County Department of Transportation, (602) 506-4683

Anticipated completion date: June 1, 2011

County Response: Concur

County Corrective Action Plan: The Maricopa County Department of Transportation (MCDOT) will implement a policy and procedure for reviewing weekly certified payrolls submitted by the contractor. The policy will require that payrolls be reviewed for compliance with the Davis-Bacon Act prevailing wage rates and non-compliance issues be brought to the contractor's attention within one-week of submittal. The certified payroll review will be conducted by MCDOT staff on in-house projects or consultant staff on projects managed by a Construction Administration Consultant. Payment of Davis-Bacon wages will also be verified by appointed MCDOT staff as part of the FHWA required independent review of Federal aid projects. The independent review audits are required three times during construction (initial review at beginning of project, progress review during construction and final review at completion). The enforcement criteria and monthly penalties per the American Recovery and Reinvestment Act Requirements will be implemented for delinquent contractor payroll submittals.

10-107

CFDA No.:20.205 Highway Planning and Construction

Department: Maricopa County Department of Transportation

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

Anticipated completion date: April 30, 2010

County Response: Concur

County Corrective Action Plan: The Maricopa County Department of Transportation has assigned another employee to review the reimbursement requests prior to submitting them to the Arizona Department of Transportation. The program responsibilities have always been separate from the employee responsible for requesting reimbursement. This finding was also noted in fiscal year 2009. As the Single Audit for fiscal year 2009 was not completed until March 2010, the County was unable to implement a corrective action plan until fiscal year 2010. This finding was fully corrected by April 30, 2010.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2010**

10-108

CFDA No.:81.042 Weatherization Assistance for Low-Income Persons

81.042 ARRA – Weatherization Assistance for Low-Income Persons

Department: Maricopa County Human Services Department

Contact person(s): Melba Davidson, Finance Administrator, Maricopa County Human Services Department, (602) 506-2513

Anticipated completion date: June 30, 2011

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department, Finance Office, will review and revise its financial reporting procedures to include a second level of review for its reports. The review will consist of ensuring calculations are correct and agree to the supporting documentation. The Department will ensure expenditures reported to Arizona Department of Commerce agree to the County's accounting system.

The Maricopa County Human Services Department, Finance Office, will conduct a detailed reconciliation of reported program expenditures to the County's accounting system to ensure monthly reimbursement requests were accurate. The Department will take appropriate corrective action based on the results of the reconciliation.

10-109

Head Start Cluster

CFDA No.:93.600 Head Start

93.708 ARRA – Head Start

93.709 ARRA – Early Head Start

Department: Maricopa County Human Services Department

Contact person(s): Dennis Ichikawa, Assistant Director, Education Division, Maricopa County Human Services Department, (602) 506-4841

Anticipated completion date: June 30, 2011

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department will develop and implement procedures to review the in-kind information entered into ChildPlus. The review will be performed by someone who is not responsible for data entry into ChildPlus.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2010**

10-110

Head Start Cluster

CFDA No.: 93.600 Head Start

93.708 ARRA – Head Start

93.709 ARRA – Early Head Start

Department: Maricopa County Human Services Department

Contact person(s): Melba Davidson, Finance Administrator, Maricopa County Human Services Department, (602) 506-2513

Anticipated completion date: June 30, 2011

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department, Finance Office, will review and revise its reporting procedures to include a second level of review for its reports. The review will consist of ensuring calculations are correct and agree to the supporting documentation. Furthermore, expenditures reported should agree to the County's accounting system. Lastly, the overall review process will include assessing the accuracy of the data before and after the information is submitted onto www.FederalReporting.gov.

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Maricopa County

Department of Finance

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March 11, 2011

Debbie Davenport
Auditor General
2910 North 44th 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 were not corrected.

Sincerely,

Shelby L. Scharbach
Chief Financial Officer

**Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010**

Status of Federal Award Findings and Questioned Costs

CFDA No.: 10.553 – School Breakfast Program
CFDA No.: 10.555 – National School Lunch Program
Finding No. 07-101, 09-109
Status: Fully corrected.

CFDA No.: 10.553 – School Breakfast Program
CFDA No.: 10.555 – National School Lunch Program
Finding No. 09-107
Status: Fully corrected.

CFDA No.: 10.553 – School Breakfast Program
CFDA No.: 10.555 – National School Lunch Program
Finding No. 09-108
Status: Fully corrected.

CFDA No.: 17.258 – WIA Adult Program
CFDA No.: 17.259 – WIA Youth Activities
CFDA No.: 17.260 – WIA Dislocated Workers
CFDA No.: 93.600 – Head Start
Finding No. 08-101, 09-103
Status: Fully corrected.

CFDA No.: 17.258 – WIA Adult Program
CFDA No.: 17.259 – WIA Youth Activities
CFDA No.: 17.260 – WIA Dislocated Workers
CFDA No.: 20.516 – Job Access – Reverse Commute
CFDA No.: 93.600 – Head Start
Finding No. 06-109, 07-107, 08-103
Status: Fully corrected.

CFDA No.: 10.557 – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA No.: 20.205 – Highway Planning and Construction
CFDA No.: 93.600 – Head Start
Finding No. 09-105
Status: Partially corrected.

In September 2008, the Maricopa County Materials Management Department began including a suspension and debarment clause in all County contracts to document the suspension and debarment status of vendors. Also, in September 2009, the Materials Management Department began verifying the vendor status for intergovernmental

**Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010**

agreements in the Excluded Parties List System (EPLS). The Maricopa County Department of Public Health started reviewing the applicable vendor status for all contracts initiated by the department by checking the EPLS in August 2010. Also, the Maricopa County Department of Transportation added a suspension and debarment clause to new contracts in April 2010. The Departments will also review the applicable vendor status of all contracts by checking the EPLS. In addition, the Maricopa County Human Services Department modified all fiscal year 2009 contracts with vendors and subrecipients by adding a certification statement regarding suspension and debarment to the contract and checked the EPLS to verify vendors and subrecipients are not suspended or debarred. This finding was fully corrected by June 30, 2010 for the Head Start (CFDA 93.600) program. Contact persons are Scot Pitcairn, Financial Supervisor, Maricopa County Department of Public Health, (602) 506-6963; Cynthia Slaughter, Contracts Specialist, Maricopa County Department of Transportation, (602) 506-8038; Bonnie Williams, Contracts Specialist, Maricopa County Department of Transportation, (602) 506-4108.

CFDA No.: 17.258 – WIA Adult Program
CFDA No.: 17.259 – WIA Youth Activities
CFDA No.: 17.260 – WIA Dislocated Workers
Finding No. 09-101
Status: Partially corrected.

The Maricopa County Human Services Department, Finance Office, adjusted the accounting records for the prior year difference. However, another difference was noted in the current fiscal year. The Human Service Department will review and revise its financial reporting procedures to include a second level of review for its reports. The review will consist of ensuring calculations are correct and agree to the supporting documentation. The procedures will include the requirement to properly maintain all supporting documentation in the files. The Department will seek guidance from DES on how to resolve the differences noted. This finding is expected to be fully corrected by June 30, 2011. Contact person is Melba Davidson, Finance Administrator, Maricopa County Human Services Department, (602) 506-2513.

CFDA No.: 17.258 – WIA Adult Program
CFDA No.: 17.259 – WIA Youth Activities
CFDA No.: 17.260 – WIA Dislocated Workers
Finding No. 09-102
Status: Fully corrected.

CFDA No.: 20.205 – Highway Planning and Construction
Finding No. 09-106
Status: Fully corrected.

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2010

CFDA No.: 93.600 – Head Start

Finding No. 09-104

Status: Fully corrected.

CFDA No.: 14.850 – Public and Indian Housing

Finding No. 09-110

Status: Fully corrected.