

Maricopa County

CONCLUSION: Maricopa County is responsible for preparing its annual financial report and a federal expenditure schedule, maintaining effective internal controls, and being accountable for its use of public monies. Our Office is responsible for auditing the County's financial statements, schedule, and major federal programs annually. A summary of the County's financial statements and federal expenditure schedule is presented below.

Based on our audits, we issued opinions on the County's financial statements and federal expenditure schedule and issued reports on internal control and on compliance over financial reporting and major federal programs. The information in the County's fiscal year 2016 financial statements and schedule is reliable. Our Office identified internal control weaknesses over financial reporting and internal control weaknesses and instances of noncompliance over major federal programs. The most significant findings are summarized on the next page.

Condensed financial information

Statement of net position—This statement reports all of the County's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three major categories:

- **Net investment in capital assets**—shows the equity in land, buildings, equipment, and infrastructure.
- **Restricted**—shows the resources that must be used for restricted purposes as specified by donors and other external entities, such as the federal government.
- **Unrestricted**—shows the remaining net position balance after allocating the net investment in capital assets and restricted balances.

Statement of activities—This statement reports all revenues, expenses, and other changes in net position. Revenues include program revenues—those generated by or dedicated to a specific program—and general revenues, such as taxes raised for general purposes. It also reports revenues and expenses as either governmental activities—primarily supported by taxes and grant monies—or business-type activities—primarily supported by user fees and charges. Net position decreased by \$7 million, or 0.2 percent, in fiscal year 2016.

Federal expenditure schedule—During fiscal year 2016, the County expended \$180 million in federal awards. The County's federal award expenditures increased by \$28 million, or 18.6 percent, compared to fiscal year 2015.

Statement of net position As of June 30, 2016 (In millions)

Assets and deferred outflows	
Current and other assets	\$1,536
Capital assets, net of depreciation	3,605
Deferred outflows of resources	297
Total assets and deferred outflows	5,438
Liabilities and deferred inflows	
Current liabilities	189
Noncurrent liabilities:	
Net pension liability	1,606
Other	397
Deferred inflows of resources	75
Total liabilities and deferred inflows	2,267
Net position	
Net investment in capital assets	3,367
Restricted	564
Unrestricted	(760)
Total net position	\$3,171

Statement of activities Year ended June 30, 2016 (In millions)

Program revenues	
Governmental activities	\$ 605
Business-type activities	22
General revenues	
Governmental activities	1,385
Business-type activities	4
Total revenues	2,016
Expenses	
Governmental activities	2,001
Business-type activities	22
Total expenses	2,023
Decrease in net position	(7)
Net position—beginning	3,178
Net position—ending	\$3,171

Federal expenditure schedule Year ended June 30, 2016 (In millions)

Federal grantor agency	
Department of Health and Human Services	\$ 62
Department of Agriculture	41
Department of Housing and Urban Development	26
Department of Education	20
Department of Labor	14
Other	17
Total federal expenditures	\$180

Summary of audit findings and recommendations

For the financial statement audit, we found internal control weaknesses over the County's financial statement preparation, information system access controls, and expenditures. For the federal compliance audit, we tested 11 federal programs under the major program guidelines established by the Single Audit Act and found that the County did not always have adequate internal controls and did not always comply with federal program requirements for 8 of its federal programs. Our single audit report includes a schedule of findings and questioned costs that contains further details to help the County correct the internal control weaknesses and instances of noncompliance. The most significant findings and recommendations are summarized below.

County Justice Court Administration did not always follow purchasing card policies and procedures—

During fiscal year 2016, a Justice Court employee used a purchasing card to buy gift cards, meals at restaurants, and various other items totaling over \$25,000. As required by county policy, these purchases were not supported by adequate documentation and were not reviewed by a second employee to ensure they were allowable and provided a benefit to the County. In addition, the employee's purchasing card account was not reconciled by a supervisor. Also, the County had not established additional internal controls, such as implementing an electronic workflow process to verify secondary reviews or performing data analysis of purchasing card activity to help identify suspicious purchasing patterns.

Recommendations

To help prevent and detect potential fraud, waste, and abuse, County Justice Court Administration should follow established purchasing card policies and procedures. In addition, the County should consider implementing additional internal controls over purchasing card activity, such as an electronic workflow process verifying secondary reviews are performed and using analytical tools to help identify suspicious purchasing patterns.

County did not adequately support payroll costs charged to the Child Support Enforcement program—

The County's Superior Court spent more than \$1 million in salaries and wages for its Child Support Enforcement program. However, the time sheets of county employees authorized to work on the program did not include the actual hours worked on the program. As a result, we could not confirm the payroll amounts charged to the program were appropriate.

Recommendation

The County's Superior Court should develop and implement policies and procedures to ensure its distribution of employees' payroll costs charged to the program are supported by items such as the employees' time sheets or a time-study analysis.

County did not follow policies and procedures to support costs charged to the Low-income Home Energy Assistance program (LIHEAP)—

The County's Human Services Department (Department) received multiple federal and nonfederal grants to administer its Community Action Agency and weatherization programs, including LIHEAP. However, the Department was not always able to support that expenditures charged to LIHEAP were used solely for LIHEAP and not various other community service programs it administered. As a result, the federal grantor reimbursed the Department \$111,702 in program expenditures that may have been for various other community service programs.

Recommendation

The County's Human Services Department should follow the County's policies and procedures and charge expenditures to the appropriate fund and programs according to use.