



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Maricopa County

Year Ended June 30, 2003



Debra K. Davenport
Auditor General

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Maricopa County
Single Audit Reporting Package
Year Ended June 30, 2003

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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

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

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

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

Members of the Arizona State Legislature

The Board of Supervisors of
Maricopa County, Arizona

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2003, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 19, 2003, which was modified for a correction of a mistake in the application of an accounting principle affecting long-term liabilities, a change in the application of an accounting principle affecting capital assets, and due to our reliance on the report of other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the report of the other auditors disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we will report to the County's management in a separate letter.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing

their assigned functions. We and the report of the other auditors noted no matters involving internal control over financial reporting and its operation that we and the other auditors consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we will report to the County's management in a separate letter.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

December 19, 2003



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
AUDITOR GENERAL

WILLIAM THOMSON
DEPUTY AUDITOR GENERAL

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance in
Accordance with OMB Circular A-133

Members of the Arizona State Legislature

The Board of Supervisors of
Maricopa County, Arizona

Compliance

We have audited the compliance of Maricopa County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003, except for that portion of the federal programs administered by the Maricopa County Housing Department, which includes the following programs: Public and Indian Housing, Public and Indian Housing Drug Elimination Program, Resident Opportunity and Supportive Services, Section 8 Housing Choice Vouchers, and Public Housing Capital Fund. The Maricopa County Housing Department was audited by other auditors, and our opinion, insofar as it relates to the Department's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, is based solely on the work 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 work of the other auditors.

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 work of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in items 03-101, 03-102, 03-103, and 03-104 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding reporting, eligibility, special tests and provisions, and subrecipient monitoring that are applicable to its Public and Indian Housing, Section 8 Housing Choice Vouchers, Public Housing Capital Fund, and Coordinated Services and Access to Research for Women, Infants, Children, and Youth programs. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to these programs.

In our opinion, based on our audit and the work of the other auditors, except for the noncompliance described in the preceding paragraph, Maricopa County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We and the work of the other auditors noted certain matters involving internal control over compliance and its operation that we and the other auditors consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-101, 03-102, 03-103, and 03-104.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we and the other auditors consider items 03-103 and 03-104 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003, which was modified for a correction of a mistake in the application of an accounting principle affecting long-term liabilities, a change in the application of an accounting principle affecting capital assets, and due to our reliance on the report of other auditors. Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Maricopa 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 in the audit of the basic financial statements and, in our opinion, based on our audit and the work of the other auditors is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA
Financial Audit Director

March 26, 2004, except for the
Schedule of Expenditures of Federal
Awards, for which the date is December 19, 2003

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA/ Identifying Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Office of National Drug Control Policy			
High Intensity Drug Trafficking Areas, <i>Pima County</i>	07.I2PSAP549	01-11-M-130692-1001, 01-11-M-131372-1001, 01-11-M-132771-1002, 01-11-M-133327-1002	\$ 334,788
U.S. Department of Agriculture			
Food Donation, <i>Arizona Department of Education</i>	10.550	KR-10358	12,796
Child Nutrition Cluster			
School Breakfast Program, <i>Arizona Department of Education</i>	10.553	KR-10358	213,447
National School Lunch Program, <i>Arizona Department of Education</i>	10.555	KR-10358	334,990
Special Supplemental Nutrition Program for Women, Infants, and Children, <i>Arizona Department of Health Services</i>	10.557	261057, 261166, HG361070	6,642,969
Child and Adult Care Food Program, <i>Arizona Department of Education</i>	10.558	09CH7096	232,639
State Administrative Matching Grants for Food Stamp Program, <i>Arizona Department of Health Services</i>	10.561	061002, 261088, HG361068	101,222
Commodity Supplemental Food Program, <i>Arizona Department of Health Services</i>	10.565	761117	40,274
Schools and Roads—Grants to States, <i>Arizona State Treasurer</i>	10.665	None	139,993
Total U.S. Department of Agriculture			<u>7,718,330</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		3,349,997
Emergency Shelter Grants Program	14.231		122,000
Supportive Housing Program, <i>META Services, Inc.</i>	14.235	None	126,147
HOME Investment Partnerships Program	14.239		3,621,852
Public and Indian Housing	14.850		1,742,229
Public and Indian Housing Drug Elimination Program	14.854		99,399
Resident Opportunity and Supportive Services	14.870		154,908
Section 8 Housing Choice Vouchers	14.871		10,770,484
Public Housing Capital Fund	14.872		2,124,524
Lead-Based Paint Hazard Control in Privately-Owned Housing, <i>City of Phoenix</i>	14.900	92269, 81732	26,801
Total U.S. Department of Housing and Urban Development			<u>22,138,341</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		1,725,495
Reclamation Projects	15.9-07-30-L0298		2,788,814
Taylor Grazing Act	15.unknown		4,404
Total U.S. Department of the Interior			<u>4,518,713</u>
U.S. Department of Justice			
Juvenile Accountability Incentive Block Grants, <i>John C. Lincoln Health Network</i>	16.523	None	55,905
Juvenile Accountability Incentive Block Grants, <i>Office of the Governor</i>	16.523	00JAIBG-07, 01JAIBG-07, JB-GRA-02-4182-07	1,941,535
Juvenile Justice and Delinquency Prevention—Allocation to States, <i>Office of the Governor</i>	16.540	AD030001-008	57,546
Title V—Delinquency Prevention Program	16.548		266,613
Part E—State Challenge Activities, <i>Office of the Governor</i>	16.549	JC-GRA-01-3273-00	31,096
Crime Victim Assistance, <i>Arizona Department of Public Safety</i>	16.575	2000-VA-GX-0004, 2001-VA-GX-0004, 2002-VA-GX-0004	203,503

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Program Title/ <i>Pass-Through Grantor</i>	CFDA/ Identifying Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Justice (continued)			
Crime Victim Compensation, <i>Arizona Criminal Justice Commission</i>	16.576	None	\$ 312,588
Byrne Formula Grant Program, <i>Arizona Criminal Justice Commission</i>	16.579	AC-020-02, AC-020-03, CRI-03-058, DC-010-03, PC-020-02, PC-020-03	1,841,226
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		554,822
Drug Court Discretionary Grant Program	16.585		174,074
Violence Against Women Formula Grants, <i>Office of the Governor</i>	16.588	AD010270-005, AD030003-006	120,178
Local Law Enforcement Block Grants Program	16.592		696,907
Residential Substance Abuse Treatment for State Prisoners, <i>Arizona Criminal Justice Commission</i>	16.593	SAT-02-108, SAT-03-108	368,620
Bulletproof Vest Partnership Program	16.607		7,074
Community Prosecution and Project Safe Neighborhoods	16.609		206,705
Public Safety Partnership and Community Policing Grants	16.710		221,724
Enforcing Underage Drinking Laws Program, <i>Governor's Office of Highway Safety</i>	16.727	2001-OJJDP-015	26,053
Federal Equitable Sharing Program	16.unknown		31,047
Total U.S. Department of Justice			<u>7,117,216</u>
U.S. Department of Labor			
Welfare-to-Work Grants to States and Localities, <i>Arizona Department of Economic Security</i>	17.253	E5709062	14,176
WIA Cluster			
WIA Adult Program, <i>Arizona Department of Economic Security</i>	17.258	E5701001, E5702007, E5703007	1,871,736
WIA Youth Activities, <i>Arizona Department of Economic Security</i>	17.259	E5701001, E5702007, E5703007	1,874,419
WIA Dislocated Workers, <i>Arizona Department of Economic Security</i>	17.260	E5701001, E5702007, E5703007	1,627,113
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		1,367,807
Total U.S. Department of Labor			<u>6,755,251</u>
U.S. Department of Transportation			
Highway Planning and Construction, <i>Arizona Department of Transportation</i>	20.205	JPA 97-09, JPA 99-171, 0000MAMMA5545301C	859,090
Highway Planning and Construction, <i>Maricopa Association of Governments</i>	20.205	MAG#0098	876,978
Federal Transit—Formula Grants, <i>City of Phoenix</i>	20.507	AZ-90-X045, AZ-90-X049, AZ-90-X050	847,602
State and Community Highway Safety, <i>Governor's Office of Highway Safety</i>	20.600	2000-AL-027, 200-410-010	18,423
Total U.S. Department of Transportation			<u>2,602,093</u>
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		<u>1,082,108</u>
U.S. Department of Energy			
Weatherization Assistance for Low-Income Persons, <i>Arizona Department of Commerce</i>	81.042	076-02, 178-01	<u>340,613</u>
U.S. Department of Education			
Adult Education—State Grant Program, <i>Arizona Department of Education</i>	84.002	00-FAE-ABE-0706940-2A, 01-FAE-INF-170694-02A, 01-SAE-ABE-170694-01A	117,636
Title I Grants to Local Educational Agencies, <i>Arizona Department of Education</i>	84.010	02FASDEL-260704-13A	52,462

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Program Title/ <i>Pass-Through Grantor</i>	CFDA/ Identifying Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Education (continued)			
Special Education—Grants to States, <i>Arizona Department of Education</i>	84.027	00FESCBG-070692-01A, 00FESEJF-070692-02A, 01FESPTA-170692-01A	\$ 101,250
Even Start—State Educational Agencies, <i>Arizona Department of Education</i>	84.213	01FAEEVS170694-03C, F6-0001-02	134,865
Total U.S. Department of Education			<u>406,213</u>
U.S. Department of Health and Human Services			
Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers, <i>Area Agency on Aging</i>	93.044	2002-28-MHS, 2003-33-MHS	124,326
Special Programs for the Aging—Title III, Part C—Nutrition Services, <i>Area Agency on Aging</i>	93.045	2003-33-MHS	106,402
Project Grants and Cooperative Agreements for Tuberculosis Control Programs, <i>Arizona Department of Health Services</i>	93.116	30-4023	172,332
Health Center Grants for Homeless Populations	93.151		1,890,462
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153		630,164
Childhood Lead Poisoning Prevention Projects—State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children, <i>City of Phoenix</i>	93.197	104981	32,792
Rural Telemedicine Grants	93.211		172,557
Hansen's Disease National Ambulatory Care Program	93.215		27,106
Family Planning—Services, <i>Arizona Family Planning Council</i>	93.217	761111	208,469
Consolidated Knowledge Development and Application (KD&A) Program	93.230		501,130
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243		177,272
Substance Abuse and Mental Health Services—Projects of Regional and National Significance, <i>University of Arizona</i>	93.243	Y772798	12,873
Innovative Food Safety Projects	93.245		2,541
Immunization Grants, <i>Arizona Department of Health Services</i>	93.268	152043, HG352193	4,877,423
Centers for Disease Control and Prevention—Investigations and Technical Assistance, <i>Arizona Department of Health Services</i>	93.283	252031	1,177,082
Promoting Safe and Stable Families, <i>Child and Family Resources, Inc.</i>	93.556	C-86-01-015-1, C8698030102, C8698052102, C8698052103	60,139
Temporary Assistance for Needy Families, <i>Arizona Department of Economic Security</i>	93.558	E5900018, E5900017, E5900043, E6301006	1,056,908
Child Support Enforcement, <i>Arizona Department of Economic Security</i>	93.563	F7203013, E7207025, E7208025, E7202313, E7202213	1,178,329
Low-Income Home Energy Assistance, <i>Arizona Department of Economic Security</i>	93.568	E6301006, E6307001	1,360,748
Community Services Block Grant, <i>Arizona Department of Economic Security</i>	93.569	E6307001, E6301006	611,325
Refugee and Entrant Assistance—Discretionary Grants, <i>Arizona Department of Economic Security</i>	93.576	None	139,454
Refugee and Entrant Assistance—Targeted Assistance, <i>Arizona Department of Economic Security</i>	93.584	E6308022	220,092
Head Start	93.600		17,501,644
Children's Justice Grants to States, <i>Office of the Governor</i>	93.643	CJAG 99-55, CJAG 2000-75	81,280
Social Services Block Grant, <i>Arizona Department of Economic Security</i>	93.667	E4311433, E4319092	1,439,144

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003
(Continued)

Federal Grantor/Program Title/ <i>Pass-Through Grantor</i>	CFDA/ Identifying Number (Note 2)	Pass-Through Grantor's Number	Expenditures
U.S. Department of Health and Human Services (continued)			
HIV Emergency Relief Project Grants	93.914		\$ 7,334,651
HIV Care Formula Grants, <i>Arizona Department of Health Services</i>	93.917	152065, HG352331	4,076,092
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918		737,897
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs, <i>Arizona Department of Health Services</i>	93.919	653017	425,036
Healthy Start Initiative	93.926		396,339
HIV Prevention Activities—Health Department Based, <i>Arizona Department of Health Services</i>	93.940	152031, 152033, 152022, 152004, 152008, HG352234	601,825
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance, <i>Arizona Department of Health Services</i>	93.944	152069	38,230
Preventive Health Services—Sexually Transmitted Diseases Control Grants, <i>Arizona Department of Health Services</i>	93.977	052010, 052011, 052012, 252025	692,183
Preventive Health and Health Services Block Grant, <i>Arizona Department of Health Services</i>	93.991	95-2018	191,962
Maternal and Child Health Services Block Grant to the States, <i>Arizona Department of Health Services</i>	93.994	761006, 961111, 16-1026, 152069, 952004	1,179,344
Total U.S. Department of Health and Human Services			<u>49,435,553</u>
Social Security Administration			
Social Security—Disability Insurance, <i>Arizona Department of Economic Security</i>	96.001	E5342528	<u>336</u>
U.S. Department of Homeland Security			
State Domestic Preparedness Equipment Support Program, <i>Arizona Division of Emergency Management</i>	97.004	2000-TE-CX-0120	13,418
Emergency Food and Shelter National Board Program, <i>United Way</i>	97.024	025600-023	72,509
Emergency Management Performance Grants, <i>Arizona Division of Emergency Management</i>	97.042	EMF-2003-GR-0301	268,961
State and Local All Hazards Emergency Operations Planning, <i>Arizona Division of Emergency Management</i>	97.051	EMF-2003-GR-0310	40,230
Citizen Corps, <i>Arizona Division of Emergency Management</i>	97.053	EMF-2003-GR-0312	<u>33,218</u>
Total U.S. Department of Homeland Security			<u>428,336</u>
Total Expenditures of Federal Awards			<u>\$ 102,877,891</u>

See accompanying notes to schedule.

Maricopa County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

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 Schools and Roads—Grants to States (10.665), Payments in Lieu of Taxes (15.226), and Taylor Grazing Act (15.unknown). 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 amount reported on the schedule for Food Donation (10.550), \$3,615,974 of the Immunization Grants (93.268), and \$4,009,885 of the HIV Care Formula Grants (93.917) are 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 2003 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

Note 3 - Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients:

Program Title	CFDA Number	Amount
Community Development Block Grants/ Entitlement Grants	14.218	\$ 2,746,842
Emergency Shelter Grants Program	14.231	81,333
HOME Investment Partnerships Program	14.239	3,399,366
Juvenile Accountability Incentive Block Grants	16.523	1,045,754
Byrne Formula Grant Program	16.579	72,434
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	455,016
WIA Youth Activities	17.259	1,369,154

(Continued)

Maricopa County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2003

Note 3 - Subrecipients

Program Title	CFDA Number	Amount
Highway Planning and Construction	20.205	\$ 51,128
Weatherization Assistance for Low-Income Persons	81.042	314,205
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	543,527
Consolidated Knowledge Development and Application (KD&A) Program	93.230	207,773
Temporary Assistance for Needy Families	93.558	474,188
Community Services Block Grant	93.569	210,692
Head Start	93.600	6,361,020
Social Services Block Grant	93.667	167,201
HIV Emergency Relief Project Grants	93.914	4,055,734
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	262,434
Citizen Corps	97.053	<u>33,218</u>
Total Passed through to Subrecipients		<u>\$21,851,019</u>

Maricopa County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2003

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		Unqualified	
	Yes	No	
Material weaknesses identified in internal control over financial reporting?	___	<u>X</u>	
Reportable conditions identified not considered to be material weaknesses?	___	<u>X</u>	(None reported)
Noncompliance material to the financial statements noted?	___	<u>X</u>	

Federal Awards

Material weaknesses identified in internal control over major programs?	<u>X</u>	___	
Reportable conditions identified not considered to be material weaknesses?	<u>X</u>	___	
Type of auditors' report issued on compliance for major programs:			Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u>X</u>	___	

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund
15.226	Payments in Lieu of Taxes (PILT)
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth
93.230	Consolidated Knowledge Development and Application (KD&A) Program
93.268	Immunization Grants
93.600	Head Start
93.914	HIV Emergency Relief Project Grants
93.917	HIV Care Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$3,086,337

Auditee qualified as low-risk auditee?	___	<u>X</u>	
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Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	<u>X</u>	___	
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Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Federal Award Findings and Questioned Costs

03-101

CFDA No.: 14.850 **Public and Indian Housing**

Award Year: July 1, 2002 through June 30, 2003

Award Number: AZ00900103J

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

Award Year: July 1, 2002 through June 30, 2003

Award Number: AZ0090VO037-41

CFDA No.: 14.872 **Public Housing Capital Fund**

Award Year: October 1, 1999 through September 30, 2000

October 1, 2000 through September 30, 2001

October 1, 2001 through September 30, 2002

Award Number: AZ20R00950100, AZ20R00950101, and AZ20R00950102

U.S. Department of Housing and Urban Development

Reporting

Questioned Cost—None

The Housing Department did not submit the unaudited Financial Data Schedule (FDS) for fiscal year 2003 to the U.S. Department of Housing and Urban Development. In accordance with 24 Code of Federal Regulations (CFR) §902.60(e)(2), failure to submit the FDS as required will result in a presumptive rating failure, which will lead to the designation of the Housing Department as troubled. To ensure compliance with 24 CFR §5.801(c)(1) and §902.33(b), the Department should submit the FDS within 60 days after fiscal year end.

This finding is considered to be material noncompliance because this could result in a designation of the Housing Department as troubled, and is therefore considered a significant violation of the programs' reporting requirements.

03-102

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

U.S. Department of Housing and Urban Development

Award Year: July 1, 2002 through June 30, 2003

Award Number: AZ0090VO037-41

Reporting

Questioned Cost—None

The Housing Department did not submit the Section 8 Management Assessment Program (SEMAP) certification for fiscal year 2003 to the U.S. Department of Housing and Urban Development. In accordance with 24 CFR §985.101(b), failure to submit the SEMAP certification will result in a troubled overall performance rating. As a result, the Housing Department will be subject to the required actions for a public housing authority with a troubled performance rating contained in 24 CFR §985.107. To ensure compliance with 24 CFR §985.101(a), the Department should submit the SEMAP certification within 60 calendar days after fiscal year end.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

This finding is considered to be material noncompliance because this could result in a troubled overall performance rating for the Housing Department, and is therefore considered a significant violation of the program's reporting requirements.

03-103

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

U.S. Department of Housing and Urban Development

Award Year: July 1, 2002 through June 30, 2003

Award Number: AZ0090VO037-41

Eligibility and Special Tests and Provisions

Questioned Cost—Unknown

For 40 tenant files reviewed by the other auditors, the following deficiencies were noted:

- Income was not properly verified in 11 instances.
- Housing assistance payments were not properly calculated in 4 instances.
- Housing quality standards inspections and quality control reinspections were either not completed or not completed timely in 9 instances.
- Reexaminations were not completed in a timely manner in 10 instances.

In addition, the Housing Department did not maintain an up-to-date utility allowance schedule. It was not practical for the other auditors to extend their audit procedures to determine the extent of questioned costs for all tenants. The U.S. Department of Housing and Urban Development performed a Rental Integrity Monitoring (RIM) review at the Housing Department for the period December 2, 2002 through December 12, 2002. Similar deficiencies were noted in the RIM review issued on July 31, 2003. To ensure compliance with eligibility and special tests and provisions requirements, the Housing Department should establish control policies and procedures to ensure that tenant files are reviewed for compliance with federal program requirements.

This finding is considered to be a material internal control weakness and material noncompliance with the program's eligibility and special tests and provisions requirements.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

03-104

CFDA No.: 93.153 **Coordinated Services and Access to Research for Women,
Infants, Children, and Youth**

U.S. Department of Health and Human Services

Award Year: August 1, 2001 through July 31, 2002

August 1, 2002 through July 31, 2003

Award Number: 3 H12 HA 00092-04 and 3 H12 HA 00092-05

Subrecipient Monitoring

Questioned Cost – Unknown

During fiscal year 2002-2003, the Maricopa Integrated Health System (MIHS) passed through 86 percent of the monies received to seven subrecipients. However, the contracts with the subrecipients did not always identify the specific federal award information, awarding agency, program requirements, and the subrecipients' compliance responsibilities, as prescribed by OMB Circular A-133, Subpart D, §.400(d). In addition, MIHS did not have written policies and procedures for subrecipient monitoring, including procedures requiring formal site visits, review of subrecipients' detailed expenditure data, and an evaluation of subrecipients' audit requirements. As a result, MIHS did not effectively monitor subrecipients to ensure compliance with program requirements. Specifically, MIHS did not review subrecipients' detailed expenditure data to ensure that all expenditures were made for authorized purposes, and did not evaluate whether subrecipients spending more than \$300,000 in federal awards received an audit in accordance with OMB Circular A-133. As a result, MIHS could not ensure that the subrecipients were in compliance with all applicable program requirements.

To help ensure that subrecipients are monitored properly, MIHS should follow the procedures prescribed by OMB Circular A-133, Subpart D, §.400(d), and implement specific subrecipient monitoring procedures which include:

- Prepare and sign contracts that identify the specific award, including the program title and number, federal awarding agency, program requirements, and the subrecipients' compliance responsibilities.
- Monitor subrecipients' activities as necessary to ensure compliance with program requirements. Such procedures should consist of documenting specific site visits that include review of detailed expenditure supporting documentation.
- Evaluate whether each subrecipient meets the thresholds requiring an A133 audit and take appropriate and timely corrective action on audit findings.
- Consider whether its records require adjustment as a result of the subrecipients' audits.

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



Maricopa County

Department of Finance

Tom Manos

Chief Financial Officer
301 West Jefferson Street
Suite 950
Phoenix, AZ 85003-2278
Phone: 602.506-3561
Fax: 602.506-4451
www.maricopa.gov

March 26, 2004

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 Scharbach
Deputy Finance Director

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2003**

Federal Award Findings and Questioned Costs

03-101

CFDA No.: 14.850 Public and Indian Housing, 14.871 Section 8 Housing Choice Vouchers, and 14.872 Public Housing Capital Fund
Contact Person: Chris Bonner, Finance Manager, 602-257-1113 ext. 217
Anticipated Completion Date: June 30, 2004

Maricopa County Housing Department has developed a year-end closing schedule and is implementing closing procedures on a month-by-month basis that will minimize the amount of time needed to close out each fiscal year-end to insure timely submission in the future. The electronic submission of the financial statements for fiscal year ended June 30, 2003, was submitted on October 31, 2003.

03-102

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact Person: Chris Bonner, Finance Manager, 602-257-1113 ext. 217
Anticipated Completion Date: June 30, 2004

The Housing Department will review the requirements of the Code of Federal Regulations as well as other training information available on the documentation of the Section 8 Management Assessment Program (SEMAP) submission. The Housing Department has contacted the local Housing and Urban Development office and received guidance on the submission process. The Housing Department will document their compliance with this federal requirement as well as the revised Administrative Plan and will submit all required information on a timely basis. The SEMAP certification for fiscal year ending June 30, 2004 will be submitted within 60 days after fiscal year-end.

03-103

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Contact Person: Chris Bonner, Finance Manager, 602-257-1113 ext. 217
Anticipated Completion Date: June 30, 2004

Maricopa County Housing Department is in the process of reviewing all Section 8 tenant files for compliance with Federal program requirements. The Housing Department has provided training and will continue to provide training to the Section 8 Case workers to insure they remain up to date on the program requirements. Maricopa County Housing Department is also implementing internal control measures to insure that the files are maintained in accordance with Housing and Urban Development regulations and Administrative Plan.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2003**

03-104

CFDA No: 93.153 Coordinated Services and Access to Research for Women, Infants, Children, and Youth

Contact Person: Cheri Tomlinson, Grants Manager, Maricopa Integrated Health System, 602 344-8456

Anticipated Completion Date: July 31, 2005

Maricopa Integrated Health System (MIHS) will take the following actions to ensure compliance with the audit findings.

1. MIHS will have signed 2004-2005 Contract Cycle contracts that identify the specific award, including the program title and number, federal awarding agency, program requirements, and the subrecipients' compliance responsibilities.
2. MIHS will monitor each subrecipient annually to ensure compliance with program requirements for Contract Year 2004-2005. The procedures will consist of documenting specific site visits that include review of detailed expenditure supporting documentation.
3. MIHS will evaluate whether each subrecipient meets the threshold requiring an Office of Management and Budget (OMB) Circular A-133 audit, when completing the monitoring for Contract Year 2004-2005. If yes, MIHS will ensure each subrecipient provides a timely corrective action plan for the audit findings.
4. MIHS will determine if records require adjustment as a result of the subrecipient's audit.



Maricopa County

Department of Finance

Tom Manos

Chief Financial Officer
301 West Jefferson Street
Suite 950
Phoenix, AZ 85003-2278
Phone: 602.506-3561
Fax: 602.506-4451
www.maricopa.gov

March 26, 2004

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 have not been corrected.

Sincerely,

Shelby Scharbach
Deputy Finance Director

**Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2003**

Status of Federal Award Findings and Questioned Costs

CFDA No.: 20.205 – Highway Planning and Construction

Finding No. 00-105

Status: Fully corrected.

CFDA No.: 93.151 – Health Center Grants for Homeless Populations

Finding No. 01-101

Status: Fully corrected.

CFDA No.: 16.606 – State Criminal Alien Assistance Program

Finding No. 02-101

Status: Fully corrected.

CFDA No.: 93.151 – Health Center Grants for Homeless Populations

Finding No. 02-102

Status: Fully corrected.

CFDA No.: 93.230 – Consolidated Knowledge Development and Application (KD&A) Program

Finding No. 02-103

Status: Partially corrected.

The Adult Probation Department implemented specific policies and procedures for subrecipient monitoring that include formal site visits and reviews of subrecipient expenditure data. In addition, the Department developed and signed a contract with the subrecipient detailing requirements that the subrecipient must comply with. However, the Department did not implement procedures to evaluate whether the subrecipient met the thresholds requiring an Office of Management and Budget (OMB) Circular A-133 audit and did not include OMB Circular A-133 audit requirements as part of the contract with the subrecipient. The Department will implement procedures to evaluate whether the subrecipient met the thresholds requiring an OMB Circular A-133 audit and will include OMB Circular A-133 audit requirements as part of the contract with the subrecipient. Contact person is Zachary Dal Pra, Deputy Chief (602) 506-6454.