

REPORT HIGHLIGHTS
SINGLE AUDIT

Subject

Maricopa County spent \$112.5 million of federal monies this past year for 100 programs. The largest federal grants were for child development, housing, healthcare, nutrition, and job training. In return, the County must be accountable for its use of federal monies, maintain strong internal controls, and comply with federal program requirements.

Our Conclusion

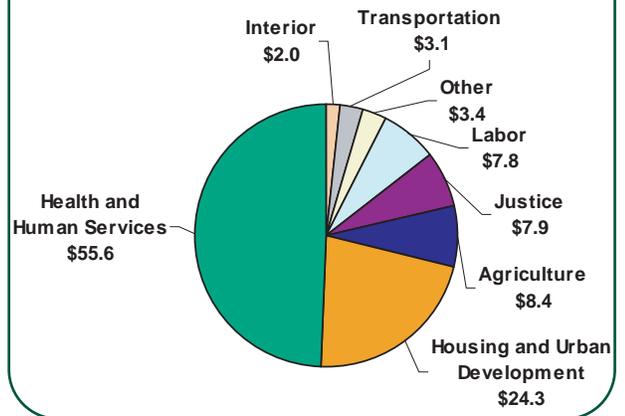
The County maintained adequate internal controls over, and complied with, the federal compliance requirements for 6 of the 12 federal programs tested. However, for 6 of the programs tested, auditors found internal control weaknesses and instances of noncompliance with program requirements. See page 2 for further information.

The County Experienced an Overall Increase in Federal Award Expenditures

Most of the County's federal programs had increased expenditures from the prior year and a few programs had decreases. Overall, federal award expenditures increased by approximately \$9.6 million over the prior year. The most significant changes occurred in funding from the following federal agencies:

- \$6.2 million increase in U.S. Department of Health and Human Services programs, mostly related to the Head Start, Centers for Disease Control and Prevention—Investigations and Technical Assistance, HIV Care Formula Grants, and HIV Emergency Relief Project Grants programs.
- \$2.2 million increase in U.S. Department of Housing and Urban Development programs, mostly related to the HOME Investment Partnerships Program.
- \$2.5 million decrease in U.S. Department of the Interior programs, mostly related to the Reclamation Projects program.

Federal Expenditures by Awarding Agency
Totaling \$112.5 Million
Fiscal Year 2004
(In Millions)



Late CAFR Issuance Resulted in a Delayed Single Audit Report Issuance

The County's single audit report for the year ended June 30, 2004, was issued one year after the deadline date of March 31, 2005. The late issuance resulted from deficiencies noted in the records of the County's healthcare programs, which caused a 15-month delay in the issuance of the County's fiscal year 2004 Comprehensive

Annual Financial Report (CAFR). The healthcare program deficiencies, considered material internal control weaknesses, are explained in detail in the single audit report. Audited financial statements are a required component of the single audit reporting package.



2004

Year Ended June 30, 2004

Four County Programs with Material Noncompliance

Auditors identified and tested 12 federal programs under the guidelines established by the Single Audit Act. Weaknesses in internal control and instances in noncompliance with program requirements were noted for six of the programs tested. For four of these programs, deficiencies in internal control and compliance were found to be material. The following describes the material internal control weaknesses and material instances of noncompliance noted by federal compliance requirement and responsible department:

Eligibility/Special Tests and Provisions

The Housing Authority of Maricopa County did not always update and maintain tenants' records for income verification, deductions, and rent reasonableness to ensure that the compliance requirements were followed for the Public and Indian Housing and Section 8 Housing Choice Vouchers programs. This weakness resulted in questioned costs of \$124,752.

Allowable Costs/Cost Principles

The Housing Authority of Maricopa County did not review or reconcile housing assistance payment checks on a monthly basis for the Section 8 Housing Choice Vouchers program. This resulted in duplicate housing assistance payments during the fiscal year and questioned costs of \$31,773.

Special Tests and Provisions

The Housing Authority of Maricopa County's accounting procedures for transferable housing assistance vouchers and the associated administrative fees earned for the Section 8 Housing Choice Vouchers program were not in accordance with federal regulations. Our report indicates that this condition resulted in questioned costs of \$148,272.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting

The Public Health Department did not have proper policies and procedures in place to ensure that all expenditures for the Centers for Disease Control and Prevention—Investigations and Technical Assistance program were allowable under the program contract and that expenditures were properly accounted for. As a result of these weaknesses, questioned costs of \$2,700 were noted and there were significant problems in the County's expenditure reporting to the grantor.

Subrecipient Monitoring and Earmarking

The Public Health Department awarded 52 percent of the HIV Emergency Relief Project Grants program monies it received to 14 subrecipients to carry out the program's objectives. However, the County did not follow the federally required procedures to identify in its subrecipient contracts the specific program requirements and compliance responsibilities. In addition, the County's subrecipient monitoring did not determine that each subrecipient complied with the 10 percent administrative earmarking requirement.

TO OBTAIN MORE INFORMATION

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



or by visiting
our Web site at:
www.azauditor.gov

Contact person for
this report:
Dennis Levine

The Single Audit Fact Sheet

- Three weaknesses in financial reporting internal controls—two of these weaknesses were material internal control weaknesses over financial reporting.
- Ten weaknesses in federal compliance internal controls—five of these were material internal control weaknesses.
- Eight violations of federal compliance requirements—five of these were material noncompliance.
- Program costs totaling \$330,724 were questioned as a result of our audit.

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Year Ended June 30, 2004