



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Maricopa County

Year Ended June 30, 2008



Debra K. Davenport
Auditor General

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Maricopa County
Single Audit Reporting Package
Year Ended June 30, 2008

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

Members of the Arizona State Legislature

The Board of Supervisors of
Maricopa County, Arizona

We have audited the financial statements of the governmental activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 24, 2009. Our report was modified to include a reference to our reliance on other auditors and as to consistency because of the implementation of Government Auditing Standards Board Statement Nos. 45, 48, 49, and 50. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Stadium District, Phoenix Regional Sports Commission, Risk Management, Employee Benefits Trust, and the Housing Authority of Maricopa County, as described in our report on the County's financial statements. The financial statements of the Phoenix Regional Sports Commission were not audited by the other auditors in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a material misstatement of the County's basic financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 08-01 through 08-07 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-01 and 08-03 to be material weaknesses.

Compliance and Other Matters

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

Maricopa County's responses to the findings identified in our audit are presented on pages 30 through 40. 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, 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.

Debbie Davenport
Auditor General

March 24, 2009



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, 2008, 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 \$1,471,550 in federal awards that are not included in the County's Schedule of Expenditures of Federal Awards for the year then ended June 30, 2008. 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.

In our opinion, based on our audit and the report of the other auditors, 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, 2008. However, the results of our auditing procedures disclosed 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 08-101 and 08-102.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control. We consider items 08-101 through 08-105 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider items 08-101 through 08-105 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2008, and have issued our report thereon dated March 24, 2009. Our report was modified to include a reference to our reliance on other auditors and as to consistency because of the implementation of Governmental Accounting Standards Board Statements Nos. 45, 48, 49, and 50. 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 30 through 40. 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, 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.

Debbie Davenport
Auditor General

May 11, 2009, except for the
Schedule of Expenditures of
Federal Awards, for which the
date is March 24, 2009

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

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, passed through the Arizona Criminal Justice Commission	07.17PSAP501Z	HT17-07-0911, HT17-07-1113, HT17-07-1210	\$ 356,105
High Intensity Drug Trafficking Areas, passed through the Arizona Criminal Justice Commission	07.16PSAP501Z	HT16-06-0711, HT16-06-1113, HT16-06-2510	281,782
High Intensity Drug Trafficking Areas, passed through Pima County	07.15PSAP549	01-11-M-136284-1004, 01-11-M-136285-1004	2,606
High Intensity Drug Trafficking Areas, passed through Pima County	07.13PSAP549	01-11-M-140377-0907	8,680
Total U.S. Office of National Drug Control Policy			<u>649,173</u>
U.S. Department of Agriculture			
Child Nutrition Cluster:			
School Breakfast Program, passed through the Arizona Department of Education	10.553	ED05-0001	236,578
National School Lunch Program, passed through the Arizona Department of Education	10.555	ED05-0001	<u>331,846</u>
Total Child Nutrition Cluster			<u>568,424</u>
Special Supplemental Nutrition Program for Women, Infants, and Children, passed through the Arizona Department of Health Services	10.557	HG361070, HG761304, HG861080, HP661311	10,000,161
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	KR02-1170-ALS	249,900
State Administrative Matching Grants for the Special Nutrition Assistance Program, passed through the Arizona Department of Health Services	10.561	HG361088, HG861075	170,283
Schools and Roads—Grants to States, passed through the Arizona State Treasurer	10.665	None	147,980
Cooperative Law Enforcement Agreement	10.06-LE-11031200-003		<u>106,333</u>
Total U.S. Department of Agriculture			<u>11,243,081</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		2,301,266
Emergency Shelter Grants Program	14.231		95,073
HOME Investment Partnerships Program	14.239		5,305,036
Public and Indian Housing	14.850		2,547,641

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Resident Opportunity and Supportive Services—			
Service Coordinator	14.870		\$ 7,200
Section 8 Housing Choice Vouchers	14.871		12,405,576
Public Housing Capital Fund	14.872		1,019,209
Lead-Based Paint Hazard Control in Privately-Owned Housing, passed through the City of Phoenix	14.900	118265	70,974
Lead-Based Paint Hazard Control in Privately-Owned Housing, passed through the Southwest Fair Housing Council	14.900	AZLOR001004	<u>19,776</u>
Total Lead-Based Paint Hazard Control in Privately-Owned Housing			<u>90,750</u>
Disaster Voucher Program	14.DVP		<u>11,955</u>
Total U.S. Department of Housing and Urban Development			<u>23,783,706</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		1,814,394
Distribution of Receipts to State and Local Governments, passed through the Arizona State Treasurer	15.227	None	9,240
Partners for Fish and Wildlife	15.631		7,136
Reclamation Projects	15.9-07-30-L0298		<u>430</u>
Total U.S. Department of the Interior			<u>1,831,200</u>
U.S. Department of Justice			
Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	16.203		34,851
Juvenile Accountability Block Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.523	JB-GRA-04-6273-04, JB-IGA-05-7273-09, JB-CSG-07-8274-06	368,348
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-08-8182-01, J2-CSG-08-8182-00	131,240
Title V—Delinquency Prevention Program, passed through the Arizona Governor's Office for Children, Youth and Families	16.548	J5-CSG-04-5273	37,604
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2006-VA-GX-0013	49,392

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-07-056, VC08-056	\$ 331,127
Edward Byrne Memorial Formula Grant Program, passed through the Arizona Criminal Justice Commission	16.579	CRI06-07-105	15,598
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		673,279
Crime Victim Assistance/Discretionary Grants, passed through the National Association of VOCA Assistance Administrators	16.582	08-105	8,732
Residential Substance Abuse Treatment for State Prisoners, passed through the Arizona Criminal Justice Commission	16.593	SAT-06-108	44,040
Community Capacity Development Office, passed through the City of Phoenix	16.595	121296	9,975
State Criminal Alien Assistance Program	16.606		2,926,154
Bulletproof Vest Partnership Program	16.607		42,549
Community Prosecution and Project Safe Neighborhoods, passed through the Arizona Criminal Justice Commission	16.609	PSN-08-1015, PSN4-06-1015	18,220
Public Safety Partnership and Community Policing Grants Enforcing Underage Drinking Laws Program, passed through the Arizona Governor's Office of Highway Safety	16.710		6,463
	16.727	2005-OJJDP-013, 2007-OJJDP-009	8,959
Edward Byrne Memorial Justice Assistance Grant Program	16.738		1,629,272
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Supreme Court	16.738	AD-08-041	492,481
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	AC-07-020, AC-08-020, PC-08-020, CRI07-08-107	854,411
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>2,976,164</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		2,960
Paul Coverdell Forensic Sciences Improvement Grant Program, passed through the Arizona Criminal Justice Commission	16.742	CVF07-08-304	12,392
Total Paul Coverdell Forensic Sciences Improvement Grant Program			<u>15,352</u>
Anti-Gang Initiative, passed through the Arizona Criminal Justice Commission	16.744	PSNA-08-1010	70,669
Joint Terrorism Task Force	16.66F-PX-A54566-S/LMOU		17,092

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Desert Hawk Violent Crime Task Force	16.88A-PX-46088		\$ 13,437
Operation FALCON 2008	16.FALCON 2008		1,375
Federal Equitable Sharing Agreement	16.unknown		94,062
Southwest Border Prosecution Initiative	16.unknown		567,623
DEA Task Force	16.unknown		<u>36,590</u>
Total U.S. Department of Justice			<u>8,498,895</u>
 U.S. Department of Labor			
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	E5706007, DE070298001, DE081290001	4,693,579
WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	E5706007, DE070298001, DE081290001	2,253,066
WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	E5706007, DE070298001, DE081030001, DE081290001	<u>2,223,987</u>
Total WIA Cluster			<u>9,170,632</u>
WIA Pilots, Demonstrations, and Research Projects	17.261		297,771
WIA Pilots, Demonstrations, and Research Projects, passed through the Goodwill Industries of Central Arizona	17.261	YF-14844-05-60, YF-14846-05-60	<u>6,485</u>
Total WIA Pilots, Demonstrations, and Research Projects			<u>304,256</u>
Incentive Grants—WIA Section 503, passed through the Arizona Department of Economic Security	17.267	DE071140	<u>25,555</u>
Total U.S. Department of Labor			<u>9,500,443</u>
 U.S. Department of Transportation			
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	CM-MMA-0(044)A, JPA 03-122, JPA07-016T	442,635
Highway Planning and Construction, passed through the Maricopa Association of Governments	20.205	262	<u>809,548</u>
Total Highway Planning and Construction			<u>1,252,183</u>
Federal Transit—Formula Grants, passed through the City of Phoenix	20.507	AZ-90-X068, AZ-90-X070, AZ-90-X074, AZ-90-X080	911,532

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Job Access—Reverse Commute, passed through the City of Phoenix	20.516	90026, AZ-37-X006	\$ 892,977
Highway Safety Cluster: State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2007-AL-006, 2006-157PT-006	29,297
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants, passed through the Arizona Governor's Office of Highway Safety	20.601	2007-K8HV-004, 2007-K8-016, 2007-K8-042, 2007-HVE-007	120,291
Total Highway Safety Cluster			<u>149,588</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants, passed through the Arizona Emergency Response Commission	20.703	None	2,043
Safe Routes to School Program, passed through the State and Territorial Injury Prevention Directors Association	20.DTNH22-06-H-00065	None	12,500
Total U.S. Department of Transportation			<u>3,220,823</u>
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		891,451
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034		56,728
Total U.S. Environmental Protection Agency			<u>948,179</u>
U.S. Department of Energy			
Weatherization Assistance for Low-Income Persons, passed through the Arizona Department of Commerce	81.042	C064-07	220,478
U.S. Department of Education			
Adult Education—Basic Grants to States, passed through the Arizona Department of Education	84.002	08FAEABE-870694-02A, 08FAECIV-870694-01A	244,786
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	07FESSCG-770692-02A, 08FESCBG-870696-04A, 08FESCBG-870692-01A, 08FESSCG-870692-02A	53,896

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Safe and Drug-Free Schools and Communities—			
State Grants, passed through the Arizona Department of Education	84.186	07FBPIVB-760738-04A, 08FSDIVB-860738-02A	\$ 12,908
Fund for the Improvement of Education	84.215		223,681
Twenty-First Century Community Learning Centers, passed through the Arizona Department of Education	84.287	07FBPCY3-770696-01A, 07FBPCY4-760738-01A, 08FSECY5-860738-01A, 08FSECY4-870696-01A	296,224
State Grants for Innovative Programs, passed through the Arizona Department of Education	84.298	06FAATVE-660738-02A	11,126
Education Technology State Grants, passed through the Arizona Department of Education	84.318	06FBPETD-660738-05A	5,672
Education Technology State Grants, passed through Pima County	84.318	08FSESTP-860950-10A	<u>145,483</u>
Total Education Technology State Grants			<u>151,155</u>
Early Reading First, passed through Arizona State University	84.359	05-549	533
English Language Acquisition Grants, passed through the Arizona Department of Education	84.365	06FAAENG-670696-05A, 07FAAENG-770696-05A, 08FAAENG-870696-06A	117,773
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	06FAAIEQ-670696-07A, 07FAAAZE-770696-02A, 08FAAAZE-870696-03A	<u>93,239</u>
Total U.S. Department of Education			<u>1,205,321</u>
U.S. Department of Health and Human Services			
Aging Cluster:			
Special Programs for the Aging—Title III, Part B— Grants for Supportive Services and Senior Centers, passed through Area Agency on Aging	93.044	2007-29-MCSM, 2007-38-MCSTS, 2008-31-MCSM, 2008-30-MCSTS	373,339
Special Programs for the Aging—Title III, Part C— Nutrition Services, passed through the Area Agency on Aging	93.045	2008-30-MCSTS	<u>233,756</u>

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA/ Number	Pass-Through Grantor's Number	Expenditures
Nutrition Services Incentive Program, passed through the Area Agency on Aging	93.053	2008-30-MCSTS	\$ 49,817
Total Aging Cluster			<u>656,912</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs, passed through the Arizona Department of Health Services	93.116	HG352247, HG852310	266,069
Consolidated Health Centers (Health Care for the Homeless)	93.224		2,191,330
Mental Health Research Grants, passed through Arizona State University	93.242	07-860	42,000
Substance Abuse and Mental Health Services— Projects of Regional and National Significance, passed through the University of Arizona	93.243	Y772798	13,148
Immunization Grants, passed through the Arizona Department of Health Services	93.268	HG352193, HG854288	2,029,324
Centers for Disease Control and Prevention— Investigations and Technical Assistance	93.283		72,121
Centers for Disease Control and Prevention— Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	252031, HG754199	<u>2,607,884</u>
Total Centers for Disease Control and Prevention— Investigations and Technical Assistance			<u>2,680,005</u>
Promoting Safe and Stable Families, passed through the Child and Family Resources, Inc.	93.556	C86-06-577-1-01, C86-06-577-1-02, 4375068	52,966
Temporary Assistance for Needy Families, passed through the Arizona Department of Economic Security	93.558	E6306005	871,941
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	G 02-04-AZ-4004, DES060728-1	1,188,742
Low-Income Home Energy Assistance, passed through the Arizona Department of Economic Security	93.568	E6306005	1,441,213
Low-Income Home Energy Assistance, passed through the Arizona Department of Commerce	93.568	C064-07	<u>352,143</u>
Total Low-Income Home Energy Assistance			<u>1,793,356</u>
Community Services Block Grant, passed through the Arizona Department of Economic Security	93.569	E6306005	1,149,451
Refugee and Entrant Assistance—Discretionary Grants, passed through the Arizona Department of Economic Security	93.576	E6305001	939,139

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Head Start	93.600		\$ 18,810,478
Voting Access for Individuals with Disabilities—Grants to States, passed through the Arizona Secretary of State	93.617	HHS-2006-ACF-ADD-VOTE-0135	4,261
Social Services Block Grant, passed through Area Agency on Aging	93.667	2008-30-MCSTS, 2008-31-MCSM	240,053
Social Services Block Grant, passed through the Arizona Department of Economic Security	93.667	E6306005	<u>334,153</u>
Total Social Services Block Grant			<u>574,206</u>
Specially Selected Health Projects	93.888		320,492
HIV Emergency Relief Project Grants	93.914		7,672,747
HIV Care Formula Grants, passed through the Arizona Department of Health Services	93.917	HG754273	41,419
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs, passed through the Arizona Department of Health Services	93.919	HG361201, HG761266	271,143
Healthy Start Initiative	93.926		366,801
HIV Prevention Activities—Health Department Based, passed through the Arizona Department of Health Services	93.940	HG454516, HG652198	561,731
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance, passed through the Arizona Department of Health Services	93.944	HG652198	135,050
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Department of Health Services	93.977	HG354249, HG354255, HG854317, HG854321	564,474
Preventive Health and Health Services Block Grant, passed through the Arizona Department of Health Services	93.991	HG354175, HG854371	162,768
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	HG754060, HG861344, HP461323, HP461413	<u>705,137</u>
Total U.S. Department of Health and Human Services			<u>44,065,090</u>
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program, passed through the United Way	97.024	025600-023	153,021

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Emergency Management Performance Grants, passed through the Arizona Department of Emergency and Military Affairs	97.042	None	\$ 297,178
Homeland Security Grant Program, passed through the Arizona Department of Emergency and Military Affairs	97.067	2005-GE-T5-0030, 2006-GE-T6-0007	1,054,894
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	2005-GE-T5-0030, 2006-GE-T6-0007, 222205-05, 07-AZDOHS-HSGP- 333803-02, 07-AZDOHS- HSGP-333803-03, 07-AZDOHS-HSGP- 333212-03, 07-AZDOHS- HSGP-333212-01, 07-AZDOHS-LETPP- 333212-04	251,071
Total Homeland Security Grant Program			<u>1,305,965</u>
Homeland Security Biowatch Program	97.091		411,210
Disaster Housing Assistance Grant	97.109		108,129
Immigration and Customs Enforcement Joint Operations	97.AZ0070000		20,851
Total U.S. Department of Homeland Security			<u>2,296,354</u>
Total Expenditures of Federal Awards			<u>\$ 107,462,743</u>

See accompanying notes to schedule.

Maricopa County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Note 1 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Maricopa County and is presented on the modified accrual basis of accounting, except for the following programs: Schools and Roads—Grants to States (10.665), Payments in Lieu of Taxes (15.226), Distribution of Receipts to State and Local Governments (15.227), and State Criminal Alien Assistance Program (16.606). For these programs, revenues received during the fiscal year are considered earned and are reported as expenditures. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The amounts included on the schedule of \$30,881 for the HIV Prevention Activities—Health Department Based program (93.940), and \$123,592 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 2008 *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	\$1,959,312
Emergency Shelter Grants Program	14.231	81,000
HOME Investment Partnerships Program	14.239	5,029,078
Comprehensive Approaches to Sex Offender Management Discretionary Grant (CASOM)	16.203	22,856
Juvenile Accountability Block Grants	16.523	149,135
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	468,998

Maricopa County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

Program Title	CFDA Number	Amount
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 930,847
WIA Youth Activities	17.259	1,468,612
WIA Dislocated Workers	17.260	45,000
Incentive Grants—WIA Section 503	17.267	24,263
Highway Planning and Construction	20.205	468,791
Weatherization Assistance for Low-Income Persons	81.042	220,478
Consolidated Health Centers (Health Care for the Homeless)	93.224	94,254
Immunization Grants	93.268	156,195
Temporary Assistance for Needy Families	93.558	307,426
Low-Income Home Energy Assistance	93.568	352,143
Community Services Block Grant	93.569	761,377
Head Start	93.600	7,294,059
Social Services Block Grant	93.667	334,153
HIV Emergency Relief Project Grants	93.914	4,887,148
Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	132,096
Maternal and Child Health Services Block Grant to the States	93.994	140,771
Homeland Security Grant Program	93.067	<u>9,099</u>
Total Awards to Subrecipients		<u>\$25,337,091</u>

Maricopa County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2008

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>	___
Significant deficiencies not considered to be material weaknesses?		<u>X</u>	___
Noncompliance material to the financial statements noted?		___	<u>X</u>

Federal Awards

Material weaknesses identified in internal control over major programs?		<u>X</u>	___
Significant deficiencies identified not considered to be material weaknesses?		<u>X</u>	___
Type of auditors' report issued on compliance for major programs:		Unqualified	
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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund Program
17.258, 17.259, 17.260	WIA Cluster
93.283	Centers for Disease Control and Prevention— Investigations and Technical Assistance
93.600	Head Start
97.091	Homeland Security Biowatch Program

Dollar threshold used to distinguish between Type A and Type B programs:		\$3,000,000	
Auditee qualified as low-risk auditee?		___	<u>X</u>

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, 2008

Financial Statement Findings

08-01

The County needs to improve infrastructure reporting

The County maintains a network of flood control and transportation infrastructure assets valued at \$1.4 billion, so it is essential that the County accurately value and account for these assets. However, the County did not have sufficient internal control policies and procedures to ensure that all flood control and transportation infrastructure assets were identified, properly valued, and reported. Specifically, for flood control construction projects, the County incorrectly included \$20 million in projects managed by other governments in the financial statements. Additionally, auditors tested eight flood control construction projects deleted from the County's records and noted that the County did not properly value each project. This error caused construction in progress and land to be recorded incorrectly on the financial statements.

Also, the County reported \$19 million in transportation infrastructure assets that were annexed by other governments, and an additional \$9 million in assets was reported for the donation of bridges that the County did not own at fiscal year-end. In addition, the County recorded a \$17 million construction project on the financial statements that had previously been excluded because the County asserted that it did not own the asset. Further, the County omitted \$9 million of land donations received in prior fiscal years. Finally, the County did not properly value donated transportation infrastructure assets at fair market value at the date of donation and did not document its determination of fair market values for donated land.

The County adjusted its financial statements for all significant errors and restated the July 1, 2007, balances for errors affecting prior years. These deficiencies are considered to be a material internal control weakness.

To help ensure that the County accurately accounts for its flood control and transportation infrastructure assets, the County should implement the following procedures:

- Perform a detailed review of all intergovernmental agreements and other supporting documentation for all flood control and transportation construction projects and identify and ensure all infrastructure assets of the County are properly valued and recorded in its capital assets listing.
- Obtain all property annexations filed by other governments with the County Recorder's Office and remove these infrastructure assets from the County's capital assets listing in the year of annexation.
- Monitor and ensure the County's capital assets policies are being followed.
- Maintain an up-to-date inventory of county-owned infrastructure assets.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-02

The County needs to improve capital asset reporting

Capital assets represent more than 62 percent of the County's total assets. Therefore, it is essential that the County accurately report these assets in its financial statements and maintain control over them. However, the County did not always follow its capital assets policies and procedures. For example, the County found and corrected an error that understated capital assets beginning balances by \$19 million because of the omission of capital assets it purchased in previous fiscal years. The error occurred primarily because the acquisition of these capital assets were not reported to the Department of Finance in a timely manner.

To help ensure that the County maintains physical control over its capital assets and accurately reports them, the County should follow its existing internal control policies and procedures that require departments to prepare and submit capital assets acquisition forms to the Department of Finance for newly acquired assets in a timely manner to ensure assets are recorded in the correct fiscal year.

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

08-03

The Office of Enterprise Technology needs to improve controls over the Treasurer's computer systems

The Treasurer's Office computer systems are central to its daily operations for collecting and distributing property taxes and managing and investing more than \$3.9 billion in public monies belonging to the County, school districts, and other special districts in the County. The Treasurer's computer systems are operated by the Office of Enterprise Technology (OET). However, the OET did not have adequate internal controls to monitor the information systems used by the Treasurer's Office. As a result, the OET did not regularly review security reports for failed login attempts and did not have an automated logging device to track changes made directly to the systems' databases. Further, the activities of users with high-level access privileges were not reviewed. In addition, the OET did not use its established program change control process to track all changes made to the systems.

These deficiencies are considered to be a material internal control weakness.

To help strengthen controls over the Treasurer's computer systems, the OET should:

- Regularly review security reports for failed login attempts.
- Monitor the activities of users with high-level privileges.
- Institute an automated logging device to track changes made directly to the systems' databases and verify all significant changes are appropriately documented and approved. Also, the log should be given to the Treasurer's Office for review.
- Use the established program change control process for changes made to the systems and ensure that all requests have been appropriately authorized, developed, tested, reviewed, and approved.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-04

The Office of Enterprise Technology should develop, implement, and test a disaster recovery plan

The County's payroll information system and the Treasurer's computer systems are vital to the County's daily operations as these systems process and store critical information. Therefore, it is critical that the Office of Enterprise Technology (OET) have a properly designed disaster recovery plan in place to provide for the continuity of operations and that electronic data files are not lost in the event of a major system or equipment failure or other interruption. In addition, written policies and procedures that provide instructions to employees for processing daily transactions in the event of a disaster are also necessary. However, the OET did not follow existing policies and procedures requiring each department to develop a disaster recovery plan. Therefore, no disaster recovery plan was established for the County's payroll or Treasurer's computer systems.

To help ensure continuity of operations in the event of a major equipment or system failure or other service interruption, the OET should develop and implement a disaster recovery plan and test it annually. In addition, the OET should ensure the plan includes the following:

- A risk analysis identifying exposures, and an assessment of the impact on the County.
- A listing of current employees assigned to disaster teams, including telephone numbers.
- Employee assignments and responsibilities.
- A designated alternative computer facility or arrangements with vendors to support hardware and software requirements.
- Details of off-site storage locations and availability of information stored at these locations.
- A list of procedures for processing critical transactions, including forms or other documents to use.
- Restoration procedures for backup media (i.e., tapes and servers).
- An outline of overall testing strategies, establishing testing frequencies, and documentation of testing the disaster plan.

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

08-05

The County should accurately report its operating leases financial disclosure

The County rents equipment and office space under the terms of operating leases. As required by Generally Accepted Accounting Principles, current year rental expense and future lease payments for these lease agreements are to be reported in the notes to the financial statements. However, the County did not adequately review the amounts reported in the operating lease note disclosure. As such, auditors noted numerous errors in the compilation of the operating leases note disclosure and determined the County incorrectly reported its rental expense and future lease payments by \$1,420,463 and \$1,052,416, respectively. For example, the County did not use the correct lease terms or amounts when calculating rental expense and future lease payments. The County corrected all the errors noted by auditors.

To help ensure that financial statement users have information that is useful, the County should follow its policies and procedures to ensure that amounts presented are accurate.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

The other auditors that audited the discretely presented component unit, the Phoenix Regional Sports Commission (Sports Commission), reported the following significant deficiencies for the Sports Commission:

08-06
Sports Commission

Inadequate documentation of bank reconciliations: We were unable to locate documentation of timely bank reconciliations. Timely bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. We recommend that documentation of such reconciliations be printed, reviewed by Management, and filed in a systematic manner.

Management response: None reported.

08-07
Sports Commission

Record retention and maintenance: We recommend that the Commission institute a more formal record retention policy related to maintaining documentation underlying cash receipts and disbursements. The current procedures of filing paid invoices and cash receipt documentation does not appear to be consistently followed.

Management response: None reported.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Other Internal Control Deficiencies

While performing the 2008 financial statement audit of Maricopa County, auditors also conducted a procedural review focused on evaluating internal controls established by the Maricopa County Attorney's Office and the Maricopa County Sheriff's Office over the administration and use of Anti-Racketeering Influenced and Corrupt Organizations (RICO) monies. Our review consisted primarily of inquiries, observations, and selected tests of internal control policies and procedures, accounting records, and related documents. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on internal controls or ensure that all deficiencies in internal controls are disclosed. Further, items 08-08 through 08-11 are not significant deficiencies as defined by U.S. generally accepted auditing standards and *Government Auditing Standards*.

08-08

The Sheriff's Office should follow county travel policies

Maricopa County has established policies and procedures to properly control employee travel. However, the Sheriff's Office has not always followed these procedures. Although Anti-Racketeering Influenced and Corrupt Organizations Act (RICO) monies can be spent on law enforcement training and travel, the Sheriff's Office did not ensure that these expenditures complied with county travel policies. For example, some travel reimbursement claims included lodging charges that exceeded allowable rates, and there was no documented justification for these exceptions to the County's travel policies. In addition, for one conference, Sheriff's Office employees stayed at the most expensive conference hotel even though less expensive options were available as shown in the conference brochure. In addition, travel requests did not always include adequate information to justify the use of RICO monies, including a clear purpose for the travel or explanation of the training's relevance to job responsibilities. Auditors performed additional procedures and determined that travel and training costs were an allowable use of RICO monies. Furthermore, in one case, Sheriff's employees were allowed to rent a vehicle without providing clear justification that the use of the rented vehicle was for the County's advantage rather than for the employee's personal convenience and that the rental of the vehicle would result in an overall reduction in the trip budget expenditure.

To help ensure that all monies expended for travel are appropriate and in accordance with county travel policies, the Sheriff's Office should:

- Evaluate current practices regarding travel expenses and ensure that all employees are familiar with the established travel policies.
- Establish the necessary controls to ensure that the County's travel policies are followed consistently.
- Require sufficient documentation and approval to justify the use of RICO monies for travel and training costs, and maintain the documentation in each travel file.
- Thoroughly review the travel reimbursement claims to ensure employees are following established travel policies.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-09

The Sheriff's Office should ensure expenditures of RICO monies are allowable and properly documented

In accordance with state statutes and federal laws, RICO monies can be used for law enforcement activities, including community policing activities, training, and law enforcement operations that could result in further seizures and forfeitures. RICO monies cannot be used for nonlaw enforcement personnel and nonlaw enforcement expenditures. Auditors noted expenditures that did not appear allowable under the state RICO statutes and federal laws. Specifically, the Sheriff's Office used RICO monies to pay \$1,375 in travel costs for a member of the County Board of Supervisors, who is not a law enforcement officer, to attend a National Sheriff's conference. Also, expenditures that appeared to support general agency operations totaling approximately \$728, including a staff recruiting sign and monthly bottled water delivery, were paid from RICO monies.

While RICO monies can be used for a wide variety of law enforcement activities, expenditures of RICO monies must be supported by adequate documentation. Auditors noted meals and hotel rooms totaling approximately \$4,500 for visiting law enforcement officials from Honduras were approved and paid from RICO monies without the proper detailed supporting documentation required by county policy, including itemized restaurant receipts, purpose of the function, agenda, and list of attendees. Auditors were able to determine that these expenditures were allowable under the RICO statute and laws based on review of available supporting documentation.

To help ensure that RICO monies are spent only for allowable purposes, the Sheriff's Office should thoroughly review RICO expenditure requests and require supporting documentation to ensure that monies are spent in accordance with applicable state and federal laws. Expenditures should be carefully reviewed to prevent RICO monies from being spent for goods or services reasonably expected to be paid from the County's operating monies. When the use of RICO monies is not immediately discernible, policies should require supporting documentation to demonstrate that the expenditure was for law enforcement activities.

08-10

The County Attorney's Office should ensure law enforcement agencies report their use of RICO monies

Arizona Revised Statutes (A.R.S.) §§13-2314.01 and 13-2314.03 require all state and local law enforcement agencies to maintain their RICO monies with either the Attorney General or the local county attorney. The RICO fund maintained by the Maricopa County Attorney's Office includes RICO monies of 22 local law enforcement agencies. Quarterly, these local law enforcement agencies are required to submit a report of expenditures of their RICO monies to the County Attorney's Office. The County Attorney's Office is required by A.R.S. §13-2314.03 to collect these reports and submit them to the ACJC. If a local law enforcement agency fails to file a report with the County Attorney's Office within 45 days after the report is due and there is no good cause for the delay as determined by the ACJC, the County Attorney's Office should not allow the local law enforcement agency to make expenditures from their RICO monies until the report is filed. However, the County Attorney's Office did not always follow its established policies and procedures to ensure that the local law enforcement agencies submitted their quarterly reports in a timely manner and to notify local law enforcement agencies when reports were delinquent. For one reporting quarterly period tested and submitted to the ACJC, the County Attorney's Office received and submitted quarterly reports from 5 local law enforcement agencies, while reports for 17 agencies had not been

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

received by the quarterly deadline. Further, the County Attorney's Office did not have documentation to support that the local law enforcement agencies had been notified of the delinquent reports. Auditors did not note any unallowable expenditures related to these specific reports tested.

To help ensure compliance with A.R.S. §13-2314.03, the County Attorney's Office should work with the local law enforcement agencies to improve the quarterly reporting of RICO account activities. In addition, the County Attorney's Office should notify the local law enforcement agency when a report is delinquent and retain a copy of the notification in the file along with a date of when the delinquent report was received. Further, if a local law enforcement agency does not submit the report within 45 days of the quarterly due date, and ACJC has not determined there is good cause for the delay, the County Attorney's Office should suspend expenditures from the fund for benefit of the local law enforcement agency until the reports are received.

08-11

The County Attorney's Office should properly monitor programs funded with RICO monies

The County Attorney's Office awards RICO monies to local nonprofit organizations to administer gang and substance abuse prevention and education programs. Monies are sent to the nonprofit organization in one lump sum at the beginning of the agreement. The nonprofit organization must submit a final program and financial report within 60 days of project completion. However, the description of the intended use of monies in the funding requests and final program and financial reports submitted by the nonprofit organizations did not always include enough information to determine how the program would help prevent participation in gangs or substance abuse. Funding requests and final program and financial reports often described programs designed to teach life skills and character development, but did not indicate a clear objective of gang and substance abuse prevention and education. For example, \$5,000 was awarded to pay the cost of a soccer program to improve the life of families through instruction and involvement in youth soccer; however, the nonprofit organization did not demonstrate how the monies were used to provide anti-gang and anti-drug instruction and materials to the participants.

In addition, the funding requests and final program and financial reports for three other nonprofit organizations did not contain sufficient detail to clearly demonstrate the activities of the program were for gang and substance abuse prevention and education. Further, the County Attorney's Office did not always receive the final program and financial reports from the nonprofit organizations within 60 days of completing the project. For three of six programs tested, the County Attorney's Office did not obtain the reports until requested by the auditors in September 2008 when the programs ended in May 2006 and December 2007.

To properly monitor programs funded with RICO monies, the County Attorney's Office should modify its grant application process to require nonprofit organizations to clearly identify program objectives, and explain how the objectives are directed to and support gang and substance abuse prevention and education, before these organizations are given RICO monies. Proposals submitted by nonprofit organizations should include a detailed narrative course description, course outlines, and examples of the materials that will be used during the program. In addition, the County Attorney's Office should ensure that final program and financial reports are received from all nonprofit organizations within 60 days of the program's end. These reports should be reviewed to ensure that monies were used to achieve the program's objectives as outlined in the grant application and proposal.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

Federal Award Findings and Questioned Costs

<p>08-101 Workforce Investment Cluster CFDA No.: 17.258 WIA Adult Program 17.259 WIA Youth Activities 17.260 WIA Dislocated Workers U.S. Department of Labor Passed through the Arizona Department of Economic Security Award Years: April 1, 2005 through June 30, 2008 April 1, 2006 through June 30, 2009 April 1, 2007 through June 30, 2010 April 1, 2008 through June 30, 2011 Award Numbers: DE070298001, DE081030001 DE081290001, E5706007 Activities Allowed/Unallowed and Allowable Costs/Cost Principles</p>	<p>Questioned Cost: \$368</p>
<p>CFDA No.: 93.600 Head Start U.S. Department of Health and Human Services Award Year: July 1, 2007 through June 30, 2008 Award Number: 09CH7096/42 Activities Allowed/Unallowed and Allowable Costs/Cost Principles</p>	<p>Questioned Cost: None</p>

The County's Department of Human Services did not always adhere to its internal control policies and procedures to ensure that all required documentation was maintained for purchasing card expenditures. Specifically, the Department is required to maintain a purchase transaction log; vendor invoice, receipt, or confirmation of the transaction; monthly bank statement; and supervisor approval as evidenced by a signature on the purchase transaction log for each purchasing card transaction. In addition, 29 Code of Federal Regulations (CFR) §97.42 and 45 CFR §92.42 require documents to be retained for 3 years. However, the Department did not comply with the following:

- For the Workforce Investment Act (WIA) Cluster, the Department did not retain documents to support the expenditures and/or the approval for 6 out of 13 purchasing card transactions tested. Further, 2 of the transactions were not supported by a vendor invoice, receipt, or confirmation of the transaction, and consequently, auditors were unable to determine if the costs were spent on allowable activities and for allowable costs resulting in a questioned cost of \$368.
- For Head Start, the Department did not retain all required documents to support the expenditures and/or the approval for three out of five purchasing card transactions tested. However, auditors were able to determine that the costs were spent on allowable activities.

It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. For WIA, this finding is considered a material internal control weakness and noncompliance with the cluster's activities allowed/unallowed and allowable costs/cost principles requirements. For Head Start, this finding is considered a significant deficiency over the programs activities allowed/unallowed and allowable costs/cost principles requirements, as purchasing card expenditures were not significant to the program.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

To comply with 29 CFR §97.42, 45 CFR §92.42, and the Department's internal control policies and procedures, the Department should maintain adequate supporting documentation for each expenditure transaction, such as purchase transaction logs, vendor invoices, receipt or confirmation of the transaction, and monthly bank statements for 3 years. In addition, all purchase card transactions should be approved by a supervisor.

08-102

Workforce Investment Act Cluster

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

17.259 **WIA Youth Activities**

17.260 **WIA Dislocated Workers**

U.S. Department of Labor

Passed through the Arizona Department of Economic Security

Award Years: April 1, 2005 through June 30, 2008

April 1, 2006 through June 30, 2009

April 1, 2007 through June 30, 2010

April 1, 2008 through June 30, 2011

Award Numbers: DE070298001, DE081030001, DE081290001, E5706007

Activities Allowed/Unallowed and Allowable Costs/Cost Principles

Questioned Cost: Unknown

The County's Department of Human Services is required by 2 CFR Appendix A Part 225 §§(C)(3)(a) and (C)(1)(j) to maintain adequate supporting documentation for costs that are assignable to cost objectives in accordance with the relative benefits received. However, the Human Services Department did not retain adequate supporting documentation for its cost allocation of payroll charges between federal and nonfederal activities as the Department did not establish internal control policies and procedures. Specifically, for 6 out of 70 employees, the payroll allocation reported on the employee timesheets did not agree to the actual allocation of the employee's payroll charges. Also, not all expenditures were properly reallocated from the cost pool into WIA cluster's expenditures. As a result, auditors were unable to verify if payroll charges were properly allocated to the program in accordance with the relative benefits received.

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

To comply with 2 CFR Appendix A, Part 225 §§(C)(3)(a) and (C)(1)(j), the Department should ensure costs are assignable to cost objectives in accordance with relative benefits received. In addition, the Department should maintain adequate supporting documentation for each payroll cost allocation, including employee timesheets and explanations of other determinations made. Furthermore, to ensure separate accountability is maintained for time charges between federal and nonfederal activities, the Department should develop written policies and procedures of their allocation methodology.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-103

Workforce Investment Act Cluster

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

17.259 **WIA Youth Activities**

17.260 **WIA Dislocated Workers**

U.S. Department of Labor

Passed through the Arizona Department of Economic Security

Award Years: April 1, 2005 through June 30, 2008

April 1, 2006 through June 30, 2009

April 1, 2007 through June 30, 2010

April 1, 2008 through June 30, 2011

Award Numbers: E5706007, DE081290001, DE070298001, DE081030001

Suspension and Debarment

Questioned Cost: None

CFDA No.: 93.600 **Head Start**

U.S. Department of Health and Human Services

Award Year: July 1, 2007 through June 30, 2008

Award Number: 09CH7096/42

Suspension and Debarment

Questioned Cost: None

The County's Department of Human Services is required by each grantor agency's administrative requirements to verify that vendors and subrecipients are not suspended or debarred before entering into transactions with them to be paid with federal monies. However, not all employees were aware of this requirement, and consequently, the Department was unable to provide documentation that it verified that vendors who were paid over \$25,000 in federal monies were not suspended or debarred. Specifically, for 3 of 14 for WIA cluster and 8 out of 11 vendors tested for Head Start, auditors noted that the Department was unable to provide documentation that the vendors status was verified. For this cluster and program, auditors performed additional procedures and noted no instances of noncompliance as no payments were made to suspended or debarred vendors or subrecipients. This finding has the potential to affect other federal programs administered by the Department.

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

To ensure compliance with 29 CFR §97.35 and 45 CFR §92.35, the Department should document its determination 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 maintained by the U.S. General Services Administration, obtaining a certification from the vendor or subrecipient, or adding a clause or condition to the contract with that entity.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

08-104

CFDA No.: 93.600 **Head Start**

U.S. Department of Health and Human Services

Award Year: July 1, 2007 through June 30, 2008

Award Number: 09CH7096/42

Matching

Questioned Cost: Unknown

The County's Department of Human Services is required to provide 25 percent of the total cost of the program, which can include cash and in-kind matching contributions. The Department has procedures in place that require in-kind forms be signed by the volunteer/donor and for those forms to be reviewed and approved by the Head Start program staff as internal control procedures were not adhered to. However, 3 of 48 in-kind forms tested did not include the signature by Head Start program staff. Therefore, auditors could not determine if the in-kind forms had been reviewed and approved by Head Start program staff.

It was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. However, for the 48 in-kind forms tested, auditors determined they appeared to be from an allowable source and the Department complied with the matching requirement. This finding is a material internal control weakness with the program's matching requirements. This finding is similar to a prior year finding.

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

08-105

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 Year: July 1, 2007 through June 30, 2008

Award Numbers: HG361070, HG761304, HG861080, HP661311

Eligibility

Questioned Cost: Unknown

The County's Department of Public Health uses the Arizona In Motion System (AIMs) to determine eligibility and the food packages that will be issued to certified participants. The Federal Information System Controls Audit Manual (FISCAM), chapter 3.4, recommends that work responsibilities should be segregated so that one individual does not control all critical stages of a process. However, the Department did not have adequate internal control policies and procedures to ensure that there was adequate segregation of duties within AIMs for the eligibility process. For example, Community Nutrition Workers and Clerks have access to information in AIMs that was not compatible with their job responsibilities as they both had the ability to determine eligibility and issue food packages. Department management was not aware that duties had not been adequately segregated.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008

It was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. However, auditors reviewed 48 case files and noted that all individuals were eligible to participate in the program. This finding is a material weakness in internal controls with the program's eligibility requirements.

The Department should develop policies and procedures to ensure that there is adequate segregation of duties when assigning users access rights to AIMS to ensure that only eligible participants are issued food packages. In addition, the Department should review current user access rights and eliminate incompatible job responsibilities.



Maricopa County
Department of Finance

Shelby L. Scharbach

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May 11, 2009

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

Finance Director

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2008**

Financial Statement Findings

08-01

The County needs to improve infrastructure reporting

Contact Person: Chris Plumb, Programming and System Analysis Manager, Maricopa County Department of Transportation, (602) 506-4176; Dave Turner, Accountant, Maricopa County Flood Control District, (602) 506-8612

Anticipated Completion Date: Department of Transportation October 2009; Flood Control District completed

Concur. The County recognizes the significance of accurately valuing and accounting for its infrastructure assets and is in the process of implementing County-wide infrastructure policies and procedures that will provide departments with a framework to assist them in reporting, accounting for, and valuing their infrastructure assets. In addition, the Department of Transportation and the Flood Control District have strengthened their internal controls and procedures to specifically address the deficiencies noted. These procedures include: 1) performing detailed reviews of intergovernmental agreements, expenditures, and other supporting documents, 2) reorganizing the data entry process and improving the flow of information, and 3) providing periodic reporting of infrastructure data for validation. Further, the County will continue to evaluate opportunities to improve its policies and procedures over infrastructure assets to ensure that they are accurately accounted for, valued, and reported.

08-02

The County needs to improve capital asset reporting

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

Anticipated Completion Date: Completed

Concur. The County understands the importance of proper control over and reporting of capital assets and has increased its scrutiny on capital asset transactions to help ensure that they are accurately tracked, monitored, and reported. During fiscal year 2008, the County strengthened existing internal control procedures in addition to implementing additional procedures. As a result of the improved internal controls over capital assets, the County noted numerous assets that were not recorded properly, which resulted in the \$19 million restatement amount noted in the finding. The County's procedures over capital assets include the following: 1) monthly reconciliations to ensure capital expenditures are properly recorded, 2) monthly capital outlay activity reports sent to applicable departments to ensure assets are properly capitalized, 3) monthly reconciliations of capital outlay expenditures to capital asset acquisition forms, and 4) annual validation and reconciliation of capital assets. In addition, the Department of Finance monitors and tracks department's compliance with the County Capital Asset Manual, including facilitating, tracking, and monitoring the monthly reconciliation and annual validation processes. As capital assets are a significant component of the County's total assets, the County will continue to strive to improve the Capital Asset Program and implement additional policies and procedures as necessary.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2008**

08-03

The Office of Enterprise Technology needs to improve controls over the Treasurer's computer systems

Contact Person: Rohini Badwal, Application Development Officer, (602) 506-8044, and Phil Van Kley, IT Consultant, (602) 506- 4635, Maricopa County Office of Enterprise Technology

Anticipated Completion Date: December 31, 2009

Concur. The Office of Enterprise Technology (OET) will identify an individual within OET to regularly review the daily failed login attempts report that is produced on the TIS production cluster. In addition, OET is in the process of refreshing the Treasurer's system, including the servers and hardware and software technology. Once these new systems are in place, OET, in cooperation with its business partners, will identify, evaluate and implement a solution set to mitigate the logging and monitoring issues. Finally, during fiscal year 2009, the Treasurer's IT Department was integrated with County-wide OET; as such, the Treasurer's systems now fully participate in the established change control board process ensuring that all change requests have been authorized, tested, reviewed and approved.

08-04

The Office of Enterprise Technology should develop, implement, and test a disaster recovery plan

Contact Person: Rohini Badwal, Application Development Officer, (602) 506-8044, and Phil Van Kley, IT Consultant, (602) 506- 4635, Maricopa County Office of Enterprise Technology

Anticipated Completion Date: HR Payroll System – After ADP implementation in October 2009; NexTIS and TIS Systems – Unknown as the project is in the early development stages.

Concur. The Office of Enterprise Technology (OET) and the Workforce Management & Development Department have been working together in collaboration with ADP to implement a new HR system for the County. Since the County is moving towards a new HR Payroll system, the Disaster Recovery for the PeopleSoft system is not being pursued. The new ADP system will include a fully functional plan that will be tested annually by OET. In addition, the Office of Enterprise Technology is currently working on an IT infrastructure plan that will support disaster recovery operations involving the Treasurer systems. This infrastructure plan encompasses the use of the Scottsdale-based I/O Data Center. The Treasurer's systems will utilize the I/O Site for disaster recovery/business continuity. OET is working with an external partner on an implementation plan including a recently completed application impact assessment and configuration items matrix.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2008**

08-05

The County should accurately report its operating leases financial disclosure

Contact Person: Bridget Harper, Financial Supervisor, Maricopa County Department of Finance, (602) 372-3505

Anticipated Completion Date: Completed

Concur. The County has existing internal control procedures over operating leases; however, these discrepancies were not caught during the normal review process. To ensure that these discrepancies do not occur in the future, the County will improve the internal review procedures to ensure amounts reported in the note disclosure and support are accurate and in accordance with Generally Accepted Accounting Principles.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2008**

Federal Award Findings and Questioned Costs

08-101

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

Contact Person: Michelle Stevens, Financial Support Supervisor, Maricopa County Human Services Department, (602) 506-4859

Anticipated Completion Date: June 30, 2009

The Maricopa County Human Services Department Finance Office will review and strengthen its internal control policies and procedures to ensure that all required documentation is properly documented and maintained for purchasing card expenditures. Additionally, the Maricopa County Human Services Department Finance Office will ensure that the appropriate staff are fully trained and adhere to the policies and procedures.

08-102

CFDA No.: 17.258 WIA Adult Program

CFDA No.: 17.259 WIA Youth Activities

CFDA No.: 17.260 WIA Dislocated Workers

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

Anticipated Completion Date: June 30, 2009

The Maricopa County Human Services Department Finance Office will ensure that payroll charges are properly allocated to the program in accordance with the relative benefits received.

In addition, the Maricopa County Human Services Department implemented real-time, on-line payroll distribution through its PeopleSoft HR/payroll system in fiscal year 2009. The Human Services Department Finance Office will review and strengthen its internal control policies and procedures to ensure that the department retains adequate supporting documentation for its cost allocation of payroll charges between federal and non-federal activities and ensure separate accountability is maintained for time charges between federal and nonfederal activities.

08-103

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

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

Anticipated Completion Date: June 30, 2009

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2008**

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

Additionally, contracts or agreements issued by the Maricopa County Human Services Department will be prepared on a pre-approved contract template which includes the required suspension and debarment contract language.

It is important to note that WIA contracts originating in fiscal year 2008 were compliant. Annual review for ongoing contracts will follow the procedures stated above to ensure compliance with the program's suspension and debarment requirements.

08-104

CFDA No.: 93.600 Head Start

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

Anticipated Completion Date: June 30, 2009

The Maricopa County Human Services Department will ensure the appropriate staff adheres to its existing policies and procedures to ensure that in-kind forms are properly signed to document review of in-kind contributions. Department Head Start and Finance staff will team up to monitor, on a more frequent basis, adherence to its existing policies and procedures to ensure that in-kind forms are reviewed, approved, and signed by Head Start program staff.

08-105

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

Contact Person: Donna Thompson, Program Administrator – Office of Nutrition Services, Maricopa County Department of Public Health, (602) 506-9339

Anticipated Completion Date: June 1, 2009

The Maricopa County Department of Public Health will modify the AIM system security access for clerks to be limited to view only on the certification screens to ensure adequate segregation of duties. The clerks will not have the ability to make any changes on the certification screens and will only have the ability to update the demographic information on the registration screens.



MARICOPA COUNTY SHERIFF'S OFFICE

JOSEPH M. ARPAIO
SHERIFF



May 15, 2009

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

The following Corrective Action Plan has been prepared in response to your findings 08-06 and 08.07. Specifically, I am providing you with the name of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each finding.

Finding # 08-08

The Sheriff's Office should follow county travel policies

Contact Persons: Loretta Barkell, Director, Business Operations; Marilyn Haight, MSCO
Travel Coordinator

Anticipated Completion date: May 22, 2009

The Sheriff's Office has evaluated current practices regarding travel expenses and has already provided training and guidance to employees responsible for this Office's travel arrangements. Controls have been put in place to review travel reporting each week.

Documentation and supporting justification will be provided for each RICO travel file. Staff of the Sheriff's Office will receive regular updates on reimbursement policies and procedures.

Finding # 08-09

The Sheriff's Office should ensure expenditures of RICO monies are allowable and properly documented

Contact Person: Loretta Barkell, Director, Business Operations

Anticipated Completion date: May 22, 2009

Concur. Requests for RICO expenditures will be thoroughly documented and supported by applicable RICO state and Federal statute.

Sincerely,

Loretta Barkell
Director, Business Operations Command



Maricopa County Attorney

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May 15, 2009

Debbie Davenport
Office of the Auditor General
2910 N. 44th Street, Suite 410
Phoenix, AZ 85018

RE: **FINDINGS 08-10 AND 08-11 AND ACTION PLANS:**

Dear Ms. Davenport:

Thank you for the time and efforts of your audit team. We were pleased to cooperate in such an important accountability process and to have the opportunity to respond to your findings. The Maricopa County Attorney's Office is pleased to read your general statement that these findings "are not significant deficiencies as defined by U.S. generally accepted auditing standards." At the same time we agree that we should strive to maintain transparency and regularity in discharging our statutory duties under §13-2314.03 and other statutes relating to the administration of the anti-racketeering revolving fund [hereinafter referred to as the asset forfeiture accounts or RICO accounts].

08-10

The County Attorney's Office should ensure law enforcement agencies report their use of RICO monies.

The County Attorney's Office believes that there is a misunderstanding as to the interplay of §13-2314.03(G) and §13-2314.03(F) but we do not disagree that the County Attorney's Office may take voluntary steps to improve overall compliance and reporting under the statutes. We simply do not agree that these changes arise to the level of a statutory duty.

We do not dispute that in the one quarter referred to in the audit a number of law enforcement agencies did not file their quarterly reports with the County Attorney as required by statute. A review of the accounts and correspondence with all of the agencies shows that while our memo to ACJC reported that only four agency reports were attached to our quarterly report, in fact five were included as one was received after the memo was actually drafted. We think it is important to note the structure of interacting statutory reporting scheme as well as the actual activities of these seventeen agencies.

The Statute pertaining to the duties of the county attorneys reads in relevant part that "****The County Attorney shall be responsible for collecting all reports from political subdivisions within that county and transmitting the reports to the Arizona criminal justice commission [sic] at the time that the county report required pursuant to subsection F of this section is submitted.****" §13-2314.03(G).

We think that a fair reading of the statute [§13-2314.03(G)] suggests a ministerial function on the county attorneys to obtain the reports from the political subdivisions of the state receiving funds and then forward them to the ACJC. This conclusion is born out by a more full reading of the statute in question. The same section of the statute that states that the county attorney "shall be responsible for collecting" the reports, places the burden on the individual unit of government or law enforcement agency to produce the report, not on the County Attorney:

****On or before ...[specified dates]...each political subdivision of this state receiving monies pursuant to this section...shall cause to be filed with the county attorney of the county in which the political subdivision is located a report for the previous calendar quarter.****

§13-2314.03(G)

If a law enforcement agency does not produce a report as required by the statute there is nothing for the County Attorney to forward in its quarterly report to ACJC as required in §13-2314.03(F). In this instance the Maricopa County Attorney went one step further and notified the ACJC of the deficiencies of the reporting of the individual agencies. The statutory scheme then places the burden on the ACJC to take the next enforcement steps regarding the failure to report. This is noted inasmuch as the Audit Finding states **** and ACJC has not determined that there is good cause for the delay, the County Attorney's Office should suspend expenditures from the fund for the benefit of local law enforcement agency [the political subdivision] until the reports are received."

As we discussed in our initial meeting on the findings the statute makes it clear that:

**** Monies deposited...shall be held for the benefit of the agency or agencies responsible for the seizure or forfeiture to the extent of their contribution. ****

§13-2314.03(D).

This seems to be clear in that the triggering event which gives the county attorneys the authority to "make no expenditures from the fund for the benefit of the political subdivision" [after a failure to submit a quarterly report] under §13-2314.03(G) is the finding that "there is no good cause showing" by the ACJC. The county attorneys do not have the authority to suspend payments unless and until the ACJC determines that "there is no good cause showing" for the failure to report by the political subdivision [the individual law enforcement agency]. §13-2314.03(G).

We would also like to note the actual account activities of the agencies for the quarter in question and the fact that there were no financial improprieties discovered as a result of the absence of some quarterly reports. The breakdown of the records of the accounts of the seventeen non-compliant agencies reveals:

- Three reports were received from agencies within the 45 day deadline and had expenditure requests which could not have been withheld by the County Attorney;
- One report was received from an agency within the 45 day deadline but they did not have an expenditure request;
- Four reports were received after the 45 day deadline from agencies and they had made lawful [per §13-2314.03(G)] expenditure requests prior to filing their quarterly reports;
- Two reports were received after the 45 day deadline and the agencies did not have any expenditure requests;
- Six reports were never received but there was no account transaction by the agencies involved there was only the posting of interest accrued to their accounts;
- One report was never received from an agency and there was a single deposit for the quarter in question.

At the point of a "no good cause" determination, presumably the ACJC notifies a county attorney's office that it should begin to withhold expenditures on behalf of the delinquent reporting Agency. In the instant case there is no record of a finding by, or a notification from, the ACJC to the County Attorney, nor to one of the delinquent law enforcement agencies for that matter. Absent that finding the County Attorney has no duty to do conduct any but normal business with a law enforcement agency. Most of these agencies had little or no account activity to report.

ACTION PLAN:

Nonetheless we agree that the Maricopa County Attorney's Office can and will do more.

In future reporting cycles, we will resume the procedure of reminding the mandatory reporters, political subdivisions or agencies, when their quarterly report is due and requesting that it be filed with the County Attorney within the statutory deadlines. In addition, when faced with an instance of a failure to report, the County Attorney will take the additional step of asking that the Arizona Criminal Justice Commission to note the failure to report and take any action they deem appropriate, including determining whether there is "no good cause" for the failure to timely report. The County Attorney will request that the ACJC notify the County Attorney's Office of any further action required pursuant to statute including "make no expenditures from the fund for the benefit of the political subdivision" [§13-2314.03(G)] until the delinquent report is on file with the both the County Attorney and ACJC or the ACJC has changed its determination.

08-11

The County Attorney's Office should properly monitor programs funded with RICO moneys

The audit reviewed program files of non-profit agency requests for grants of RICO monies. Twice yearly the MCAO receives requests from community groups and other non-profit organizations, usually for small grants to further the purposes of the statute which provides in part "Monies in the fund may be used to provide funding of gang prevention programs, substance abuse prevention programs, substance abuse education programs...or for any purpose permitted by federal law****". §13-2314.03(E). These requests are reviewed by a three member Committee of experienced criminal justice professionals who make final recommendations on the applicant requests to the County Attorney. Not all applications receive funding and the grant conditions require among other things, a close-out report to be filed by a grantee within sixty days of the end of the program.

The audit reports that "the description of the intended use of the monies in the funding requests and final program and financial reports submitted by the non-profit organizations **did not always include enough information** to determine how the program would help prevent participation in gangs or substance abuse. Funding requests and final program and financial reports often described programs designed to teach life skills and character development but did not indicate a clear objective of gang and substance abuse prevention and education." [Emphasis added.]

In addition the Finding states that there were three other non-profit organizations whose funding requests and final program and financial reports "did not contain sufficient detail to clearly demonstrate the activities of the program were for gang and substance abuse prevention and education."

The Community RICO Grant Committee is made up of experienced public policy and criminal justice professionals who are familiar with crime prevention, gang prevention and drug abuse prevention programs as well as education programs designed to discourage involvement with gangs and drugs as required by Statute. §13-2314.03(E). We understand that the applications reviewed and approved may have described activities which appeared at first to have only indirect links to the stated statutory purposes but we are convinced that the judgments were sound.

For example, funding requests often described programs designed to teach life skills and character development without an explanation of how these curriculum actually can provide drug abuse resistance/prevention or avoid gang membership in the community grant context. There is nothing to suggest that the Committee and County Attorney could not properly conclude that the funded activities were permissible, but the documentation can and should be improved. Specific references to demonstrate that various grant activities would advance the stated statutory purposes and the additional documentation should be included in the future.

ACTION PLAN

Nonetheless we agree that public accountability and transparency is especially important in the area of RICO expenditures and will modify our grant making and tracking processes. While there is no statutory requirement that a program provide the copies of any course outlines or examples of materials to justify the Committee's initial recommendation as ratified by the County Attorney's decision we will modify the application and end of grant reporting process.

The Office is also in agreement that the follow-up reports on the community grant expenditures have on occasion been late or in a few cases were missing from the files. In the past, Committee Chairs have had to go to extra lengths to obtain the end of grant reports from what are often small, unsophisticated groups. Perhaps the immediate past Chair did not recognize that problem. We have addressed these issues with the new Chair of the RICO Community Grant Committee.

In order to ensure that proper expenditures have been made and to provide the public with greater accountability for these expenditures the Maricopa County Attorney's Office will revise its written applications to require all applicants to make explicit statements of the relationship of the activities to be funded and the permissible statutory purposes. The applicants will be asked to provide specific descriptions of the activities related to these purposes. Where applicable, specific measures related to a successful effort will be requested of and provided by the applicant.

The Maricopa County Attorney's Office will construct new forms for the Grant close-out phase to ensure proper documentation of the grant-funded activities, any program materials developed or used and reporting any measures of activity or success. These reporting forms will be provided to the grantee at the end of the grant period with a specific return date.

Thank you again. If you need anything further, please contact Catherine Martin at 602-506-3180.

Sincerely,

Mark C. Faulk
Special Counsel



Maricopa County
Department of Finance

Shelby L. Scharbach

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Finance Director

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May 11, 2009

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 L. Scharbach

Finance Director

**Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008**

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
Status: Not corrected.

In order to ensure the accuracy of meal count information, the Juvenile Probation Department has established a process where by a Judicial Clerk Supervisor at each of the Detention Facilities will inspect and confirm the accuracy of the daily meal count sheets prior to their submittal to the Juvenile Probation Finance Unit. A process will also be created to provide a supervisory review of the Child Nutrition Program Web Claim forms prior to its submission to the Arizona Department of Education. As the Single Audit for fiscal year 2007 was not completed until August 2008, the County was unable to implement a corrective action plan until fiscal year 2009. This finding was fully corrected by August 31, 2008. Contact person is Tony Weaver, Director of Budget and Finance, Maricopa County Juvenile Probation Department, (602) 506-4338.

CFDA No.: 17.258 – WIA Adult Program
CFDA No.: 17.259 – WIA Youth Activities
CFDA No.: 17.260 – WIA Dislocated Workers
Finding No. 07-102
Status: Fully corrected.

CFDA No.: 20.205 – Highway Planning and Construction
Finding No. 07-106
Status: Not corrected.

The Department of Transportation will ensure that the CFDA title and number and grant requirements are included in the Intergovernmental Agreement. The Department will also recommend that Grant Program Managers attend County training on the OMB Circular A-133 compliance requirements. As the Single Audit for fiscal year 2007 was not completed until August 2008, the County was unable to implement a corrective action plan until fiscal year 2009. This finding was fully corrected by August 31, 2008. Contact person is Rodney Rach, Financial Support Supervisor, Maricopa County Department of Transportation, (602) 506-8170.

CFDA No.: 20.516 – Job Access – Reverse Commute
CFDA No.: 93.600 – Head Start
Finding No. 06-109, 07-107
Status: Not corrected.

The Maricopa County Human Services Department will modify all fiscal year 2009 contracts with vendors and subrecipients by adding a certification statement regarding suspension and debarment to the contract, or by checking the Excluded Parties List

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

System. This finding was fully corrected by December 31, 2008. Contact person is Patrick Burkhart, Assistant Director, Workforce Development, Maricopa County Human Services Department, (602) 506-4146.

CFDA No.: 20.516 – Job Access – Reverse Commute

Finding No. 07-109

Status: Not corrected.

Due to staff turnover in the Maricopa County Human Services Department, some supporting documentation was not able to be located and there was not adequate documentation for cost allocations. The Department developed a cost allocation methodology that was approved by the grantor for allocating costs for fiscal year 2008. Also, procedures are being reviewed to ensure compliance with proper grant procedures including retention of supporting documentation. As the Single Audit for fiscal year 2007 was not completed until August 2008, the County was unable to implement a corrective action plan until fiscal year 2009. This finding was fully corrected by December 31, 2008. Contact person is Patrick Burkhart, Assistant Director, Workforce Development, Maricopa County Human Services Department, (602) 506-4146.

CFDA No.: 20.516 – Job Access – Reverse Commute

Finding No. 07-110

Status: Not corrected.

Due to staff turnover in the Maricopa County Human Services Department, some matching documentation was incomplete. There was also vague guidance from the pass-through grantor and federal grantor regarding acceptable matching sources for the grant, resulting in auditors questioning some of the matching sources. However, based on subsequent conversations and emails between the Maricopa County Human Services Department and the U.S. Department of Transportation, it was determined that the questioned matching sources would have been allowable. In January 2009 the county received written approval with the City of Phoenix (pass-through grantor) approving the matching sources. As the Single Audit for fiscal year 2007 was not completed until August 2008, the County was unable to implement a corrective action plan until fiscal year 2009. This finding was fully corrected by January 31, 2009. Contact person is Patrick Burkhart, Assistant Director, Workforce Development, Maricopa County Human Services Department, (602) 506-4146.

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

Finding No. 06-101

Status: Fully corrected.

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

CFDA No.: 93.268 – Immunization Grants
Finding No. 06-105, 07-103
Status: Not corrected.

The Maricopa County Department of Public Health immunization staff screeners are instructed to check that clients have indicated their eligibility status on the consent form. The Department of Public Health has procedures in place for recipients of this program to record eligibility on the proper forms and for the form to be reviewed by a screener for accuracy. The Department of Public Health will conduct trainings on these procedures for all employees involved with this program. This finding was fully corrected by August 31, 2008. Contact person is Machrina Leach, Community Health Nursing Program Manager, Maricopa County Department of Public Health, (602) 506-6662.

CFDA No.: 93.268 – Immunization Grants
Finding No. 07-104
Status: Fully corrected.

CFDA No.: 93.268 – Immunization Grants
Finding No. 07-105
Status: Fully corrected.

CFDA No.: 93.568 – Low-Income Home Energy Assistance
Finding No. 06-106
Status: Fully corrected.

CFDA No.: 93.569 – Community Services Block Grant
Finding No. 06-107
Status: Fully corrected.

CFDA No.: 93.600 – Head Start
Finding No. 07-108
Status: Not corrected.

The Maricopa County Human Services Department will ensure the appropriate staff adheres to its existing policies and procedures to ensure that in-kind forms are properly signed to document review of in-kind contributions. Though staff training is conducted at the start of the educational program over a four-day period and again in mid-year for two-day training, additional training will be provided on a one-on-one basis as needed. In addition, the Department will implement internal control monitoring policies and procedures to ensure compliance with proper review of in-kind contributions. As the Single Audit for fiscal year 2007 was not completed until August 2008, the County was unable to implement a corrective action plan until fiscal year 2009. This finding is anticipated to be fully corrected by May 31, 2009. Contact person is Marjorie Weiss,

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Assistant Director, Education, Maricopa County Human Services Department, (602)
506-4841.

CFDA No.: 14.871 – Section 8 Housing Choice Vouchers
Finding No. 06-111
Status: Fully corrected.

CFDA No.: 14.871 – Section 8 Housing Choice Vouchers
Finding No. 07-111
Status: Fully corrected.