



Maricopa County

REPORT HIGHLIGHTS
FINANCIAL STATEMENT AUDIT

Subject

Maricopa County issues financial statements annually. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

Our Conclusion

The information in the County's financial statements is fairly stated in all material respects, and the financial statements can be relied on. The County generally maintained adequate internal controls. However, auditors identified internal control weaknesses over the County's infrastructure reporting and computer systems as summarized on these two pages.



2009

Year Ended June 30, 2009

Financial Statement Audit Summary

Improper infrastructure asset reporting—Approximately 20 percent of the County's total assets consist of transportation infrastructure assets. Auditors noted that the County lacked

adequate internal controls for reporting infrastructure assets in its financial statements and required supplementary information. Our recommendations are presented in the summary below.

Auditor recommendations to improve transportation infrastructure reporting—

The County should implement the following policies and procedures to accurately account for and value its infrastructure capital assets.

- Establish guidelines to determine when to capitalize costs associated with projects managed in conjunction with other governments.
- Require that preservation costs be recorded as expenses in the year incurred.
- Remove the historical value of infrastructure assets from accounting records in the fiscal year in which an annexation ordinance is received.
- Maintain an assets listing for land parcels and roadways that agrees to the financial statements and update the listing annually for improvements.
- Develop instructions for calculating the estimated and actual maintenance and preservation costs that should be included in the required supplementary information.

Lack of Controls over Computer Systems—The County's computer systems process and store critical information necessary for daily operations. However, the County lacked sufficient

controls over disaster recovery, logical access, physical access, and program changes for its systems. Our recommendations are presented in the summary on the next page.

Auditor recommendations to improve computer system controls—

The County should establish the following policies and procedures to help strengthen computer system controls.

For disaster recovery:

- Develop, implement, and test a disaster recovery plan.

For logical access:

- Require department administrators to review and approve access rights for each employee.
- Ensure that access is granted to employees only as needed to perform their job responsibilities.
- Summarize and review the activity of users with heightened access privileges.

For physical access:

- Require and maintain an approved access request form for entrance to the data center.
- Periodically review the access list and revoke employees' access to the data center when it's no longer needed.

For program changes:

- Follow its change control procedures to ensure that all program changes are supported.

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MORE INFORMATION

A copy of the full report
is available at:

www.azauditor.gov

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Condensed Financial Information

Statement of Net Assets—This statement reports all of Maricopa County's assets and liabilities with the difference between the two reported as net assets. Net assets are reported in three major categories:

- Invested in capital assets, net of related debt shows the equity in property, plant, and equipment.
- Restricted net assets shows the net resources that must be used for restricted purposes as specified by external parties.
- Unrestricted net assets show the net resources available for general operations.

A condensed Statement of Net Assets is presented to the right.

Condensed Statement of Net Assets June 30, 2009 (In Millions)	
	Total Governmental Activities
Current and other assets	\$1,714
Capital assets	2,886
Total assets	4,600
Current and other liabilities	180
Long-term liabilities	374
Total liabilities	554
Net Assets:	
Invested in capital assets, net of related debt	2,704
Restricted	566
Unrestricted	776
Total net assets	\$4,046

Statement of Activities—This statement shows how net assets changed during the current fiscal year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues not raised by or dedicated to a specific program). The change in net assets indicates whether financial health has improved or deteriorated as a result of current year activities. Net assets increased by \$200 million in the current year. A condensed Statement of Activities is presented to the right.

Condensed Statement of Activities Year Ended June 30, 2009 (In Millions)	
	Total Governmental Activities
Program revenues:	
Charges for services	\$ 288
Operating grants and contributions	229
Capital grants and contributions	124
Total program revenues	641
General revenues	1,272
Total revenues	1,913
Expenses	1,713
Change in net assets	200
Net assets—beginning, as restated	3,846
Net assets—ending	\$4,046

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Year Ended June 30, 2009