

**REPORT
HIGHLIGHTS**
FINANCIAL STATEMENT AND
SINGLE AUDITS

Subject

Maricopa County issues financial statements and a schedule of expenditures of federal awards annually. The County is responsible for preparing its statements and schedule, maintaining strong internal controls, demonstrating accountability for its use of public monies, and complying with federal program requirements. 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 Schedule of Expenditures of Federal Awards (SEFA) is fairly stated in all material respects in relation to these financial statements. A summary of this information is presented on page 2. However, auditors identified internal control weaknesses and noncompliance with financial reporting and federal program requirements some of which are summarized on this page and page 2.



2010

Year Ended June 30, 2010

Summary of Audit Findings

For the financial statement audit, auditors identified four internal control weaknesses over financial reporting, including three material weaknesses. For the federal compliance audit, auditors tested 12 federal programs under the guidelines established by the Single Audit Act and noted the County did not always have adequate internal controls and did not always comply with certain federal program requirements. The Report on Internal Control and Compliance and the Single Audit Report include further details and auditor recommendations to help correct the deficiencies noted. The material weaknesses over financial reporting and the more significant instances of material noncompliance with federal program requirements are summarized below.

Financial Statement Findings—

Capital Asset Reporting—

Approximately \$3 billion, or 63 percent, of the County's total assets consists of capital assets. However, the County did not have adequate internal controls over these assets and did not accurately account for and value its capital assets on its financial statements. Auditors noted errors in capital assets reported totaling \$22.6 million. The County corrected its financial statements for all significant errors.

Computer System Access—The County lacked adequate internal controls over its general ledger system to ensure that a proper review of employees' system activity was performed for those employees who were granted heightened access privileges. As a result, employees may have access to unauthorized information and the ability to perform unauthorized functions.

Detention Operations Fund Payroll Expenditures—During the fiscal year, the County alleged that employees paid from the Detention Operations Fund were not always performing responsibilities to maintain and operate

adult and juvenile jail facilities. As a result, payroll expenditures charged to the Detention Operations Fund could be misstated, and the County could be in noncompliance with state law. As of December 20, 2010, the report date, it was not known how much, if any, of payroll expenditures recorded in the Detention Operations Fund were misspent.

Federal Award Findings—

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)—The County's Public Health Department selected a contractor for construction of a new WIC clinic for \$873,614 without ensuring the contract met federal requirements.

Community Development Block Grants (CDBG)/Entitlement Grants Cluster—The County's Department of Human Services did not accurately prepare various program financial reports. Also, the Department did not make available the annual CDBG performance report to the citizens of the County.

ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories—The County Attorney’s Office did not report \$575,268 of program expenditures on the SEFA. The County adjusted its SEFA for this understatement. Additionally, the Office did not retain documentation for two of five procurement transactions tested or retain evidence that four of five vendors were not suspended or debarred prior to awarding them federal monies.

Summary of Financial Information

Maricopa County combines and reports its financial balances and activities in two basic financial statements that provide readers with a broad overview of the County’s finances in a manner similar to a private sector business. A condensed summary of these statements and the County’s Schedule of Expenditures of Federal Awards follows:

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

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

Statement of Activities—This statement shows how net assets changed during the year. Revenues are reported as either program revenues (those generated by or dedicated to a specific program) or general revenues (taxes and revenues raised for general purposes). The County’s net assets increased by \$273 million during the fiscal year.

Schedule of Expenditures of Federal Awards—The County’s expenses included \$151 million of federal awards expended. This is an increase of \$38 million compared to the prior year. The increase was primarily due to additional funding of \$13.7 million in the Edward Byrne Memorial Justice Assistance Grant Program from the U.S. Department of Justice, \$5.5 million in the Community Development Block Grant Cluster from the U.S. Department of Housing and Urban Development, and \$3.4 million and \$2.6 million in the Public Health Emergency Preparedness Program and the Head Start Program, respectively, from the U.S. Department of Health and Human Services. Of the \$151 million expended, \$28.2 million was American Reinvestment and Recovery Act (ARRA) monies.

Condensed Statement of Net Assets Governmental Activities June 30, 2010 (In Millions)	
Assets	
Current and other assets	\$1,811
Capital assets, net	3,021
Total assets	4,832
Liabilities	
Current liabilities	190
Noncurrent liabilities	341
Total liabilities	531
Net assets	
Invested in capital assets, net of related debt	2,851
Restricted	601
Unrestricted	849
Total net assets	\$4,301

Condensed Statement of Activities Governmental Activities Year Ended June 30, 2010 (In Millions)	
Program revenues:	
Charges for services	\$ 269
Operating grants and contributions	256
Capital grants and contributions	95
Total program revenues	620
General revenues	1,244
Total revenues	1,864
Expenses	1,591
Increase in net assets	273
Net assets—beginning, as restated	4,028
Net assets—ending	\$4,301

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2010 (In Millions)	
U.S. Department of Health and Human Services	\$ 56
U.S. Department of Housing and Urban Development	31
U.S. Department of Justice	19
U.S. Department of Agriculture	15
U.S. Department of Labor	12
U.S. Department of Transportation	7
Other	11
Total federal expenditures	\$151

TO OBTAIN
MORE INFORMATION

Copies of the County's Comprehensive Annual Financial Report, Report on Internal Control and Compliance, and Single Audit Report are available at:
www.azauditor.gov

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Year Ended June 30, 2010