



REPORT HIGHLIGHTS SINGLE AUDIT

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, we identified internal control weaknesses and instances of noncompliance with laws and federal program requirements summarized on this page.



2011

Year Ended June 30, 2011

Summary of Audit Findings

For the financial statement audit, auditors identified one internal control weakness over financial reporting, which was considered a significant deficiency and an instance of noncompliance with laws. For the federal compliance audit, we tested nine federal programs and the other auditors tested three federal programs under the guidelines established by the Single Audit Act. We noted that 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 contain further details and auditor recommendations. The findings are summarized below.

Financial Statement Findings—

Personnel Costs—Between fiscal years 2004 and 2011, county management determined that some of the Sheriff's Office's employees were paid from the Detention Operations Fund even though they were not always performing responsibilities to maintain and operate adult and juvenile jail facilities. Further, some employees were paid from the Inmate Services Fund even though they were not always performing services for inmates' benefit and welfare. The County performed an analysis and estimated a total of \$99.5 million was misspent over the 7-year time period.

Federal Award Findings—

Special Supplemental Nutrition Program for Women, Infants, and Children—The County's Public Health Department paid 22 vendors over \$25,000 each for goods and services during the year using program monies, but did not always verify that the vendors were not suspended, debarred, or otherwise excluded from federal contracts prior to making the purchase.

Community Development Block Grants/Entitlement Grants Cluster—

The County's Department of Human Services did not accurately prepare various program financial reports.

Justice Assistance Grant Program Cluster—

The County Manager's Office had procedures in place to monitor subrecipients; however, these procedures did not include a review of supporting documentation to ensure its subrecipients had spent non-ARRA grant monies in the proper amounts for allowable, valid purposes. Non-ARRA subrecipient federal expenditures for the fiscal year totaled over \$1.1 million.

Weatherization Assistance for Low-Income Persons—

The County's Department of Human Services did not document that the financial report forms prepared before April 2011 were reviewed before they were submitted.

Head Start Cluster—The County's Department of Human Services did not document that the March 31, 2011 section 1512 reports were reviewed before and after submission of the data onto the federal Web site.

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 using the accrual basis of accounting. 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 \$167 million during the fiscal year.

Schedule of Expenditures of Federal Awards—The County's expenses included \$157 million of federal awards expended. This is an increase of \$6 million compared to the prior year. The increase was primarily due to an additional \$9.9 million in Highway Planning and Construction monies funded by the U.S. Department of Transportation, and an additional \$4.8 million in U.S. Department of Energy grant monies. The remaining difference was made up of small decreases in funding from various other federal agencies.

Condensed Statement of Net Assets Governmental Activities June 30, 2011 (In Millions)	
Assets:	
Current and other assets	\$1,790
Capital assets, net	<u>3,236</u>
Total assets	<u>5,026</u>
Liabilities:	
Current	186
Noncurrent	<u>349</u>
Total liabilities	<u>535</u>
Net assets:	
Invested in capital assets, net of related debt	3,097
Restricted	628
Unrestricted	<u>766</u>
Total net assets	<u>\$4,491</u>

Condensed Statement of Activities Governmental Activities Year Ended June 30, 2011 (In Millions)	
Program revenues:	
Charges for services	\$ 275
Operating grants and contributions	286
Capital grants and contributions	<u>59</u>
Total program revenues	<u>620</u>
General revenues	
Total revenues	<u>1,881</u>
Expenses	
Change in net assets	167
Net assets—July 1, 2010, as restated	<u>4,324</u>
Net assets—June 30, 2011	<u>\$4,491</u>

Condensed Schedule of Expenditures of Federal Awards by Grantor Agency Year Ended June 30, 2011 (In Millions)	
U.S. Department of Health and Human Services	\$ 55
U.S. Department of Housing and Urban Development	29
U.S. Department of Transportation	17
U.S. Department of Agriculture	15
U.S. Department of Labor	13
Other	<u>28</u>
Total federal expenditures	<u>\$157</u>

TO OBTAIN
MORE INFORMATION

The County's Single
Audit Report
is available at:
www.azauditor.gov

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Year Ended June 30, 2011