

# Maricopa County

Single Audit Report

Year Ended June 30, 2023



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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Annual Comprehensive Financial Report



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
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, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the U.S. Comptroller General, 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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 29, 2023. Our report includes a reference to other auditors who audited the financial statements of the Stadium District, Risk Management, Employee Benefits Trust, Housing Authority, and Industrial Development Authority, as described in our report on the County's financial statements. 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.

### **Report on internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-01 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-02 and 2023-03 to be significant deficiencies.

## **Report on compliance and other matters**

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from 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 financial statements. 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 disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and that are described in the accompanying schedule of findings and questioned costs as items 2023-04, 2023-05, and 2023-06.

## **County response to findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the other auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

## **Purpose of this report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

December 29, 2023



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

**Independent auditors' report on compliance for each major federal program;  
report on internal control over compliance; and report on schedule of  
expenditures of federal awards required by the Uniform Guidance**

Members of the Arizona State Legislature

The Board of Supervisors of  
Maricopa County, Arizona

**Report on compliance for each major federal program**

**Opinion on each major federal program**

We have audited Maricopa County's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023, except for the Housing Voucher Cluster (Assistance Listing numbers 14.871 and 14.879), a major federal program administered by the Housing Authority of Maricopa County. This major federal program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to this major federal program's compliance with the types of compliance requirements described in the *OMB 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.

In our opinion, based on our audit and the report of the other auditors, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

**Basis for opinion on each major federal program**

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 U.S. Comptroller General, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the auditors' responsibilities for the audit of compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

## **Other matter—Federal expenditures not included in the compliance audit**

The County's basic financial statements include the operations of the Maricopa County Accommodation Schools that is not included in the County's schedule of expenditures of federal awards during the year ended June 30, 2023. Our compliance audit, described in the opinion on each major federal program section, does not include the operations of the Maricopa County Accommodation Schools because they engaged other auditors to perform a compliance audit.

## **Management's responsibilities for compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs.

## **Auditors' responsibilities for the audit of compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, we express no such opinion.

We are required to communicate with those charged with governance regarding, among other matters, the audit's planned scope and timing and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on internal control over compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a

federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the auditors' responsibilities for the audit of compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we and the report of the other auditors did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on schedule of expenditures of federal awards required by the Uniform Guidance**

We have audited the financial statements of the County's governmental activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 29, 2023, that contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. 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 the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of the County's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and the other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the report of the other auditors, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

March 29, 2024



# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Summary of auditors' results

### Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles	Unmodified
Is a going concern emphasis-of-matter paragraph included in the auditors' report?	No

### Internal control over financial reporting

Material weaknesses identified?	Yes
Significant deficiencies identified?	Yes

Noncompliance material to the financial statements noted? **No**

### Federal awards

#### Internal control over major programs

Material weaknesses identified?	No
Significant deficiencies identified?	None reported

Type of auditors' report issued on compliance for major programs **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? **No**

#### Identification of major programs

Assistance Listings number	Name of federal program or cluster
10.916	Watershed Rehabilitation Program
14.239	Home Investment Partnerships Program
14.871	COVID-19 - Housing Voucher Cluster
14.871, 14.879	Housing Voucher Cluster
21.023	COVID-19 - Emergency Rental Assistance Program
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds

<b>Assistance Listings number</b>	<b>Name of federal program or cluster</b>	
93.136	Injury Prevention and Control Research and State and Community Based Programs	
93.268	Immunization Cooperative Agreements	
93.268	COVID-19 - Immunization Cooperative Agreements	
93.575	COVID-19 - Child Care and Development Block Grant (CCDF Cluster)	
97.106	Securing the Cities Program	
<b>Dollar threshold used to distinguish between Type A and Type B programs</b>		<b>\$3,000,000</b>
<b>Auditee qualified as low-risk auditee?</b>		<b>No</b>

# Financial statement findings

## 2023-01

The County's prior years' financial statements contained misstatements and misclassifications related to capital assets, which increased the risk that those relying on the reported financial information could have been misinformed

**Condition**—Contrary to U.S. generally accepted accounting principles (GAAP), the County did not accurately report its capital assets in prior years' financial statements. During fiscal year 2023, the County identified errors and restated its beginning net position and capital asset balances by \$47.1 million to correct prior-year errors various departments made for County capital assets reported as construction-in-progress that should have instead either been expensed or reclassified as other capital assets and depreciated because of the capital assets' being placed into service. Specifically, the County corrected the following errors:

- \$46.5 million of expenses that the Office of Enterprise Technology had incorrectly capitalized over the past 10 years.
- \$19.6 million of buildings and various facilities that the Facilities Management and Parks Departments had completed and put into service in a prior year but had not reclassified as buildings and improvements and \$511,829 of accumulated depreciation.
- \$8.0 million of depreciable infrastructure that the Flood Control District had completed and put into service in a prior year but had not reclassified as infrastructure and \$66,267 of accumulated depreciation.

**Effect**—The misstatements and misclassifications contained in the prior years' financial statements increased the risk that those relying on the reported financial information could have been misinformed. County management decided that the prior years' financial statements did not need revision and corrected the County's fiscal year 2023 financial statements, as it described in the notes to those financial statements.<sup>1</sup>

**Cause**—The Office of Enterprise Technology incorrectly capitalized expenses for its radio system project that did not meet County policy or GAAP capitalization criteria because it lacked project-management policies and procedures that were responsive to the risks associated with capitalizing the project's expenditures. The other 3 County departments—Facilities Management, Parks, and Flood Control—failed to thoroughly review their construction projects to report accurate information regarding the projects' completion to the Office of Budget and Finance, which relies on the various County departments to annually provide such information for preparation of the County's financial statements.

**Criteria**—The Governmental Accounting Standards Board sets the accounting and financial reporting standards for the County's reporting capital assets in its financial statements. Accurate financial statements provide valuable information to those charged with the County's governance and management, and others who are relying on the reported financial information to make important decisions about the County's financial operations. To achieve its financial reporting objectives related to capital assets, the County policies and procedures require County departments to accurately record all capital asset activity for the year and inform the Office of Budget and Finance of when projects classified as construction-in-progress are completed and placed into service so that they can be reclassified into the

appropriate capital asset category and depreciated in accordance with GAAP (Maricopa County. [2019.] *Maricopa County Capital Asset Policy A2507*). Additionally, these policies and procedures contain criteria for the County departments to follow for capitalizing capital assets, including construction in progress, in accordance with GAAP.

**Recommendations**—The County should:

1. Ensure all County departments follow the County’s policies and procedures for recording and reporting capital assets, including construction in progress.
2. Improve the County’s procedures to require all County departments to:
  - a. Develop project-management policies and procedures that are responsive to the risks associated with capitalizing project expenditures.
  - b. Document their reviews of construction projects before providing annual capital assets information to the Office of Budget and Finance to ensure the information agrees with their projects’ records, including each project’s status of completion, and is in accordance with the County’s capital asset policies and GAAP criteria.

The County’s corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

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<sup>1</sup> Office of Budget and Finance, Maricopa County, Arizona. (2023). *Annual Comprehensive Financial Report for the Year Ended June 30, 2023*. Phoenix, AZ. Retrieved 1/12/2024 from <https://www.maricopa.gov/DocumentCenter/View/90534/FY-2023-Annual-Report>.

## 2023-02

### The County’s deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

**Condition**—The County’s process for managing and documenting its risks did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

**Effect**—The County’s administration and information technology (IT) management may put the County’s operations and IT systems and data at unintended and unnecessary risk of potential harm.

**Cause**—The County’s administration and IT management reported that County departments were not able to implement the previously developed policies and procedures as they were not efficiently designed by former County management and that, as of June 30, 2023, they were developing and documenting new written policies and procedures to address County departments’ concerns.

**Criteria**—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the County to effectively manage risk related to IT systems and data. Effectively managing risk includes the County’s process for identifying, classifying, and inventorying sensitive information that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information.

**Recommendations**—The County should:

1. Ask responsible administrative officials and management over finance, IT, and County departments for input on the County’s process for managing risk to develop, document, and implement policies and procedures that effectively manage risk related to IT systems and data.
2. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

The County’s corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-01 and was initially reported in fiscal year 2017.

**2023-03**

**The County’s control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data**

**Condition**—The County’s control procedures for restricting access were not sufficiently implemented to consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.

**Effect**—There is an increased risk that the County may not adequately protect its IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data.

**Cause**—The County’s administration and IT management reported that it did not prioritize developing a process to ensure its IT policies and procedures for restricting access to IT systems and data were consistently followed.

**Criteria**—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, help the County to protect its IT systems and ensure the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operation objectives. Effective internal controls include restricting access through logical controls to help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.

**Recommendations**—The County should:

1. Make it a priority to develop a process to ensure its IT policies and procedures for restricting access to IT systems and data are being consistently followed and are effective for restricting access.
2. Implement processes to restrict access to its IT systems and data, including the following:
  - a. Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
  - b. Enhance authentication requirements for IT systems.

The County’s corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

## 2023-04

The County failed to withhold FICA and federal and State income taxes for 1 of 2 State-funded retention and recruitment incentive payments it made to eligible Sheriff's Office employees and, resultingly, risks being held liable for any unpaid taxes along with associated fines and penalties

**Condition**—The County failed to withhold employee Federal Insurance Contributions Act (FICA) taxes and federal and State income taxes for 1 of 2 State-funded retention and recruitment incentive payments it made to eligible Sheriff's Office deputies and detention officers. In January 2023, the County made the first incentive payment, totaling \$5,047,500, to 2,030 employees, of which 2,008 employees received \$2,500 while 22 others received \$1,250. The missed employee FICA taxes totaled \$386,114, and the missed federal income tax withholdings totaled \$1,110,450. The missed State income tax amount was not determinable because it was based on employees' withholding elections, which could vary from zero to 3.5 percent.<sup>1</sup>

In April 2023, the County properly withheld the missed employee FICA taxes from the first incentive payment from employees who received a second incentive payment. However, despite putting procedures in place to collect the missed first incentive payment employee FICA taxes from terminated employees, the County failed to collect employee FICA taxes totaling \$1,279 from 8 employees who terminated prior to receiving a second incentive payment. After we brought this issue to their attention, County management issued collection letters to 6 former employees. They had previously issued a collection letter to 1 former employee and rehired another from whom they intended to collect the missed employee FICA taxes before the end of calendar year 2023. However, as of December 29, 2023, the County reported it had not collected any of the missed employee FICA taxes.

Further, County management notified all employees employed as of February 13, 2023, who had received the first stipend of their responsibility to pay the missed State and federal income taxes to the IRS and Arizona Department of Revenue, respectively. However, of the 8 employees who terminated as discussed in the prior paragraph, 3 had terminated before the County sent the February 13, 2023, notification. Thus, the County has not notified those 3 former employees of their obligation to pay the missed State and federal income taxes for the first incentive payment.

Moreover, County management decided to not withhold federal and State income taxes from employees who received the second \$1,250 stipend payment because doing so would have resulted in a greatly reduced net payment for most of those employees. However, it had notified the affected employees of their responsibility to pay the federal and State income taxes to the IRS and Arizona Department of Revenue, respectively, as discussed in the previous paragraph.

Lastly, the County withheld excess employee FICA taxes totaling \$11,539 on wage payments to 67 election day workers. The County was unable to reimburse the affected employees since it had already remitted the taxes to the IRS, and it instead notified the affected employees so they could claim reimbursement of the excess tax withheld from the IRS.<sup>2</sup>

**Effect**—The County risks being held liable for any unpaid FICA and federal and State taxes that it failed to withhold along with associated fines and penalties. Further, the County placed an undue burden on current and former employees by seeking repayment of employee FICA taxes that it failed to withhold; requiring them to pay income taxes that the County failed to withhold when they file their federal and State income tax returns; or requiring them to file a reimbursement claim with the IRS to request a refund for the excess employee FICA taxes it withheld from wage payments.

**Cause**—The County made these tax withholding errors because its newly implemented payroll system was not accurately programmed to withhold employee FICA tax and federal and State income taxes. Specifically, the County did not follow its policies and procedures to ensure that system programming changes were properly tested prior to processing the first of 2 State-funded retention and recruitment incentive payments it made to eligible Sheriff’s Office deputies and detention officers. While the County accurately programmed its payroll system to withhold employee FICA tax and federal and State income taxes from the second incentive payments’ installment, it lacked procedures to manually verify the withholdings were correct for all employees who terminated prior to receiving the second incentive payment. Finally, although the County’s consultant identified the programming error on wage payments to election day workers prior to payment, because the County did not properly review the consultant’s work, not all employees affected by the error were identified.

**Criteria**—Federal law requires the County to collect employee FICA taxes from each employee’s wages when it pays them, with certain exceptions such as election officials and workers who make less than \$2,000 (Title 26 of the Code of Federal Regulations [CFR] 31.3102-1[a]).<sup>2</sup> Additionally, federal law requires the County to withhold federal income taxes from each employee’s wages when it pays them (26 CFR 31.3402[a]-1[b]). Similarly, State law requires the County to withhold State income taxes from each employee’s wages when it pays them (Arizona Revised Statutes [A.R.S.] §43-401). If the County fails to withhold such taxes, it may be liable for the unpaid taxes that it failed to withhold and/or be assessed penalties for failure to withhold any required taxes (26 CFR 31.3402[d]-1, 26 CFR 31.3403-1, and A.R.S. §43-414). Further, the County received written confirmation from Public Safety Personnel Retirement System management that the State funded retention and recruitment incentive payments were not pensionable. Lastly, implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, helps the County to ensure it effectively achieves its operational and compliance objectives when developing and implementing new information technology systems and programming changes.

**Recommendations**—The County should:

1. Immediately pay to the IRS any employee FICA taxes owed.
2. Immediately notify the 3 former employees of their obligation to pay the missed federal and State income taxes on the first incentive payment.
3. Continue to pursue collections efforts for the uncollected employee FICA taxes totaling \$1,279 from the 8 terminated employees.
4. Ensure it withholds the correct amount of employee FICA taxes and federal and State income taxes by following its established policies and procedures for making system programming changes and testing the changes to ensure that the system operates as intended and in compliance with federal and State tax laws.
5. Develop and implement written policies and procedures to review consultants’ work to ensure they provide accurate information.

The County’s corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

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<sup>1</sup> FICA taxes fund Social Security and Medicare insurance programs, and their withholding rates were 6.2 percent and 1.45 percent, respectively. Federal income tax withholding rate used on supplemental wages was 22 percent, and State income tax withholding rates varied between 0 and 3.5 percent depending on employees’ percentage withholding elections for them.

<sup>2</sup> Under the State of Arizona’s Section 218 agreement with the Social Security Administration (SSA), modification 362, election officials and workers were excluded from employee FICA tax on earnings less than \$2,000, which was the 2022 threshold amount according to the SSA’s website at [https://www.ssa.gov/slge/election\\_workers.htm?tl=2](https://www.ssa.gov/slge/election_workers.htm?tl=2).

## 2023-05

### The County School Superintendent's Office risks receiving more or less State funding than statutorily allowed to support juvenile detention center education program operations because it did not accurately report program operations to the Arizona Department of Education

**Condition**—Despite the Office reporting to the Arizona Department of Education (ADE) that it had separated its juvenile detention center education program operations from its accommodation school, the Office had never fully done so. Specifically, in June 2019, the Office reported to ADE that it had separated program operations from its accommodation school beginning in fiscal year 2020, qualifying it for alternative funding that became effective in State law starting in fiscal year 2020 for counties that operate their juvenile detention center education programs separately from an existing accommodation school.<sup>1</sup> However, the Office never fully separated its program from its accommodation school. For example, the Office continued to direct State payments for program operations to the accommodation school, which controlled the funds; maintained the program's accounting records; and processed the program's payroll and other expenditures. For fiscal year 2023, the accommodation school no longer reported the program's activity in its annual financial report submitted to ADE. However, the accommodation school continued to record some of the program's expenditures in its fiscal year 2023 accounting records.

**Effect**—The Office received a total of \$3.6 million from ADE for program operations for fiscal years 2020 through 2023, which may be more or less than it would have received if it had accurately reported to ADE that it continued to operate the program through its accommodation school. In December 2023, ADE management informed the Office that it is not able to calculate what the program's funding would have been if the Office had reported the program's operations through its accommodation school, as different data is used to calculate funding for programs operated through existing accommodation schools, and that data was not captured for the Office's reportedly separated program. Because the Office inaccurately reported its program's operations, it risks receiving less State funding to support program operations. However, if the Office's inaccurate reporting resulted in it receiving more State funding than it was statutorily entitled to, the State overpaid for the program.

**Cause**—After reporting to ADE in June 2019 that beginning in fiscal year 2020, program operations were being separated from the accommodation school and operated under a new name, the Maricopa County Juvenile Detention Center, the Office did not develop and follow a process to separate program operations from its accommodation school. Further, according to Office and other County staff, in January 2020, when the Office requested a separate fund to record the program's revenues beginning in fiscal year 2021, the County did not approve the Office's request.

**Criteria**—State law allows counties to operate a juvenile detention center education program either through or separate from an existing accommodation school and prescribes different funding provisions depending on the method of operation. Further, the county school superintendent may establish a detention center education fund to provide financial support to the program, if not operated through an existing accommodation school, and shall deposit State payments into it. Any excess monies in the fund shall be used to supplement classroom spending (Arizona Revised Statutes [A.R.S.] §15-913). Programs operated through an existing accommodation school are included in the apportionment of State aid to accommodation schools (A.R.S. §15-909).

**Recommendations**—The Office should:

1. Either develop and follow a process for separating program operations from the accommodation school in accordance with its reporting to ADE or inform ADE that it is not separating program operations from the accommodation school.
2. Ensure that the program receives the correct statutory funding based on whether or not program operations are separated from the accommodation school.

The County’s corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-03 and was initially reported in fiscal year 2022.

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<sup>1</sup> Laws 2019, Ch. 265.

## 2023-06

### County School Superintendent’s Office paid \$21,019 for services, travel, supplies, software, food, and other items using purchasing cards without complying with County policy, risking misuse of public monies and possible violation of the Arizona Constitution

**Condition**—Contrary to County policy, the County School Superintendent’s Office paid \$21,019 for purchases the former Assistant County School Superintendent made with a County purchasing card that did not comply with County policy, including purchases of services, travel, supplies, software, food, and other items. Specifically, the Office paid for these 51 purchasing card transactions without independently reviewing or approving the former Assistant County School Superintendent’s purchases, as was required. Additionally, the former Assistant County Superintendent did not report 13 travel-related purchases totaling \$5,082 on the required travel authorization and expense report and did not obtain advance approval from the County School Superintendent or his designee for 2 food purchases totaling \$1,723.

**Effect**—The Office paying for purchases that did not comply with County policy put \$21,019 of public monies at risk of misuse and possible violation of the Arizona Constitution. Further, when public monies are misused, less monies are available for uses that benefit the County, its schools, and its residents.

**Cause**—Despite their responsibility for doing so, Office management did not provide sufficient oversight and monitoring of the former Assistant County School Superintendent’s purchasing card purchases to ensure his compliance with County policy and that the purchases were appropriate and for a public purpose. Office management reported that they were not aware of the former Assistant County School Superintendent’s noncompliance with County policy.

**Criteria**—All County department employees are required to follow County policy and State laws, and Office management has the oversight responsibilities to ensure its employees comply with County policy. Specifically, County policy requires all purchasing cardholder employees to maintain monthly reconciliation reports and itemized receipts and other documentation to support all purchasing card transactions, which are to be reviewed and approved by the employee’s supervisor within 30 days of the transaction cycle’s end (Maricopa County. [2020.] *Maricopa County Internal Policy*, Policy Number A2120—Acceptable Use of County Purchasing Card). In addition, County policy requires employees to

complete a travel authorization and expense report that is accompanied with documentation supporting the County purpose for the travel and related expenses (Maricopa County. [2020.] *Maricopa County Internal Policy*, Policy Number A2313—General Travel). Food purchases are restricted by policy to County functions that promote a public program, economic development, or other authorized County objective and must be approved in advance of the purchase by the applicable County department's elected official or designee (Maricopa County. [2020.] *Maricopa County Internal Policy*, Policy Number A1508—Approval of Food Expenditures). Finally, State law bans gifts of public monies by counties to individuals and organizations (Arizona Constitution, Art. IX, Sec. 7).

**Recommendations**—The Office should:

1. Require its employees to follow the County's established policy when using purchasing cards, such as:
  - a. Maintaining monthly reconciliation reports supported by itemized receipts and other documentation and provide them to a supervisor for review and approval. The employee's supervisor should review and approve or disapprove the monthly reconciliation reports within 30 days of the transaction cycle's end.
  - b. Completing a travel authorization and expense report that is accompanied with documentation supporting the County purpose for the travel and related expenses.
  - c. Obtaining advanced approval for food purchases from the County School Superintendent or his designee, ensuring food purchases are in accordance with County policy and are an allowable use of the funding source.
2. Periodically monitor employee cardholders' purchasing card purchases and notify the Office of Procurement Services when an employee fails to follow County policy so the County can take timely and appropriate corrective or disciplinary actions, as appropriate, to restrict an employee's purchasing card purchasing ability, such as revoking card privileges, and requiring repayment of unallowable purchases.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

This finding is similar to prior-year finding 2022-02 and was initially reported in fiscal year 2022.

## Federal award findings and questioned costs

None reported.

# COUNTY SECTION

**MARICOPA COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2022 - 6/30/2023**

Federal Awarding Agency/Program Title	Assistance Listing Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number Assigned by Funder Pass-Through Entity	Total Amount Provided to Sub-Recipients	Federal Expenditures	Federal Program Total	Cluster Name	Cluster Total
<b>DEPARTMENT OF AGRICULTURE</b>									
SCHOOL BREAKFAST PROGRAM	10.553		ARIZONA DEPARTMENT OF EDUCATION	ED09-0001		\$142,642	\$159,863	CHILD NUTRITION CLUSTER	\$425,328
SCHOOL BREAKFAST PROGRAM (NON-CASH)	10.553		ARIZONA DEPARTMENT OF EDUCATION	ED09-0001		\$17,221	\$159,863	CHILD NUTRITION CLUSTER	\$425,328
NATIONAL SCHOOL LUNCH PROGRAM	10.555		ARIZONA DEPARTMENT OF EDUCATION	ED09-0001		\$236,868	\$265,465	CHILD NUTRITION CLUSTER	\$425,328
NATIONAL SCHOOL LUNCH PROGRAM (NON-CASH)	10.555		ARIZONA DEPARTMENT OF EDUCATION	ED09-0001		\$28,597	\$265,465	CHILD NUTRITION CLUSTER	\$425,328
WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	10.557		ARIZONA DEPARTMENT OF HEALTH SERVICES	CTR040876 CTR046145		\$9,215,224	\$9,215,224	N/A	\$0
CHILD AND ADULT CARE FOOD PROGRAM	10.558		ARIZONA DEPARTMENT OF EDUCATION	KR02-1170-ALS		\$432,235	\$432,235	N/A	\$0
STATE ADMINISTRATIVE MATCHING GRANTS FOR THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM	10.561		ARIZONA DEPARTMENT OF HEALTH SERVICES	RFGA2020-001-001	\$73,299	\$2,029,804	\$2,029,804	SNAP CLUSTER	\$2,029,804
SCHOOLS AND ROADS - GRANTS TO STATES	10.665					\$352,498	\$352,498	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	\$352,498
WATERSHED REHABILITATION PROGRAM	10.916					\$6,522,244	\$6,522,244	N/A	\$0
EMERGENCY WATERSHED PROTECTION PROGRAM	10.923					\$1,288,177	\$1,288,177	N/A	\$0
COOPERATIVE LAW ENFORCEMENT AGREEMENT	10.U001	21-LE-11031200-041				\$101,330	\$101,330	N/A	\$0
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>					<b>\$73,299</b>	<b>\$20,366,840</b>			
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>									
SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM	14.195					\$1,142,074	\$1,142,074	SECTION 8 PROJECT-BASED CLUSTER	\$1,142,074
COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218				\$2,430,778	\$2,927,819	\$4,184,620	CDBG - ENTITLEMENT GRANTS CLUSTER	\$4,184,620
COVID-19 - COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS	14.218	COVID 19			\$1,245,119	\$1,256,901	\$4,184,620	CDBG - ENTITLEMENT GRANTS CLUSTER	\$4,184,620
EMERGENCY SOLUTIONS GRANT PROGRAM	14.231				\$242,987	\$242,987	\$693,095	N/A	\$0
COVID-19 - EMERGENCY SOLUTIONS GRANT PROGRAM	14.231	COVID 19			\$380,454	\$450,108	\$693,095	N/A	\$0
HOME INVESTMENT PARTNERSHIPS PROGRAM	14.239				\$3,858,367	\$5,175,455	\$5,175,455	N/A	\$0
SECTION 8 HOUSING CHOICE VOUCHERS	14.871					\$21,195,168	\$22,205,288	HOUSING VOUCHER CLUSTER	\$22,830,533
COVID-19 - SECTION 8 HOUSING CHOICE VOUCHERS	14.871	COVID 19				\$1,010,120	\$22,205,288	HOUSING VOUCHER CLUSTER	\$22,830,533
MAINTENANCE VOUCHERS	14.879					\$625,245	\$625,245	HOUSING VOUCHER CLUSTER	\$22,830,533
FAMILY SELF-SUFFICIENCY PROGRAM	14.896					\$68,463	\$68,463	N/A	\$0
LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY-OWNED HOUSING	14.900					\$129,273	\$175,990	N/A	\$0
LEAD-BASED PAINT HAZARD CONTROL IN PRIVATELY-OWNED HOUSING	14.900		CITY OF PHOENIX	157023-1 NONE		\$46,717	\$175,990	N/A	\$0
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>					<b>\$8,157,705</b>	<b>\$34,270,230</b>			
<b>DEPARTMENT OF THE INTERIOR</b>									
DISTRIBUTION OF RECEIPTS TO STATE AND LOCAL GOVERNMENTS	15.227					\$7,186	\$7,186	N/A	\$0
<b>TOTAL DEPARTMENT OF THE INTERIOR</b>						<b>\$7,186</b>			
<b>DEPARTMENT OF JUSTICE</b>									
NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	16.554		ARIZONA CRIMINAL JUSTICE COMMISSION	NCP 19-21-001 NCHIP-20-22-001 2019-V2-GX-0041, 2020-175, 2020-177, 2020-176, 2020-240, 2020-241, NONE		\$471,344	\$471,344	N/A	\$0
CRIME VICTIM ASSISTANCE	16.575		ARIZONA DEPARTMENT OF PUBLIC SAFETY			\$1,352,066	\$1,352,066	N/A	\$0
CRIME VICTIM COMPENSATION	16.576		ARIZONA CRIMINAL JUSTICE COMMISSION	VC-23-008		\$1,179,652	\$1,179,652	N/A	\$0
STATE CRIMINAL ALIEN ASSISTANCE PROGRAM	16.606					\$582,301	\$582,301	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738					\$93,727	\$93,727	N/A	\$0
EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM	16.738		ARIZONA CRIMINAL JUSTICE COMMISSION	DC-23-027		\$889,286	\$951,013	N/A	\$0
DNA BACKLOG REDUCTION PROGRAM	16.741		ARIZONA CRIMINAL JUSTICE COMMISSION	CV 21-22-002, CV 22-23-002		\$138,372	\$138,372	N/A	\$0
PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	16.742					\$14,638	\$14,638	N/A	\$0
SMART PROSECUTION INITIATIVE	16.825					\$18,374	\$18,374	N/A	\$0
NATIONAL SEXUAL ASSAULT KIT INITIATIVE	16.833					\$98,244	\$98,244	N/A	\$0
EQUITABLE SHARING PROGRAM	16.922					\$125,781	\$125,781	N/A	\$0
FBI JOINT TERRORISM TASK FORCE	16.U002	415A-PK-AS4566-S				\$8,190	\$8,190	N/A	\$0
FBI DESERT HAWK FUGITIVE TASK FORCE	16.U003	88A-PK-C5061747 MN-20-0001 SWAZ				\$76,835	\$76,835	N/A	\$0
ORGANIZED CRIME DRUG ENFORCEMENT TASK FORCES	16.U004	P0904				\$396,272	\$396,272	N/A	\$0
DOJ FBI TASK FORCE	16.U005	UNKNOWN				\$7,643	\$7,643	N/A	\$0
DEA PHOENIX TASK FORCE	16.U006	UNKNOWN				\$58,563	\$58,563	N/A	\$0
<b>TOTAL DEPARTMENT OF JUSTICE</b>						<b>\$6,339,288</b>			
<b>DEPARTMENT OF LABOR</b>									
WIA ADULT PROGRAM	17.258		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D121-002283		\$7,004,036	\$7,004,036	WIOA CLUSTER	\$18,747,944
WIA YOUTH ACTIVITIES	17.259		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D121-002283		\$4,821,645	\$4,821,645	WIOA CLUSTER	\$18,747,944
WIA DISLOCATED WORKER FORMULA GRANTS	17.278		ARIZONA DEPARTMENT OF ECONOMIC SECURITY	D121-002283		\$6,922,263	\$6,922,263	WIOA CLUSTER	\$18,747,944
<b>TOTAL DEPARTMENT OF LABOR</b>						<b>\$18,747,944</b>			
<b>DEPARTMENT OF TRANSPORTATION</b>									
HIGHWAY RESEARCH AND DEVELOPMENT PROGRAM	20.200			888-M(233)S, 999-M(596), AC STP-MMA-Q(248), AL2022-04, IGA 17-0006713-1, IGA 17-0006714-1, MMA-Q(239)D, MMA-Q(249)D, MMA-Q(279)D, MMA-Q(280)D, MMA-Q(282), MMA-Q(283)D, MMA-Q(284)D, MMA-Q(285)D, MMA-Q(287), MMA-Q(288)D, MMA-Q(289)		\$66,858	\$66,858	N/A	\$0
HIGHWAY PLANNING AND CONSTRUCTION	20.205		ARIZONA DEPARTMENT OF TRANSPORTATION			\$10,374,360	\$12,074,865	N/A	\$0
HIGHWAY PLANNING AND CONSTRUCTION	20.205		MARICOPA ASSOCIATION OF GOVERNMENTS	1024-2, 1024-3	\$320,979	\$1,700,505	\$12,074,865	N/A	\$0
STATE AND COMMUNITY HIGHWAY SAFETY	20.600		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2022-AI-006, 2022-AL-020, 2022-PTS-037, 2023-0456-025, 2023-AI-007, 2023-AL-017, 2023-PTS-035		\$535,105	\$535,105	HIGHWAY SAFETY CLUSTER	\$547,957
NATIONAL PRIORITY SAFETY PROGRAMS	20.616		ARIZONA GOVERNOR'S OFFICE OF HIGHWAY SAFETY	2022-AL-019, 2023-CIOT-016		\$12,852	\$12,852	HIGHWAY SAFETY CLUSTER	\$547,957
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>						<b>\$320,979</b>	<b>\$12,689,680</b>		
<b>DEPARTMENT OF TREASURY</b>									
EMERGENCY RENTAL ASSISTANCE PROGRAM	21.023	COVID 19				\$4,829,804	\$59,241,268	N/A	\$0
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID 19				\$51,860,995	\$152,357,195	N/A	\$0
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID 19	ARIZONA CRIMINAL JUSTICE COMMISSION	VC-23-008		\$938,495	\$153,295,690	N/A	\$0
LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND	21.032	COVID 19				\$175,403	\$175,403	N/A	\$0
<b>TOTAL DEPARTMENT OF TREASURY</b>						<b>\$56,690,799</b>	<b>\$212,712,361</b>		
<b>ENVIRONMENTAL PROTECTION AGENCY</b>									
AIR POLLUTION CONTROL PROGRAM SUPPORT	66.001					\$1,159,809	\$1,159,809	N/A	\$0
SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS, DEMONSTRATIONS, AND SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	66.034					\$150,558	\$150,558	N/A	\$0
DIESEL EMISSIONS REDUCTION ACT (DERA) STATE GRANTS	66.040					\$406,707	\$499,833	N/A	\$0
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>						<b>\$406,707</b>	<b>\$1,810,200</b>		



AMERICORPS	94.006	ADMINISTRATIVE OFFICE OF THE COURTS, ARIZONA SUPREME COURT	NONE	\$20,644	\$98,904	N/A	\$0
AMERICORPS	94.006	ARIZONA GOVERNOR'S OFFICE FOR CHILDREN, YOUTH AND FAMILIES	AC-FOR-21-090121-06	\$78,260	\$98,904	N/A	\$0
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>					<u>\$98,904</u>		
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>							
HIGH INTENSITY DRUG TRAFFICKING AREAS PROGRAM	95.001			\$628,706	\$628,706	N/A	\$0
<b>TOTAL EXECUTIVE OFFICE OF THE PRESIDENT</b>					<u>\$628,706</u>		
<b>DEPARTMENT OF HOMELAND SECURITY</b>							
EMERGENCY MANAGEMENT PERFORMANCE GRANTS	97.042	ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS	EMF-2020-EP-00009	\$1,102,498	\$1,102,498	N/A	\$0
COOPERATING TECHNICAL PARTNERS	97.045			\$102,000	\$102,000	N/A	\$0
			210208-01, 220204-1, 20-AZDHS-200209-02, 20-AZDHS-200812-05, 20-AZDHS-HSGP-200812-06, 21-AZDHS210209-01, 21-AZDHS-210209-03, 21-AZDHS-210811-01, 21-AZDHS-210811-03, 22-AZDHS-220206-02, 22-AZDHS-HSGP-220206-04, 22-AZDHS-HSGP-220814-02, 22-AZDHS-HSGP-220814-03, 22-AZDHS-HSGP-220814-04				
HOMELAND SECURITY GRANT PROGRAM	97.067	ARIZONA DEPARTMENT OF HOMELAND SECURITY		\$551,661	\$551,661	N/A	\$0
HOMELAND SECURITY BIOWATCH PROGRAM	97.091			\$635,577	\$635,577	N/A	\$0
SECURING THE CITIES PROGRAM	97.106			\$85,740	\$1,974,112	N/A	\$0
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>				<u>\$85,740</u>	<u>\$4,465,848</u>		
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>				<u>\$78,390,446</u>	<u>\$411,700,724</u>		

**Please Note:**

*Italicized award lines indicate pass-through funding*

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

**MARICOPA COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2022 - 6/30/2023**

**Significant Accounting Policies Used in Preparing the SEFA**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**10% De Minimis Cost Rate**

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

**Basis of presentation**

The accompanying schedule of expenditures of federal awards (schedule) includes Maricopa County's federal grant activity for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**Federal Assistance Listing number**

The program titles and Federal Assistance Listing numbers were obtained from the federal or pass-through grantor or the 2023 Federal Assistance Listings. When no Federal Assistance Listing number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word unknown were used.

# COUNTY RESPONSE



301 W. Jefferson St., 9<sup>th</sup> Floor  
Phoenix, Arizona 85003

P: 602-506-3561  
F: 602-506-4451

[Maricopa.gov](http://Maricopa.gov)

March 29, 2024

Lindsey Perry  
Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

A handwritten signature in black ink that reads "Michael McGee".

Michael McGee  
Chief Financial Officer



**2023-01** The County's prior years' financial statements contained misstatements and misclassifications related to capital assets, which increased the risk that those relying on the reported financial information could have been misinformed.

**Contact person(s):** Bridget Harper, Deputy Finance Director, Office of Budget and Finance

**Anticipated Completion Date:** June 30, 2024

Concur. Maricopa County recognizes the significance of accurately accounting for its capital assets and will work to improve County-wide policies and procedures to ensure the identified issues and risks are addressed.

**2023-02** The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm.

**Contact person(s):** Kevin Westover, Customer Experience Officer, Office of Enterprise Technology

**Anticipated Completion Date:** June 30, 2025

Concur. Maricopa County takes all IT audit findings seriously and will make efforts to resolve any deficiencies. The County will work to implement the policies and procedures for managing and documenting risks.

**2023-03** The County's control procedures over IT systems and data were not sufficient, which increases the risk that the County may not adequately protect those systems and data.

**Contact person(s):** Kevin Westover, Customer Experience Officer, Office of Enterprise Technology

**Anticipated Completion Date:** December 31, 2024

Concur. Maricopa County takes all IT audit findings seriously and will make efforts to resolve any deficiencies. The County will improve access controls over its IT resources.

**2023-04** The County failed to withhold FICA and federal and State income taxes for 1 of 2 State-funded retention and recruitment incentive payments it made to eligible Sheriff's Office employees and, resultingly, risks being held liable for any unpaid taxes along with associated fines and penalties.

**Contact person(s):** Darrien Ellison, Deputy Director, Human Resources

**Anticipated Completion Date:** June 30, 2024

Concur. Maricopa County recognizes the significance of accurately withholding and reporting payroll taxes and has already implemented the following policies and procedures to address the deficiencies noted:

- Identified process to remit outstanding FICA taxes to the IRS by April 30, 2024.
- Collected payment from three of eight former employees and will continue collection efforts for the five individuals with outstanding uncollected FICA taxes.
- Implemented written deduction and earnings code set-up, review, and testing policies and procedures, including proper consultant review and oversight, to ensure accurate system configuration prior to application into the payroll cycle.

For the three former employees who terminated before the County's notification, the County decided that any notification at this time could cause confusion. Any missed federal and State income taxes would be resolved if the employees processed their 2023 tax return.

**2023-05** The County School Superintendent's Office risks receiving more or less State funding than statutorily allowed to support juvenile detention center education program operations because it did not accurately report program operations to the Arizona Department of Education.

**Contact person(s):** Matt Morales, Deputy Superintendent of Schools, Maricopa County School Superintendent's Office

**Anticipated Completion Date:** June 30, 2024

Concur: In coordination with the County Board of Supervisors, the County School Superintendent's Office (Office) evaluated operations of the juvenile detention center education program to ensure that the accounting aligns with the funding requirements. The Office and the Juvenile Court Presiding Judge are working to establish a memorandum of understanding for the detention center education program pursuant to A.R.S. §15-913.

**2023-06** County School Superintendent's Office paid \$21,019 for services, travel, supplies, software, food, and other items using purchasing cards without complying with County policy, risking misuse of public monies and possible violation of the Arizona Constitution.

**Contact person(s):** Matt Morales, Deputy Superintendent of Schools, Maricopa County School Superintendent's Office

**Anticipated Completion Date:** June 30, 2024

Concur: In January 2023, the County School Superintendent's Office (Office) began requiring every purchasing card holder to complete a monthly log. In January 2024, the Office implemented new procedures related to food and travel purchases to ensure purchases are made in accordance with County policy. In addition, the Office implemented an internal purchasing card policy in January 2024 to establish oversight and to ensure that purchases are properly supported and reviewed.



**Office of Budget & Finance**

301 W. Jefferson St., 9<sup>th</sup> Floor  
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**Maricopa.gov**

March 29, 2024

Lindsey A. Perry

Arizona Auditor General

2910 North 44<sup>th</sup> Street, Ste 410

Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

A handwritten signature in black ink that reads "Michael McGee".

Michael McGee  
Chief Financial Officer



## Status of financial statement findings

**The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm.**

**Finding No.** 2022-01. This finding initially occurred in 2017.

**Status:** Partially corrected

Maricopa County takes all IT audit findings seriously and will make efforts to resolve any deficiencies. The County will continue to make improvements in the risk assessment process. The County has drafted policies and procedures and will continue to develop and implement policies. This finding recurred due to the complexity of the solution needed to address the finding and the amount time needed to implement a proper solution Countywide.

**The County School Superintendent's Office paid \$227,631 for services, travel, supplies, software, food, and other items using purchasing cards without complying with County policy, risking misuse of public monies and possible violation of the Arizona Constitution.**

**Finding No.** 2022-02

**Status:** Partially corrected

In January 2023, the County School Superintendent's Office (Office) began requiring every purchasing card holder to complete a monthly log. In January 2024, the Office implemented new procedures related to food and travel purchases to ensure purchases are made in accordance with County policy. In addition, the Office implemented an internal purchasing card policy in January 2024 to establish oversight and to ensure that purchases are properly supported and reviewed. This finding is not fully corrected due to the timing of when the audit finding was finalized and the time it took to address the finding.

**The County School Superintendent's Office risks having to return juvenile detention center education program monies to the Arizona Department of Education in excess of what it was legally entitled to receive because it did not accurately report program operations.**

**Finding No.** 2022-03

**Status:** Partially corrected

The Arizona Department of Education (ADE) issued a statement in December 2023, which stated that ADE cannot recalculate the funding and will not be seeking any repayment of funds. In addition, in coordination with the County Board of Supervisors, the County School Superintendent's Office (Office) evaluated operations of the juvenile detention center education program to ensure that the accounting aligns with the funding requirements. The Office and the Juvenile Court Presiding Judge are working to establish a memorandum of understanding for the detention center education program pursuant to A.R.S. §15-913. This finding is not fully corrected due to the timing of when the audit finding was finalized and the time it took to address the finding.

**Maricopa County Housing Authority's financial reporting process lacked effective internal controls and numerous adjustments were required by the Authority to correct the financial statements.**

**Finding No.** 2022-04. This finding initially occurred in 2020.

**Status:** Fully corrected

## Status of federal award findings and questioned costs

**Assistance Listings number and program name: 84.374 Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)**

**Finding Number:** 2021-101

**Status:** Fully corrected

**Assistance Listings number and program name: 14.231 COVID-19 Emergency Solutions Grant Program**

**Finding Number:** 2022-101

**Status:** Fully corrected

**Assistance Listings number and program name: 84.374 Teacher and School Leader Incentive Grants**

**Finding Number:** 2022-102

**Status:** Fully corrected

**Assistance Listings number and program name: 21.023 COVID-19 Emergency Rental Assistance Program**

**Finding Number:** 2022-103

**Status:** Partially corrected

Maricopa County is currently working with the United States Department of Treasury (Treasury) and is waiting on the management decision from Treasury. Until Treasury issues a management decision, Maricopa County is unable to close out the finding. In addition, as previously reported, the County strengthened internal controls to help mitigate control discrepancies with the following corrective actions.

- In July-September 2021, the Human Services Department (HSD) implemented review of property information on the Maricopa County Assessor's website for certain rental assistance applications on a case-by-case basis. HSD began documenting these reviews program-wide in September 2022.
- In September 2022, HSD updated internal controls through a revision of the ERA policy and process manual to require property information to be reviewed and documented.
- In November 2022, the County worked with our banking institution to implement additional bank verification controls to more accurately and timely verify vendor banking information to further ensure payments were being sent to the approved landlord/property/manager/vendor.

This finding is not fully corrected as final close-out cannot be completed until the Treasury issues a management decision.

**Assistance Listings number and program name: 14.195 Section 8 Project-Based Cluster**

**Finding Number:** 2022-104

**Status:** Not corrected

The Housing Authority of Maricopa County (Authority) adopted Board Resolution #2023-019 on August 23, 2023, revising the Authority's internal control policy to include the following: ongoing monitoring of property managed by the Asset Management department; timing of property inspections for the purposes of increased sustained housing inventory; and amended its internal control policy to include additional controls over inspections and reporting. The ongoing monthly reporting of completed inspections for all properties must reach a 100% completion rating for all recertifying units under a HUD, LIHTC or market property. Further, monthly Authority Board reporting includes the completion of all annual inspections and documents the compliance percentage. This finding is not fully corrected due to the timing of when the audit finding was finalized and the time it took to address the finding.

