



Maricopa County

Internal Audit Department

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To: Max W. Wilson, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Mary Rose Wilcox, Supervisor, District V

From: Ross L. Tate, County Auditor *B*

Subject: Audit of Taxpayers' Information Fund

Date: November 4, 2009

We have completed our review of the Taxpayers' Information Fund (TIF). Our primary objective was to determine if TIF expenditures and revenues complied with ARS §11-495 (see Appendix A). Our review covered Fiscal Years 2007, 2008, and 2009.

Two County Treasurers were in office during the fiscal years audited. David Schweikert was Treasurer until October 22, 2007. Charles "Hos" Hoskins was appointed Treasurer on November 13, 2007 and elected Treasurer on November 4, 2008.

Executive Summary

For the period reviewed, we found that TIF expenditures were in compliance with ARS §11-495. In addition, we found that TIF revenues were collected and recorded in compliance with this statute.

In the course of our review of TIF expenditures, the following management issues came to our attention:

- Multiple bids were not obtained as required by the County's Procurement Code for purchases made from two vendors.
- Formalized agreements were not in place as required by the Maricopa County Employee Compensation Plan for payments made to two contract employees.

Detailed Information

We reviewed transactions that occurred from FY07 through FY09 as follows:

- 100% of accounts payable distributions
- 78% of revenue transactions
- All transfers to and from a separate bank account used to hold TIF moneys
- Five miscellaneous transactions

Expenditures Comply With ARS §11-495

Our review covered 70 accounts payable transactions totaling \$635,073. These transactions covered 88 payments to 20 vendors and contract employees for TIF related goods and services. We determined all of the payments were consistent with the provisions of ARS §11-495. For a summary of transactions by vendor, see Appendix B. A majority of the expenditures (65%) were from PRfect Media, primarily for the Elderly Assistance and Parcel Watch programs. A summary of PRfect Media invoices is shown in Appendix C.

Revenues Comply With ARS §11-495

We reviewed revenue transactions representing 78% of all TIF revenue recorded from FY07 through FY09 and found no exceptions. In addition, we performed “reasonableness” tests to determine if all anticipated TIF revenues were received and recorded.

We estimated the expected revenues from the four primary sources described in statute and compared those estimates with actual amounts recorded in TIF. These four revenue sources accounted for over 97% of recorded revenues and cash transfers-in during the period reviewed. The variance between actual amounts recorded and our estimates was less than 2%, as shown in the following table. Based on our analysis, it appears that revenues were properly recorded.

	Estimate	Actual	Difference	
Tax Lien Sale Surcharges	\$ 444,729	\$ 432,410	\$ (12,319)	-2.77%
Interest Allocations for TIF and EAF	206,363	207,282	919	0.44%
Records Surcharges	39,814	39,813	(1)	0.00%
CFD Assessment Fees	22,416	22,416	-	0.00%
Total	\$ 713,322	\$ 701,921	\$ (11,401)	-1.62%

Source: Analysis of Treasurer documents and Advantage downloads

Separate TIF Bank Account Transfers Were Adequately Accounted For

As summarized in the table below, the Treasurer’s Office opened a separate bank account in November 2008 to hold TIF monies apart from the existing Treasurer’s pooled servicing account. Net transfers-in from the pooled servicing account totaled \$206,000 at June 30, 2009.

Date	Action	Amount	Balance
11/19/2008	Created bank account & initial deposit	\$ 356,000	\$ 356,000
1/14/2009	Transfer out (to meet ongoing TIF needs)	(25,000)	331,000
2/20/2009	Deposit (excess TIF revenues)	80,000	411,000
6/26/2009	Transfer out (to cover fund sweep)	(205,000)	206,000

We determined that each of the transfers listed above was adequately documented. However, the outside bank account is not interest bearing. Based on an interest rate of 3%, we estimate lost earnings of approximately \$7,000.

Other Transactions Were Properly Documented and Accounted For

In addition to the transactions noted above, we reviewed five miscellaneous, adjusting-entry transactions and found adequate support and justification for each transaction. These transactions are summarized below.

- Two transactions involved a miscoded deposit of \$19,347 to the TIF fund and subsequent correction.
- One transaction involved the correction of a miscoded \$12,132 deposit.
- One transaction correctly charged TIF for \$2,576 in conference and travel costs for Help Desk software training seminar.
- One transaction reversed tax lien sales due to receipt of an insufficient funds checks from the buyer.

Administrative Issues Noted During Our Review

During the course of our review, we noted the Treasurer's Office did not follow some County procurement policies:

- County Procurement Code requires multiple bids for all non-contract purchases in excess of \$5,000. The Treasurer's Office purchased goods and services from Wahlin Consulting, LLC (\$42,000) and from Help Desk Technology (\$35,662); multiple bids were not obtained. Neither of these vendors was on contract with the County.
- The Treasurer's Office employed two individuals as contract employees during the review period. The Treasurer's Office paid Teri Johnson \$35,645 for work done on the Treasurer's website and for tax statement graphics. In addition, the Treasurer's Office paid Scott Meyer \$3,540 for work performed on the Parcel Watch application. These individuals did not have formal, written contracts outlining the terms of their employment with the County as required by the Maricopa County Employee Compensation Plan.

The payments to Help Desk Technology and Teri Johnson occurred before November 13, 2007 and were authorized by the previous Treasurer.

Management Recommendations

The Treasurer's Office should:

- A. Obtain multiple bids for any goods or services in excess of \$5,000 that are not on an existing County contract.
- B. Ensure written agreements are completed for any future contract employees.

Auditing Standards

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We appreciate the cooperation provided by the Treasurer's Office during this review. If you have any questions, please contact Richard Chard, Deputy County Auditor, at 602-506-7539.

C: David Smith, County Manager
Sandi Wilson, Deputy County Manager
Charles "Hos" Hoskins, Maricopa County Treasurer
Steve Partridge, Chief Deputy Treasurer

Appendix A – Taxpayers’ Information Fund Statute

ARS §11-495 Taxpayers’ information fund

- A. A taxpayers' information fund is established in each county treasury consisting of monies collected from the public records copy surcharge imposed pursuant to section 11-496, the tax lien processing fee imposed pursuant to section 42-18116, subsection C, fifteen dollars of each judgment deed fee collected pursuant to section 42-18205, subsection A, interest earned from the elderly assistance fund pursuant to section 42-17401, the community facilities district special assessment fee imposed pursuant to section 48-721 and the fees authorized for collecting municipal fire and emergency services fees in certain areas of the county as prescribed in section 9-500.23.
- B. The county treasurer shall administer the fund and spend monies in the fund only to defray the cost of converting or upgrading an automated public information system as follows:
 - 1. Purchasing computer hardware and software.
 - 2. Training employees to operate the system.
 - 3. Maintaining the system, including purchasing equipment maintenance agreements.
 - 4. Updating the system hardware and software.
 - 5. In counties with a population of more than two million persons, notifying property owners of the tax and ownership status of a taxpayer's parcel prior to the taxpayer's parcel being sold at a deed sale and the tax and ownership status of any parcels being sold at a deed sale that are adjacent to a taxpayer's parcel, prior to the deed sale.
- C. The county treasurer shall annually submit to the board of supervisors the amount of anticipated revenues under this section. If the projected revenues are considered to be insufficient to establish and maintain the fund at an adequate level, the monies may accumulate until sufficient monies are available in the fund.

Appendix B – TIF Expenditure Transactions

Vendor	Services	Dollars	Exception
PRfect Media	Production and advertisement costs for Parcel Watch and Elderly Assistance	\$ 411,911	n/a
Wahlin Consulting LLC	Worked on Parcel Watch application	42,000	Not On Contract & No Bids
Help Desk Technology	Provided help desk software	35,662	Not On Contract & No Bids
Teri Johnson/East Valley Web & Graphic Design	Worked on web design and tax statement graphics	35,645	No Contract w/ Individual
INT Technologies	Worked on Nexus system programming	31,460	n/a
OSAM Document Solutions	Microfiche scanning/viewing equipment rentals	20,826	n/a
IT Partners	Purchased hard drives for automation of staff duties	12,010	n/a
Hewlett Packard Co	Purchased 5 printers and storage training for employee	10,844	n/a
Anacomp	Microfilmed annual tax rolls	10,680	n/a
Dell	Purchased monitors and DVD drives for automation of staff duties	5,072	n/a
Catalyst Coaching, LLC	Consulted for STAR Call Center	4,940	n/a
Scott Meyer	Worked on Parcel Watch application	3,540	No Contract w/ Individual
Cooperative Computer Services	Imaged annual tax documents	3,303	n/a
JCC Consulting, Inc.	Database Administration seminar	2,250	n/a
DCSI	Maintenance agreement on terminal software	2,160	n/a
Peak Technologies	Maintenance agreement for line printer	1,400	n/a
JWS Web Design	Consulted on development of code architecture for office	525	n/a
Training to You	Training on creating Access forms	490	n/a
Peggy Rose	Reimbursement for travel to Help Desk software seminar	345	n/a
Karin Johnson	Refund of TIF surcharge on public records requests	10	n/a
Total		\$ 635,073	

Appendix C – PRfect Media Invoices

Invoice Number	Description	Amount
201228	Billboard and TV advertisements and related production costs	\$ 130,000
201428	1.4 million brochures	50,278
201380*	Billboard, radio, and TV advertisements and related production costs	50,027
201471	TV, newspaper, and magazine advertisements for Elderly Assistance	40,125
201472	Internet, digital sign, and radio advertisements for Pay Taxes Online	38,660
201290	Newspaper and brochure advertisements and related production costs for Parcel Watch and Elderly Assistance advertisements	26,154
201481	Production costs for Parcel Watch and Elderly Assistance advertisements	13,688
201519	Brochures and production costs for Parcel Watch advertisements	9,712
201583	Brochures and production costs for Elderly Assistance advertisements	9,082
201553	Brochures and production costs for Elderly Assistance advertisements	8,363
201380*	Brochures and production costs for Parcel Watch advertisements	6,773
201442	Production costs for Parcel Watch advertisements	6,591
201272	Production costs for Parcel Watch and Elderly Assistance advertisements	6,506
201354	Production costs for Parcel Watch advertisements	6,091
201458	Production costs for Parcel Watch advertisements	4,796
201396	Production costs for Parcel Watch and Elderly Assistance advertisements	3,281
201243	Production costs for Parcel Watch and Elderly Assistance advertisements	881
201311	Letter writing for tax liens and Parcel Watch	475
201303	Emailing communications and press release discussing HB2523	428
Total		\$ 411,911

* PRfect Media issued 2 invoices with the same invoice number, though for different services

MARICOPA COUNTY TREASURER'S OFFICE

INTER-OFFICE MEMORANDUM

TO: ROSS TATE
FROM: STEVE PARTRIDGE
DATE: NOVEMBER 9, 2009
RE: RESPONSE TO AUDIT OF TAXPAYERS' INFORMATION FUND

We have reviewed your Audit of Taxpayers' Information Fund, and have several comments and corrections.

Procurement Code Issue

You claim that there was a Procurement Code issue with Wahlin Consulting, LLC. In point of fact, although TIF funds were used to pay the invoice, the entity responsible for negotiating the engagement and authorizing the use of this company was OET, not the Treasurer's Office. Any criticism should be direct at OET, the contracting party.

Documents for Contract Vendors

You also claim that two contract employees did not have the appropriate "formal, written contract", citing the Maricopa County Employee Compensation Plan. Although you may be correct in your citation, those two individuals did in fact complete the paperwork required by the County's HR department. Specifically, each completed the Personal Data Form and the Contractor ID Form, copies of which are attached. To emphasize this point, this office currently has four temporary employees who have completed the same two forms, and whose hiring was approved by OMB. Nothing was said about a separate contract. That leads to the conclusion that 1) the form is not required and the policy should be amended accordingly or 2) the County's HR department should develop such a form and distribute it to the various agency HR representatives. The Treasurer's Office has at all times followed the procedures dictated by the County's HR staff.