

Maricopa County

Single Audit Report

Year Ended June 30, 2016



A Report to the Arizona Legislature

Debra K. Davenport
Auditor General





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DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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
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 Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 28, 2017. 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.

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) to determine the 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 and the other auditors identified certain deficiencies in internal control over financial reporting 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-01 and 2016-02 to be material weaknesses.

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 2016-03, 2016-04, 2016-05, and 2016-06 to be significant deficiencies.

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 determination of financial statement amounts. 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 and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Maricopa County's response to findings

Maricopa County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County's responses were not subjected to the 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.

Jay Zsorey, CPA
Financial Audit Director

February 28, 2017



DEBRA K. DAVENPORT, CPA
AUDITOR GENERAL

STATE OF ARIZONA
OFFICE OF THE
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
Maricopa County, Arizona

Report on compliance for each major federal program

We have audited Maricopa County's compliance with the types of compliance requirements described 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, 2016, except for the Section 8 Housing Choice Voucher (14.871) major federal program administered by the Housing Authority of Maricopa County. That major federal program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to that 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.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for qualified opinion on Child Support Enforcement and Low-Income Home Energy Assistance programs

As described in the accompanying schedule of findings and questioned costs, the County did not comply with certain compliance requirements that are applicable to the major federal programs listed below. Compliance with such requirements is necessary, in our opinion, based on our audit for the County to comply with the requirements applicable to that program.

<u>Program name</u>	<u>CFDA number</u>	<u>Compliance requirements</u>	<u>Finding number</u>
Child Support Enforcement	93.563	Allowable costs/cost principles	2016-109
Low-Income Home Energy Assistance	93.568	Activities allowed and unallowed and allowable costs/cost principles	2016-110

Qualified opinion on Child Support Enforcement and Low-Income Home Energy Assistance programs

In our opinion, except for the noncompliance described in the basis for qualified opinion paragraph, Maricopa County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Support Enforcement (93.563) and Low-Income Home Energy Assistance (93.568) programs for the year ended June 30, 2016.

Unmodified opinion on each of the other major federal programs

In our opinion, based on our audit and the report of the other auditors, Maricopa County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2016-101, 2016-102, 2016-103, 2016-104, 2016-105, 2016-106, 2016-107, and 2016-108. Our opinion on each major federal program is not modified with respect to these matters.

Report on internal control over compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-103, 2016-105, 2016-109, 2016-110, 2016-111, and 2016-112, to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2016-101, 2016-102, 2016-104, 2016-106, 2016-107, and 2016-108 to be significant deficiencies.

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.

Maricopa County's response to findings

Maricopa County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. The County's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

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

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated February 28, 2017, that contained unmodified opinions on those financial statements. Our report also included a reference to our reliance on other auditors. Our audit was conducted 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.

Jay Zsorey, CPA
Financial Audit Director

March 28, 2017



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

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? Yes

Significant deficiencies identified? Yes

Type of auditors' report issued on compliance for major programs

Unmodified on all programs except for Child Support Enforcement (93.563) and Low-Income Home Energy Assistance (93.568) which were qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major programs

CFDA number	Name of federal program or cluster
10.904	Watershed Protection and Flood Prevention
10.916	Watershed Rehabilitation Program
14.239	HOME Investment Partnerships Program
14.871	Housing Voucher Cluster
20.205	Highway Planning and Construction Cluster
84.374	Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)

93.224	Health Center Program Cluster
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.600	Head Start
93.914	HIV Emergency Relief Project Grants

Dollar threshold used to distinguish between Type A and Type B programs **\$3,000,000**

Auditee qualified as low-risk auditee? **No**

Other matters

Auditee’s summary schedule of prior audit findings required to be reported in accordance with 2 CFR 200.511(b)? **Yes**

Financial statement findings

2016-01

The County should follow its policies and procedures when preparing financial statements and note disclosures

Criteria—The County should follow its policies and procedures to ensure its financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). Accurate financial statements provide valuable information to those charged with governance, management, and other financial statement users to make important decisions about the County's financial operations.

Condition and context—The County's Department of Finance did not consistently follow GAAP when preparing its financial statements, note disclosures, and required supplementary information (RSI) schedules. Specifically, the County did not:

- Present several balances correctly in its Condensed Financial Statements of County Treasurer's Investment Pool note disclosure.
- Disclose its investments in accordance with new reporting requirements outlined in Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.
- Calculate the accrued liability balance and beginning fund balance restatement in the Detention Operations Fund properly by \$1.3 million and \$300,000, respectively.
- Accurately report contractual commitments in its note disclosures by understating its commitments balance by \$34 million.
- Accrue accounts payable of \$753,000 in the County Improvement Fund.

In addition, there were other errors in note disclosures and RSI schedules that had to be corrected.

Effect—The County's financial statements, note disclosures, and RSI schedules were not initially prepared in accordance with GAAP. The County made recommended audit adjustments to the financial statements, note disclosures, and RSI schedules for all significant errors and omissions.

Cause—The County did not properly compile and review the financial statements, note disclosures, and RSI schedules.

Recommendation—To help ensure accuracy of the County's financial statements, the County should follow GAAP and its policies and procedures for compiling its financial statements, note disclosures, and RSI schedules. In addition, the County should further develop its policies and procedures by requiring a more detailed review of all data supporting the financial statements, note disclosures, and RSI schedules.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-01.

2016-02

The County should improve access controls over its information technology resources

Criteria—Logical and physical access controls help to protect an entity’s information technology (IT) resources, which include its systems, network, infrastructure, and data from unauthorized or inappropriate access or use, manipulation, damage, or loss. Logical access controls also help to ensure that authenticated users access only what they are authorized to. Therefore, the County should have effective internal control policies and procedures to control access to the Office of Enterprise Technology (OET) and Treasurer’s IT resources.

Condition and context—The OET and Treasurer’s Office did not have adequate policies and procedures or consistently implement their policies and procedures to help prevent or detect unauthorized or inappropriate access to their IT resources.

Effect—There is an increased risk that OET and the Treasurer’s Office may not prevent or detect unauthorized access or use, manipulation, damage, or loss of their IT resources, including sensitive and confidential information.

Cause—OET and the Treasurer’s Office did not have sufficient policies and procedures to monitor employee access to their IT resources.

Recommendation—To help prevent and detect unauthorized access or use, manipulation, damage, or loss to their IT resources, OET and the Treasurer’s Office need to develop and implement effective logical access policies and procedures over their IT resources. The information below provides guidance and best practices to help achieve this objective.

- **Review user access**—A periodic, comprehensive review should be performed of all existing employee accounts to help ensure that network and system access granted is needed and compatible with job responsibilities.
- **Remove terminated employees’ access to the entity’s IT resources**—Employees’ data center access should immediately be removed upon their terminations.
- **Review contractor account access**—A periodic review should be performed on contractor accounts with access to an entity’s IT resources to help ensure their access remains necessary and appropriate.
- **Review all shared accounts**—Shared network access accounts should be reviewed and eliminated, or minimized when possible.
- **Manage shared accounts**—Shared accounts should be used only when appropriate and in accordance with an established policy authorizing the use of shared accounts. In addition, account credentials, such as passwords, should be reissued on shared accounts when a group member leaves.
- **Update employees’ access to IT resources when job responsibilities change**—Employees’ system access should immediately be updated upon their change in job responsibilities.
- **Review and monitor key activity of users**—Key activities of users and those with elevated access should be reviewed for propriety.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-02.

2016-03

The County should establish internal controls over temporary employees' payroll

Criteria—The County should have policies and procedures to help ensure temporary election employees are accurately paid and payroll expenditures are properly recorded on the financial statements.

Condition and context—The County Recorder's Office did not have adequate internal controls over payroll for its approximately 1,800 temporary election poll workers. Specifically, the election poll workers were paid by a stipend, and the employees signed a log-in sheet at the polling location. However, there was no supervisory review of the log-in sheets prior to payment. In addition, the employees' temporary status was not eliminated from the payroll system after their services were no longer required. The Recorder's Office evaluates the temporary employees for removal every 5 to 6 years.

Effect—There is increased risk of fraudulent payroll transactions occurring and not being detected. In addition, there is a risk employees were incorrectly paid.

Cause—Election poll workers are exempt from the standard payroll process, and compensating controls were not implemented to verify stipends paid were accurate.

Recommendation—To prevent fraud and help ensure employees are accurately paid, the Recorder's Office should implement internal control policies and procedures over employees exempt from the standard payroll process. Specifically, a supervisor should review and approve the employees' log-in sheets for accuracy. In addition, the Recorder's Office should evaluate how long election poll workers should be maintained on the payroll system and remove in a timely manner those employees no longer expected to work for the County.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

2016-04

Justice Courts Administration needs to improve controls over purchasing cards

Criteria—The Justice Courts Administration (Administration) should follow the County's policies and procedures over the assignment and use of purchasing cards. Additionally, purchases should be supported by adequate documentation and should be made in accordance with the Arizona Constitution, Article IX, section 7, which states that a county is not permitted to make any donation or grant, by subsidy or otherwise, to any individual, association, or corporation. Further, Attorney General Opinion I10-003 directs that the expenditure of public monies must be for a public purpose in which the expenditure does not exceed the worth of the direct benefits enjoyed by the public body.

Condition and context—The Administration did not follow the County's purchasing card policies and procedures. Specifically, the Administration allowed an employee to purchase goods and services without maintaining documentation of the purchases and did not review the purchases for allowability or to ensure the items purchased benefited the County. In addition, the employee's supervisor did not reconcile the employee's purchasing card account. As a result, during fiscal years 2013 through 2016, the employee purchased over \$25,000 in goods and services that could either not be supported by receipts or were

unallowable. For example, the employee purchased over \$20,000 in VISA gift cards and \$900 in restaurant gift cards; \$1,300 at in-state restaurants; and over \$4,000 for other items that were unallowable or did not have a documented public purpose. Auditors were unable to determine if the purchases were for a public purpose because of the lack of documentation. The County terminated the employee but did not request the employee to reimburse any of the monies that they noted had been spent inappropriately. Further, the County did not have effective compensating controls to ensure purchases were reviewed by a second employee or a process to perform data analysis that would help identify suspicious purchasing patterns. At the time of this report's release, these expenditures were under further review by the Office of the Auditor General.

Effect—County funds were used for inappropriate purposes.

Cause—The Administration did not follow the County's purchasing card policies and procedures to have a second employee review and approve purchases made using the purchasing card.

Recommendation—The Administration should follow the County's purchasing card policies and procedures to ensure that all purchasing card purchases are reviewed and approved by a second employee and substantiated by supporting documentation that evidences the public purpose. The County should implement other compensating controls, such as an electronic workflows process verifying secondary reviews were performed or using analytical tools to analyze spending anomalies.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

2016-05

The County should improve controls over purchasing cards

Criteria—The County should further develop its policies and procedures over the assignment and use of purchasing cards. Additionally, purchases should be supported by adequate documentation and should be made in accordance with the Arizona Constitution, Article IX, section 7, which states that a county is not permitted to make any donation or grant, by subsidy or otherwise, to any individual, association, or corporation. Further, Attorney General Opinion I10-003 directs that the expenditure of public monies must be for a public purpose in which the expenditure does not exceed the worth of the direct benefits enjoyed by the public body.

Condition and context—The County spent approximately \$29 million using purchasing cards during fiscal year 2016. Although the County has a purchasing card policy, the policy in effect during fiscal year 2016 did not adequately address the purchase of gift cards and was not approved by the Board of Supervisors. As a result, for 4 of 14 purchasing card transactions tested, the purchases of over \$10,000 in gift cards were not supported by adequate documentation or were not in accordance with the Arizona Constitution regarding public purpose. Specifically, county employees purchased gift cards, and there was a lack of documentation to demonstrate who received the gift cards, how the gift cards were used, or the benefit of the purchase to the County. In addition, for one of these transactions, the County discovered that a county employee did not make the purchase. The County reported the fraudulent purchase to the bank but did not ensure that the bank credited the monies back to the County. Further, critical information technology (IT) controls at the County's bank, such as monthly purchasing limits on the purchasing cards, were not activated from July 2015 through February 2016.

Effect—There is an increased risk of fraud, waste, and abuse if purchasing card expenditures are not properly supported, reviewed, and approved. In addition, purchasing gift cards with purchasing cards circumvents the County’s procurement policies.

Cause—The County’s policies and procedures in place during fiscal year 2016 did not specifically address gift card use.

Recommendation—To help prevent and detect potential fraud, waste, and abuse related to purchasing card transactions, the County should further develop its purchasing card policies and procedures to include guidance on when gift cards are permitted to be purchased using purchasing cards and the documentation required to support who received the gift cards and how they were used. Additionally, the County should ensure that documentation, including public purpose, is maintained for all purchasing card transactions. Further, the County should ensure that critical IT controls offered by the County’s bank over its purchasing cards are activated.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

Other auditors’ findings

The other auditors who audited the Housing Authority reported the following significant deficiency:

2016-06

General Ledger Maintenance

Criteria—Adequate internal controls require timely recording and periodic reconciliation of general ledger activity to ensure accurate financial reporting and the safeguard of funds.

Condition and context—Financial information relating primarily to HCV portability accounts and interprogram balances and transactions were not recorded appropriately and/or reconciled in a timely basis.

Effect—Significant yearend reconciliations and adjustments were necessary to report accurate financial statements. Potentially adverse repercussions from HUD due to significant differences in reported yearend results.

Cause—Significant employee turnover in the finance department combined with insufficient knowledge of industry standard financial management and reporting requirements.

Recommendation—We recommend that financial activity be reconciled on a periodic basis to ensure accurate and timely financial reporting. Further, additional month end financial closing procedures should be designed and implemented to incorporate the review of interprogram balances and transactions for appropriateness and purpose.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

The finding is similar to prior-year finding 2015-05.

Federal award findings and questioned costs

2016-101

CFDA no. and name:	10.904 Watershed Protection and Flood Prevention
Award numbers and years:	68-9457-15-537; December 1, 2009 through December 1, 2020 69-9457-12-509; October 18, 2012 through September 30, 2017
Federal agency:	Department of Agriculture
Compliance requirement:	Allowable costs/cost principles
Questioned costs:	\$407,584

Criteria—In accordance with 7 Code of Federal Regulations (CFR) §3016.22, the Maricopa County Flood Control District (District) should request reimbursement of grant funds for only allowable costs of the District and cost-type contractors.

Condition and context—The District’s internal controls over the review and approval of program expenditures were not adequate to ensure only allowable expenditures on projects were requested for reimbursement. Specifically, for grant number 68-9457-12-509, the District requested reimbursement from the federal grantor for construction overhead costs of \$407,584 that occurred in fiscal years 2015 and 2016 that were unallowable. The District discovered the error and contacted the federal grantor to correct the error prior to discovery by the auditors.

Effect—The District was reimbursed for \$407,584 of expenditures that were unallowable for reimbursement from the federal program.

Cause—The District did not have adequate policies and procedures to ensure the amounts billed for the program were allowable under the grant agreement.

Recommendation—The District should strengthen its internal controls over grant reimbursement requests to ensure that all amounts submitted for reimbursement are allowable in accordance with the grant agreement. A knowledgeable employee should review and approve all requests for reimbursement.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

2016-102

CFDA no. and name:	10.904 Watershed Protection and Flood Prevention
Award numbers and years:	68-9457-15-537; December 1, 2009 through December 1, 2020 69-9457-12-509; October 18, 2012 through September 30, 2017
CFDA no. and name:	10.916 Watershed Rehabilitation Program
Award number and year:	68-9457-14-522; September 27, 2014 through September 30, 2019
Federal agency:	Department of Agriculture
Compliance requirement:	Reporting
Questioned costs:	None

Criteria—To comply with 7 CFR §3016.20(b)(1), internal controls should be maintained over reporting to provide reasonable assurance that federal program reports are accurate and reliable. Failure to accurately

compile and report information could result in noncompliance with a program's reporting and matching requirements.

Condition and context—The County's Flood Control District (District) did not adequately compile and review the SF-425, *Federal Financial Reports* (FFR), submitted to the federal agency. Specifically, the District incorrectly reported both programs' recipient share of expenditures that accounts for the County's matching contributions. The District incorrectly included all costs paid for the program from nonfederal monies rather than the allowed matching amounts the federal agency certified for use. However, the District still met both programs' matching requirement.

Effect—The FFRs submitted to the federal agency during the period July 1, 2015 through June 30, 2016, were not accurate. The District overstated the recipient share of expenditures and matching contributions on the reports.

Cause—The District did not have adequate policies and procedures to ensure data used to prepare the FFRs was accurate prior to submission.

Recommendation—To help ensure the accuracy of the FFRs, the District should follow its policies and procedures by requiring that a responsible employee performs a detailed review of the FFR and reconciles them to supporting data. In addition, the FFR should be compiled using only allowable costs.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2015-101.

2016-103

CFDA no. and name:	14.239 HOME Investment Partnerships Program
Award numbers and years:	M09-DC040227; July 1, 2009 through June 30, 2016 M10-DC040227; July 1, 2010 through June 30, 2016 M11-DC040277; July 1, 2011 through June 30, 2016 M12-DC040277; July 1, 2012 through June 30, 2017 M13-DC040277; July 1, 2013 through June 30, 2017 M14-DC040277; July 1, 2014 through June 30, 2018 M15-DC040277; July 1, 2015 through June 30, 2018
Federal agency:	Department of Housing and Urban Development
Compliance requirement:	Reporting
Questioned costs:	None

Criteria—In accordance with 24 CFR §135.90, each recipient that administers a covered public housing and community development assistance program exceeding \$200,000 in a program year must submit a HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, performance report annually to the U.S. Department of Housing and Urban Development (HUD). The fiscal year 2014 report was required to be submitted on December 15, 2015.

Condition and context—The Human Services Department (Department) lacks policies and procedures over compiling its performance reports. Specifically, the Department did not compile and submit the fiscal year 2014 HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income*

Persons, report due on December 15, 2015. The Department submitted the report in September 2016 after auditors brought the deficiency to its attention.

Effect—The Department was noncompliant with the program’s reporting requirements.

Cause—The Department did not have procedures in place to ensure all performance reports were submitted on time.

Recommendation—To help ensure the County complies with reporting requirements, the Department should develop internal control policies and procedures to ensure it completes and submits reports by established HUD deadlines. These procedures should include a knowledgeable employee reviewing and approving the reports for accuracy prior to submission.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

2016-104

Cluster name:

WIA/WIOA Cluster

CFDA nos. and names:

17.258 **WIA/WIOA Adult Program**

17.259 **WIA/WIOA Youth Activities**

17.278 **WIA/WIOA Dislocated Worker Formula Grants**

Award numbers and years:

ADES14-054318; April 1, 2013 through July 5, 2015

DE14-054318; April 1, 2014 through June 30, 2016

DI16-002124; April 1, 2014 through June 30, 2017

Federal agency:

Department of Labor

Pass-through grantor

Arizona Department of Economic Security

Compliance requirements:

Activities allowed or unallowed and allowable costs/cost principles

Questioned costs:

\$110

Criteria—To comply with 20 CFR parts 660-671, the County should maintain effective internal controls over federal award programs to provide reasonable assurance that it is managing its federal awards in compliance with laws, regulations, and provisions of contracts and grants agreements, including charging only allowable costs to the program.

Condition and context—The Human Services Department (Department) administers all Workforce Investment Act (WIA) programs. The Department did not have adequate controls to ensure that all expenditures submitted for reimbursement were valid. Specifically, a department employee’s purchasing card was compromised, and \$110 in fraudulent transactions were processed before the issue was discovered. Although the Department deactivated the card and filed a claim with its bank for the amount, the Department did not ensure the bank credited the monies back to the County. Further, the Department neglected to reverse the fraudulent transaction from program accounts and was subsequently reimbursed for these costs with federal monies. After this was brought to the Department’s attention, a request for reimbursement was received from the bank, and the program was credited the amount in September 2016.

Effect—The Department was originally reimbursed for \$110 in fraudulent expenditures.

Cause—The Department did not have adequate policies and procedures to ensure that the bank credited fraudulent charges back to the County and that the Department properly reversed fraudulent charges out of the federal program in its accounting system.

Recommendation—To help ensure that only allowable expenditures are submitted for reimbursement, the Department should strengthen its controls to ensure that all purchasing card transactions submitted are valid.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

2016-105

CFDA no. and name:	84.374 Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)
Award numbers and years:	S374A100025; October 1, 2010 through September 30, 2016 S374A12089; October 1, 2012 through September 30, 2017
Federal agency:	Department of Education
Compliance requirement:	Suspension and debarment
Questioned costs:	None

Criteria—In accordance with 34 CFR §80.35, grantees and subgrantees must not make any award to or contract with any party that is debarred or suspended or is otherwise excluded from or ineligible for participation in federal assistance programs.

Condition and context—The County’s Maricopa Education Service Agency (Agency) did not establish adequate procedures to verify that subrecipients and vendors providing goods and services paid with federal monies of \$25,000 or more had not been suspended, debarred, or otherwise excluded from federal contracts. As a result, for all subrecipients and two of three vendors tested for the Teacher Incentive Fund, the Agency did not verify that the subrecipients and vendors were not suspended or debarred. Auditors performed additional procedures for all subrecipients and vendors and determined no payments were made to suspended or debarred parties; therefore, no questioned costs were noted.

Effect—The Agency could make payments to suspended or debarred subrecipients or vendors.

Cause—The Agency did not follow policies and procedures to ensure that subrecipients and vendors receiving \$25,000 or more in federal monies were not suspended or debarred.

Recommendation—The Agency should follow the County’s policies and procedures to document its determinations that all subrecipients and vendors being paid over \$25,000 in federal monies have not been suspended or debarred from doing business with governmental entities before incurring expenditures. This verification may be accomplished by checking the System for Awards Management that the General Services Administration maintains, or adding a clause or condition to the contract regarding suspension and debarment.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2015-102.

2016-106

CFDA no. and name:	84.374 Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)
Award numbers and years:	S374A100025; October 1, 2010 through September 30, 2016 S374A12089; October 1, 2012 through September 30, 2017
Federal agency:	Department of Education
Compliance requirement:	Reporting
Questioned costs:	None

Criteria—To comply with 34 CFR §§75.702 and 75.730, internal controls should be maintained over reporting to provide reasonable assurance that federal program reports are accurate and reliable and a recipient's matching contributions are accurately reported. Failure to accurately compile and report information could result in noncompliance with a program's reporting and matching requirements.

Condition and context—The County's Maricopa Education Service Agency (Agency) did not adequately compile and review its federal program Annual Performance Report (APR). Specifically, the Agency incorrectly reported its share of expenditures that accounts for its matching contributions. The Agency incorrectly included budgeted amounts for its matching contributions from nonfederal monies rather than the actual matching amounts the Agency's subrecipients certified. The Agency obtained additional documentation from its subrecipients during the audit to verify that it met the program's matching requirements.

Effect—The APR submitted to the federal grantor agency for the period October 1, 2014 through September 30, 2015, was not accurate. The Agency overstated its share of expenditures and matching contributions by approximately \$120,000 on the report.

Cause—The Agency did not have adequate policies and procedures to ensure data used to prepare the APR was accurate prior to submission.

Recommendation—To help ensure the APR is accurately compiled, including accurately reporting the Agency's matching contributions, the Agency should further develop its policies and procedures by requiring that a responsible employee performs a detailed review of the APR and reconciles it to supporting matching contributions that subrecipients have certified.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

2016-107

CFDA no. and name:	84.374 Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)
Award numbers and years:	S374A100025; October 1, 2010 through September 30, 2016 S374A12089; October 1, 2012 through September 30, 2017
Federal agency:	Department of Education
Compliance requirement:	Subrecipient monitoring
Questioned costs:	Unknown

Criteria—In accordance with 2 CFR, Appendix A, Part 170(3)(iii), a subaward should be provided through a legal agreement. This agreement should identify the subawards grant requirements and grant award period. In addition, to comply with 34 CFR §34.80, pass-through entities must ensure subrecipients are in compliance with the terms and conditions of the subaward and should not reimburse costs after the contract expires. Pass-through entities are also required to obtain Data Universal Numbering System (DUNS) numbers from the subrecipients prior to issuance of the subaward.

Condition and context—The County's Maricopa Education Service Agency (Agency) was awarded the Teacher and School Leader Incentive Grants program in 2010 along with its subrecipient school districts that received approximately 33 percent of grant funds for the period of July 1, 2015 through June 30, 2016. The County did not implement policies and procedures to properly perform all subrecipient monitoring requirements over the school districts. Specifically, the Agency allowed its subrecipients to continue to request reimbursement and reimbursed them for program expenditures after the subrecipients' contracts expired. In addition, the Agency did not perform some of the required elements of before-the-award monitoring such as obtaining the subrecipients' DUNS numbers.

Effect—The Agency did not comply with subrecipient monitoring requirements and ensure that its subrecipients requested reimbursement for only allowable expenditures incurred during the contract period. It was not practical to extend our auditing procedures sufficiently to determine the amount of questioned costs, if any, that may have resulted from this finding. Based on review of the program's expenditures by date, auditors estimated that the maximum potential questioned cost is approximately \$60,000.

Cause—The Agency originally classified the subrecipients as partners based on the U.S. Department of Education's direction and was notified in December 2015 that it should have classified them as subrecipients. Additionally, the Agency did not have procedures in place to ensure its subrecipients were reimbursed for only allowable expenditures incurred during the subrecipient's contract period.

Recommendation—To help ensure the Agency complies with subrecipient monitoring requirements, it should evaluate and update, as appropriate, its existing policies and procedures to ensure they are aligned with the federal agency's regulations. This must include obtaining DUNS numbers and ensuring its subrecipients are reimbursed for only allowable expenditures incurred during the subrecipient's contract period.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2015-105.

2016-108

Cluster name:	Health Center Program Cluster
CFDA no. and name:	93.224 Health Center Program (Health Care for the Homeless)
Award number and year:	H80CS00044; November 1, 2001 through December 31, 2017
Federal agency:	Department of Health and Human Services
Compliance requirement:	Program income
Questioned costs:	Unknown

Criteria—In accordance with 42 CFR §51c.303(f), the County’s Public Health Department (Department) should maintain a schedule of fees or payments for the provision of its health services designed to cover its reasonable costs of operation and a corresponding schedule of discounts adjusted on the basis of the patient’s ability to pay. To comply with 42 CFR §51c.303(f), the schedule of discounts must provide for a full discount to individuals and families with annual incomes at or below those set forth in the most recent Community Services Act Poverty Income Guidelines (45 CFR §1060.2) and for no discount to individuals and families with annual incomes greater than twice those set forth in such guidelines.

Condition and context—The Department did not adequately design its schedule of discounts for collection of fees or payments. Specifically, the schedule of discounts incorrectly provided a 100 percent discount to patients with annual incomes of 101 percent to 125 percent of Federal Poverty Guidelines (FPG) and a 40 percent discount to patients with annual incomes above 200 percent of FPG. Additionally, the County provided a 100 percent discount to any homeless patient regardless of the patient’s family income or size, effectively bypassing the required schedule of discounts.

Effect—The Department could be undercollecting fees from patients.

Cause—The Department did not have adequate policies and procedures in place to ensure a correct schedule of discounts was designed and appropriately used.

Recommendation—The Department should ensure the correct guidelines are used when developing its schedule of discounts, and it should design and implement policies and procedures to ensure the correct discount is applied based on the patient’s ability to pay.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

2016-109

CFDA no. and name:	93.563 Child Support Enforcement
Award numbers and years:	DE111171001; October 1, 2010 through September 30, 2015 G1604AZ4004; October 1, 2015 through September 30, 2020
Federal agency:	Department of Health and Human Services
Pass-through grantor:	Arizona Department of Economic Security
Compliance requirement:	Allowable costs/cost principles
Questioned costs:	Unknown

Criteria—In accordance with 2 CFR §225, Appendix B, Section 8.h, and 2 CFR §200.430(i), the County’s Superior Court should ensure that employee payroll costs charged to the Child Support Enforcement

program are supported by personnel activity reports or equivalent documentation that support distribution of each employee's activity during the period.

Condition and context—During the fiscal year, the County's Superior Court spent \$1,125,721 in salaries and wages for its Child Support Enforcement program. The Court charged salaries and wages to the program based on spreadsheets used to track each employee's hours devoted to the program, but it did not retain this documentation. Although county employees charging to the grant prepared a time sheet each pay period, the time sheets did not specify the actual activity, and no periodic certifications were prepared. As a result, auditors could not confirm the payroll amounts charged to the program were appropriate. Further, this has the potential to affect previous award periods.

Effect—The Court may have charged inappropriate payroll costs to the program. It was not possible to extend our auditing procedures to determine questioned costs, if any, that may have resulted from this finding.

Cause—The Court did not have adequate policies and procedures to support its allocation of payroll costs to the federal program.

Recommendation—The Court should develop and implement policies and procedures to ensure its distribution of employees' payroll costs charged to the program are supported by items such as the employees' time sheets or a time-study analysis.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2015-108.

2016-110

CFDA no. and name:	93.568 Low-Income Home Energy Assistance
Award numbers and years:	ADES15-089115; July 1, 2015 through June 30, 2016 LW-ESA-12-2182-03Y4; July 1, 2014 through June 30, 2015 LW-ESA-12-2182-03; July 1, 2015 through June 30, 2016
Federal agency:	Department of Health and Human Services
Pass-through grantors:	Arizona Department of Economic Security, Arizona Department of Housing, and Governor's Office of Energy Policy
Compliance requirements:	Activities allowed and unallowed and allowable costs/cost principles
Questioned costs:	\$111,702

Criteria—To comply with 2 CFR §§200.405, 200.430, and 200.56, costs charged to a federal award must be allocable to that award. Further, employees who work on more than one grant should allocate and specifically identify the time devoted to each federal award.

Condition and context—The County's Human Services Department (Department) received awards to operate the Low-Income Home Energy Assistance program (LIHEAP) from both the Department of Economic Security and Governor's Office of Energy Policy. In addition, the Department received additional federal and nonfederal grant funds to operate and maintain a Community Action Agency and weatherization

programs in Maricopa County to provide community services and financial assistance to eligible participants during the period of July 1, 2015 through June 30, 2016. For 3 of 60 transactions tested, the Department did not properly allocate costs to the LIHEAP program. Specifically:

- For grant number ADES15-089115, the Department assigned individual employees to charge their payroll to a specific community service program even though the employee may have worked on multiple programs. These employees did not track their time worked on specific federal programs. In addition, there are nonpayroll resources shared between the federal programs. As a result, some of the expenditures charged to LIHEAP may have been for various other community service programs that were funded with federal, state, and local funds. Likewise, other community service programs may have paid for LIHEAP expenditures. The Department transferred \$108,673 in expenditures originally charged to another federal program to LIHEAP for costs that benefited multiple programs. These costs included goods and services, payroll, and indirect costs. Although a portion of these expenditures could have been for the LIHEAP program, the Department was unable to provide supporting documentation that these expenditures were used solely for LIHEAP.
- For grant number LW-ESA-12-2182-03, the Department allocates weatherization-related costs to LIHEAP and other weatherization programs; however, the Department did not properly allocate costs. Specifically, the Department allocated \$3,029 in direct and indirect costs to the LIHEAP program; however, the Department was unable to provide supporting documentation that these expenditures were used solely for LIHEAP.

Effect—The Department was reimbursed \$111,702 in program expenditures originally charged to other community service programs or allocated incorrectly. It was not practical to extend our auditing procedures sufficiently to determine if any additional questioned costs may have resulted from this finding.

Cause—The Department transferred and allocated expenditures incorrectly between programs based on which programs had available monies.

Recommendation—The Department should follow the County’s policies and procedures and charge expenditures to the appropriate fund and programs. Direct expenditures should benefit the program or be allocated to multiple programs according to use. Payroll expenditures should be certified through time and effort or time sheet reporting, and indirect costs should be based on actual payroll costs allocated to the specific program.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2015-109.

2016-111

CFDA no. and name:	93.600 Head Start
Award numbers and years:	09CH7096/49; July 1, 2014 through June 30, 2015 09CH7096/50; July 1, 2015 through June 30, 2016 09HP0004/01; January 1, 2015 through June 30, 2016
Federal agency:	Department of Health and Human Services
Compliance requirement:	Matching
Questioned costs:	None

Criteria—In accordance with 45 CFR §1303.4, the County’s Human Services Department (Department) is required to match at least 20 percent of the total cost of the Head Start program, which can include cash and in-kind matching contributions.

Condition and context—The Department records in-kind contributions in its Child Plus database system using data from approved in-kind contribution forms. However, for 6 of 40 in-kind contributions tested, the Department did not have proper controls to ensure the amounts recorded in the system were accurate, supported, or approved by an authorized employee. Specifically, a department employee did not approve and validate 2 of the in-kind contributions, and the Department did not retain documentation to support 1 contribution. Additionally, for the other 3 contributions, the information recorded in the Child Plus database system did not agree to the approved in-kind contribution forms. Based on these sample items, the Department both understated and overstated in-kind contributions. Auditors projected the total error in the population to be approximately \$250,000 and determined that it appears the Department met its matching requirement by more than \$2 million despite the instances of under- and overreported donated time identified.

Effect—Failure to properly enter information into the Child Plus database system could result in future noncompliance with the program’s matching requirements. It could also result in inaccurate data being submitted to the federal grantor.

Cause—The Department did not follow its policies and procedures to review and approve all in-kind contributions. Also, the Department did not perform additional reviews or audits to correct errors in data entered into the Child Plus database system.

Recommendation—To help ensure that only allowable in-kind contributions are used to match federal expenditures and the program’s matching requirements are met, the Department should strengthen its policies and procedures for reviewing, approving, and documenting its in-kind match in the Child Plus database system. Someone who is not responsible for entering the data into the system should perform this review.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

2016-112

CFDA no. and name:	93.600 Head Start
Award numbers and years:	09CH7096/49; July 1, 2014 through June 30, 2015 09CH7096/50; July 1, 2015 through June 30, 2016 09HP0004/01; January 1, 2015 through June 30, 2016
Federal agency:	Department of Health and Human Services
Compliance requirement:	Reporting
Questioned costs:	None

Criteria—In accordance with 45 CFR §75.341, the County’s Human Services Department (Department) should complete the SF-425, *Federal Financial Report* (FFR), to report federal expenditures. The County should prepare the report using the designated accounting basis and accurately report in-kind contributions and the federal share of expenditures.

Condition and context—The Department did not adequately review the FFRs. For four of six reports tested, there were errors in the amounts reported. Specifically, for two semiannual reports the Department did not retain documentation supporting its in-kind contributions for the Head Start/Early Head Start and Early Head Start Child Care Partnership programs. In addition, for its two annual reports, the Department indicated the reports were prepared on the cash basis of accounting but prepared them under the accrual basis of accounting. As a result, the Department reported the total federal share of expenditures incorrectly.

Effect—The Department underreported the in-kind contributions on semiannual FFRs for the Head Start/Early Head Start and Early Head Start Child Care Partnership programs by \$46,819 and \$322,176, respectively. In addition, the Department overstated the total federal share of expenditures on the annual FFRs for the Head Start/Early Head Start and Early Head Start Child Care Partnership programs by \$574,551 and \$25,918, respectively.

Cause—The Department did not retain documentation for all amounts reported in its semiannual reports at the time the FFRs were compiled and submitted. In addition, the Department’s review of the annual FFRs failed to identify the errors because of oversight.

Recommendation—The Department should further develop its policies and procedures over its review process to ensure the FFRs are compared to supporting records and any errors noted are corrected prior to submitting them. In addition, the Department should retain documentation to support the amounts included in the FFRs.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

COUNTY SECTION

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 551	Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030680	\$ 1,101,598	\$ 477,804
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS16-106547	1,256,768	253,563
	<i>Total SNAP Cluster</i>				<u>2,358,366</u>	<u>731,367</u>
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	110,451	
10 553	School Breakfast Program (Non cash)	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	15,027	
	<i>Total 10.553</i>				<u>125,478</u>	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	173,178	
10 555	National School Lunch Program (Non Cash)	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	23,503	
	<i>Total 10.555</i>				<u>196,681</u>	
	<i>Total Child Nutrition Cluster</i>				<u>322,159</u>	
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS14-053007,	10,929,645	
10 558	Child and Adult Care Food Program		Arizona Department of Education	ADHS15-084210	338,588	
10 578	WIC Grants To States (WGS)		Arizona Department of Health Services	KR02-1170-ALS	36,169	
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster			420,436	
10 904	Watershed Protection and Flood Prevention				16,602,311	
10 916	Watershed Rehabilitation Program				10,306,249	
10 11-LE-11031200-005	Cooperative Law Enforcement Agreement				58,092	
10 16-LE-11031200-005	Cooperative Law Enforcement Agreement				26,623	
	Total Department of Agriculture				<u>41,398,638</u>	<u>731,367</u>
Department of Housing and Urban Development						
14 218	Community Development Block Grants/Entitlement Grants	CDBG - Entitlement Grants Cluster			2,648,941	2,009,729
14 231	Emergency Solutions Grant Program				240,716	220,000
14 231	Emergency Solutions Grant Program		City of Phoenix	140484-0	149,296	
	<i>Total 14.231</i>				<u>390,012</u>	<u>220,000</u>
14 239	HOME Investment Partnerships Program				5,337,616	4,824,385
14 850	Public and Indian Housing				2,810,956	
14 870	Resident Opportunity and Supportive Services - Service Coordinators				77,116	
14 871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster			13,179,670	
14 872	Public Housing Capital Fund				1,151,268	
14 896	Family Self-Sufficiency Program				49,856	
14 900	Lead-Based Paint Hazard Control in Privately-Owned Housing		City of Phoenix	141175-0	126,679	
	Total Department of Housing and Urban Development				<u>25,772,114</u>	<u>7,054,114</u>
Department of the Interior						
15 226	Payments in Lieu of Taxes				3,285,655	
15 227	Distribution of Receipts to State and Local Governments				8,108	
	Total Department of the Interior				<u>3,293,763</u>	

See accompanying notes to schedule.

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Justice						
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth and Families	JB-CSG-14-4365-03Y2	118,802	
16 540	Juvenile Justice and Delinquency Prevention—Allocation to States		Arizona Governor's Office for Children, Youth and Families	J2-CSG-14-4181-06Y2	236	
16 554	National Criminal History Improvement Program (NCHIP)		Arizona Criminal Justice Commission	NCP14-15-002, NCP14-15-004, NCP15-16-003	126,566	
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2013-VA-GX-0019, 2014-VA-GX-0018, 2015-VA-GX-0032	260,776	
16 576	Crime Victim Compensation		Arizona Criminal Justice Commission	VC-15-056, VC-16-056	829,722	
16 593	Residential Substance Abuse Treatment for State Prisoners		Arizona Criminal Justice Commission	RSAT-15-005, RSAT-16-005	47,048	
16 726	Juvenile Mentoring Program		National CASA Association	AZ10766-13-0614-L2	796	
16 735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities				76,364	
16 738	Edward Byrne Memorial Justice Assistance Grant Program				950,978	745,000
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-16-027	994,784	
	<i>Total 16.738</i>				<u>1,945,762</u>	<u>745,000</u>
16 742	Paul Coverdell Forensic Sciences Improvement Grant Program		Arizona Criminal Justice Commission	CV-15-15-002	8,406	
16 750	Support for Adam Walsh Act Implementation Grant Program				13,131	
16 754	Harold Rogers Prescription Drug Monitoring Program		Arizona Criminal Justice Commission	PDMP-15-001	93,979	
16 755	Southwest Border Prosecution Initiative				527,359	
16 812	Second Chance Act Reentry Initiative				549,549	36,584
16 88A-PX-46088	Desert Hawk Violent Crime Task Force				31,476	
16 SWAZP0706	Organized Crime Drug Enforcement Task Forces				153,309	
16 SWAZP0734	Organized Crime Drug Enforcement Task Forces				229,899	
16 unknown	DEA Task Force				65,011	
	Total Department of Justice				<u>5,078,191</u>	<u>781,584</u>
Department of Labor						
17 258	WIA/WIOA Adult Program	WIA/WIOA Cluster	Arizona Department of Economic Security	DE14-054318, DI16-002124	5,679,281	427,912
17 259	WIA/WIOA Youth Activities	WIA/WIOA Cluster	Arizona Department of Economic Security	ADES14-054318, DE14-054318, DI16-002124	1,402,937	84,825
17 278	WIA/WIOA Dislocated Worker Formula Grants	WIA/WIOA Cluster	Arizona Department of Economic Security	ADES14-054318, DE14-054318, DI16-002124	6,547,967	
	<i>Total Workforce Investment Act (WIA) Cluster</i>				<u>13,630,185</u>	<u>512,737</u>
17 281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training		Arizona Department of Economic Security	DI16-002124	25,847	
	Total Department of Labor				<u>13,656,032</u>	<u>512,737</u>

See accompanying notes to schedule.

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Transportation						
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Arizona Department of Transportation	AC STP-MMA-0(239), CM-MMA-0(206), CM-MMA-0(235), CM MMA-0(237), CM-MMA-0(242)D, CM-MMA-0(243), CM-MMA-0(244), CM-MMA-0(246), CM-MMA-0(247), CM-MMA-0(260)S, JPA 12-001, MMA-0(218), MMA-0(257)F, MMA-0(258)F, STP MMA-0(224), STP QCR-0(001)	4,025,296	
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Maricopa Association of Governments	656, STP MMA-0(217)	956,063	360,348
	<i>Total Highway Planning and Construction Cluster</i>				4,981,359	360,348
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2015-AI-001, 2015-PT-022, 2015-PT-063, 2016-AI-001, 2016-AL-013, 2016-AL-014, 2016-CIOT-009, 2016-PT-018, 2016-PT-065	232,249	
20 616	National Priority Safety Programs	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2015-405D-005, 2015-PT-063	24,324	
	<i>Total Highway Safety Cluster</i>				256,573	
Total Department of Transportation					5,237,932	360,348
Institute of Museum and Library Services						
45 310	Grants to States		Arizona State Library, Archives and Public Records	2015-35026-16	9,075	
Environmental Protection Agency						
66 001	Air Pollution Control Program Support				771,430	241,328
66 034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act				170,939	
Total Environmental Protection Agency					942,369	241,328
Department of Energy						
81 042	Weatherization Assistance for Low-Income Persons		Arizona Department of Administration Office of Grants and Federal Resources	EW-ESA-14-4181-03	204,460	

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Education						
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	15FAEABE-570694-16B, 16FAEABE-613237-16B, 16FAEAEF-613237-16B, 16FAEAPL-613237-16B, 16FAEWIO-613237-05A, 16AEWPL-613237-05A	216,415	
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Department of Education	16FLCCCL-613245-02A	87,514	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	15FESSCG-570692-55B, 16FESCBG-613229-09A, 16FESSCB-613229-55B	246,705	
84 365	English Language Acquisition State Grants		Arizona Department of Education	16FELENG-613245-66A	22,662	22,662
84 374	Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)				18,957,401	6,264,590
84 395 ARRA	State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants		Arizona Department of Education	13-02-EDSG	28,777	
84 411	Investing in Innovation (i3) Fund				590,472	21,602
Total Department of Education					20,149,946	6,308,854
Department of Health and Human Services						
93 044	Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers	Aging Cluster	Area Agency on Aging	2016-27-MCH	301,023	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007891	199,617	
93 074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		Arizona Department of Health Services	ADHS12-007891	2,627,603	
93 103	Food and Drug Administration— Research				48,916	
93 116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		Arizona Department of Health Services	ADHS13-042100	337,224	
93 136	Injury Prevention and Control Research and State and Community Based Programs		Arizona Department of Health Services	ADHS16-109742	29,592	
93 224	Health Center Program (Health Care for the Homeless)	Health Center Program Cluster			3,368,252	93,441
93 243	Substance Abuse and Mental Health Services—Projects of Regional and National Significance		Arizona Criminal Justice Commission	SAP-15-004, SAP-15-008	79,934	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041805	800,561	
93 297	Teenage Pregnancy Prevention Program				613,272	142,939
93 332	Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces				9	
93 505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		Arizona Department of Health Services	ADHS12-023419	2,634,620	663,088
93 539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		Arizona Department of Health Services	ADHS13-041805	208,506	
93 558	Temporary Assistance for Needy Families	TANF Cluster	Arizona Department of Economic Security	ADES15-089115, DE111071001	541,728	

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
93 563	Child Support Enforcement		Arizona Department of Economic Security	DE111162-001, DE111171001, DI16-002158, G1604AZ4004	2,462,432	
93 568	Low-Income Home Energy Assistance		Arizona Department of Economic Security	ADES15-089115, DE111071001	2,831,361	
93 568	Low-Income Home Energy Assistance		Arizona Department of Housing	LW-ESA-12-2182-03	351,933	
93 568	Low-Income Home Energy Assistance		Governor's Office of Energy Policy	LW-ESA-12-2182-03Y4	159,471	
	<i>Total 93.568</i>				<u>3,342,765</u>	
93 569	Community Services Block Grant		Arizona Department of Economic Security	ADES 15-089115, DE111071001	828,282	352,148
93 576	Refugee and Entrant Assistance—Discretionary Grants		Arizona Department of Economic Security	DE101038001	924,432	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	G1101AZSAVP,DI16-002145	44,261	
93 600	Head Start				27,194,837	9,347,083
93 617	Voting Access for Individuals with Disabilities—Grants to States		Arizona Secretary of State	HHS-2006-ACF-ADD-VOTE-0135	545,729	
93 667	Social Services Block Grant		Area Agency on Aging	2016-27-MCH	255,869	
93 667	Social Services Block Grant		Arizona Department of Economic Security	ADES15-089115, DE111071001	306,251	294,589
	<i>Total 93.667</i>				<u>562,120</u>	<u>294,589</u>
93 758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		Arizona Department of Health Services	ADHS15-078134, ADHS16-102232	288,909	
93 914	HIV Emergency Relief Project Grants				8,810,240	5,881,425
93 917	HIV Care Formula Grants		Arizona Department of Health Services	ADHS14-059037	57,600	
93 926	Healthy Start Initiative				2,315,207	82,820
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS13-034910, ADHS14-059037, ADHS15-089449	885,895	
93 944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		Arizona Department of Health Services	ADHS12-016584	25,146	
93 945	Assistance Programs for Chronic Disease Prevention and Control		Arizona Department of Health Services	ADHS14-061877, ADHS16-113997, ADHS16-114422	233,154	
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS14-071224, ADHS16-116340, HG052195	424,457	
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	HG854371	76,641	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS12-010921, ADHS12-015902, ADHS12-021145, ADHS13-037845, ADHS14-074958, ADHS16-102232	719,683	
	Total Department of Health and Human Services				<u>61,532,648</u>	<u>16,857,533</u>

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2016

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Executive Office of the President of the United States						
94 006	AmeriCorps		Arizona Governor's Office for Children, Youth and Families	AC-VSG-15-090115-07	61,134	
Executive Office of the President of the United States						
95 001	High Intensity Drug Trafficking Areas Program				521,095	
Department of Homeland Security						
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2014-EP-000024, EMW-2015-EP-00048	556,941	
97 045	Cooperating Technical Partners				373,774	
97 047	Pre-Disaster Mitigation		Arizona Department of Emergency and Military Affairs	EMF-2014-PC-0003	4,594	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	130202-01, 130814-04, 140805-01, 140805-03, 140805-04, 140805-05, 150203-01, 150811-01, 150811-02, 150811-03	504,531	
97 091	Homeland Security Biowatch Program				468,975	
	Total Department of Homeland Security				1,908,815	
	Total expenditures of federal awards				\$ 179,766,211	\$ 32,847,865

Maricopa County
Notes to schedule of expenditures of federal awards
Year ended June 30, 2016

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards includes Maricopa County's federal grant activity for the year ended June 30, 2016. 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).

Note 2 - Summary of significant accounting policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting, except for the following programs: Schools and Roads—Grants to States (10.665), Payments in Lieu of Taxes (15.226), and Distribution of Receipts to State and Local Governments (15.227). For these programs, revenues received during the fiscal year are considered earned and are reported as expenditures. All remaining 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.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2016 *Catalog of Federal Domestic Assistance*. When no CFDA 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.

Note 4 - Indirect cost rate

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

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COUNTY RESPONSE



Maricopa County

Office of Assistant County Manager and Department of Finance

Shelby L. Scharbach
CPA, CGFM
Assistant County Manager
and
Chief Financial Officer
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960
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March 28, 2017

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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 Regulations (Uniform Guidance). Specifically, for each finding we are providing you with the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Shelby L. Scharbach
Assistant County Manager — Chief Financial Officer

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2016**

Financial statement findings

2016-01

The County should follow its policies and procedures when preparing financial statements and note disclosures

Contact person(s): John Lewis, Deputy Director, Department of Finance, (602) 506-1376
Anticipated completion date: March 31, 2017

Concur. The County will update its processes to ensure that county departments are providing financial information in compliance with GAAP. Although the Department of Finance performs multilevel detailed reviews of all financial statements, note disclosures, and required supplementary information, errors can occur due to the complex nature of the disclosures and manner in which analysis is performed. All items were corrected prior to issuance of the financial statements.

2016-02

The County should improve access controls over its information systems

Contact person(s): Phil Van Kley, Information Systems Manager, Maricopa County Treasurer, (602) 506-4635

Contact person(s): Robert O'Connor, Maricopa County Chief Information Security Officer
Anticipated completion date: July 31, 2017 and February 28, 2017, respectively

Concur. The Treasurer's Office will improve existing access controls of IT systems. Regular reviews of user accounts will be enhanced to include reviews of users with multiple active accounts to ensure access is necessary and appropriate. A daily audit report will be developed to identify authorization modifications to the Treasurer's legacy system. This will ensure changes are documented, forwarded to appropriate individuals, and reviewed within the IT Division daily. Additionally, the Treasurer's Office is currently implementing a new system, and it is anticipated that controls for this system will adhere to current National Institute of Standards and Technology guidelines. It is anticipated that portions of this new system will be in use beginning in fiscal year 2018 and be fully implemented by fiscal year 2019. The Office of Enterprise Technology will verify that generic accounts are restricted appropriately and will maintain sufficient documentation to track generic account access.

2016-03

The County should establish internal controls over temporary employees' payroll

Contact person(s): Deyan Bunjevic, Administrator, Maricopa County Recorder, (602) 506-2471

Anticipated completion date: March 31, 2017

Concur. The County has reviewed procedures relating to temporary election poll workers. The log-in sheets are now certified by an inspector, who acts as supervisor under Arizona Revised Statute 16-534. The County also reviewed its policy to retain the temporary poll workers information for one election cycle. If the worker is not employed in two county-wide general elections, then they are removed from the payroll system.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2016**

2016-04

Justice Courts Administration needs to improve controls over purchasing cards
Contact person(s): Jeff Fine, Administrator, Justice Courts, (602) 372-1561
Anticipated completion date: October 31, 2015

Concur. The finding relates to discovery by Justice Court Administration in fiscal year 2016 of mismanagement and misuse of the department's sole purchasing card by a former employee. Upon discovery, the card was immediately deactivated (approximately October 2015) and a procurement audit was immediately conducted. Based on initial findings, the Justice Court Administrator initiated the disciplinary process during which the employee resigned. The procurement audit found that the former employee failed to retain many receipts, failed to prepare and submit reconciliation reports and failed in their role as the department's financial officer to establish proper management and control systems. As a result, many purchases could not be supported by receipts, and some appear to violate applicable procedure and policy. Further investigation, including efforts made pursuant to this additional review, yielded additional receipts through banking officials. This matter has been referred for further review and investigation. To date, the Administrator has elected not to reinstate the use of a purchasing card and all purchases are made through the County's procurement system.

2016-05

The County should improve controls over purchasing cards
Contact person(s): Lisa Nash, Procurement Services Administrator, Maricopa County Procurement Services, (602) 506-8019
Anticipated completion date: December 31, 2016

Concur. Maricopa County procedures and policies relating to purchasing cards have been updated to clarify negotiable tender items and define allowable exceptions and reconciliation requirements. The County is also researching additional IT controls such as blocking additional vendor merchant category codes to improve controls over improper purchases.

Responses to other auditors' finding:

2016-06

Housing Authority of Maricopa County (HAMC): General Ledger Maintenance
Contact person(s): Mario L. Aniles, HAMC Finance Director, (602) 744-4517
Anticipated completion date: December 31, 2017

Concur. HAMC has fully implemented a review and reconciliation of all balance sheet accounts on a monthly basis. Additionally, trainings and technical assistance have been obtained to accelerate and address the agency's learning curve for newer staff.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2016**

Federal award findings and questioned costs

2016-101

CFDA No.: 10.904 Watershed Protection and Flood Prevention

Department: Maricopa County Flood Control District

Contact person(s): David Turner, Finance Support Supervisor Flood Control District, (602) 506-8617

Anticipated completion date: March 31, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Flood Control District has updated its procedures regarding program expenditures and the reimbursement process. These changes will ensure that reimbursement requests include only allowable costs. The district discovered and contacted the grantor regarding the unallowable expenditures prior to the audit. The grantor agreed to deduct the amount from a recent reimbursement request. Additionally, all requests for reimbursement will be reviewed by a knowledgeable person prior to submission.

2016-102

CFDA No.: 10.904 Watershed Protection and Flood Prevention

Department: Maricopa County Flood Control District

Contact person(s): Sharon Rogers, Contract Office, Flood Control District, (602) 506-6764

Completion date: September 30, 2016

County Response: Concur

County Corrective Action Plan: The Maricopa County Flood Control District updated its policies and procedures to ensure that required reports are completed accurately and submitted on time. Internal reports have been developed to ensure financial data on projects can be obtained on demand. Certified expenditures will be reported on FFR rather than total expenditures. Additionally, all reports are reviewed for accuracy to supporting documentation by a knowledgeable person prior to submission.

2016-103

CFDA No.: 14.239 HOME Investment Partnership Program

Department: Maricopa County Human Services Department

Contact person(s): Celeste Bautista, Finance Manager, (602) 506-2513

Completion date: March 10, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department updated its procedures to ensure all required reports are submitted to HUD on time. These procedures include clarifying which staff members are responsible for preparing and submitting required reports. Additionally, all reports are reviewed for accuracy prior to submission by a knowledgeable person. The 2014 HUD 60002, Section 3 Summary report was submitted to HUD September 30, 2016.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2016**

2016-104

CFDA No.: 17.258 WIA/WIOA Adult Program

17.259 WIA/WIOA Youth Activities

17.278 WIA/WIOA Dislocated Work Formula Grans

Department: Maricopa County Human Services Department

Contact person(s): Celeste Bautista, Finance Manager, (602) 506-2513

Completion date: March 10, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department updated its policies and procedures to ensure that only allowable charges are submitted for reimbursement. Specifically, the updated policies include guidelines related to fraudulent activity. Additionally, the charge identified during the audit was corrected when the bank issued a credit and expenditures in that period were reduced by \$110.

2016-105

CFDA No.: 84.374 Teacher Incentive Fund

Department: Maricopa County Education Service Agency

Contact person(s): Marc Kuffner, Assistant Superintendent for Economic Management, (602) 506-2068

Anticipated completion date: September 30, 2016

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency (MCESA) updated its policies and procedures to ensure new vendors and subrecipients who receive \$25,000 in federal funds are not suspended or debarred. Corrective action was fully implemented in September 2016. MCESA verified and documented the vendor's status by checking the Excluded Parties List System (EPLS), obtaining vendor certification, or adding a clause or condition to the contract.

2016-106

CFDA No.: 84.374 Teacher Incentive Fund

Department: Maricopa County Education Service Agency

Contact person(s): Marc Kuffner, Assistant Superintendent for Economic Management, (602) 506-2068

Anticipated completion date: June 30, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency (MCESA) updated its policies and procedures to ensure that reports are completed accurately and reflect certified actual match amounts rather than budgeted match amounts. All reports will also be reviewed to supporting documentation by a knowledgeable person prior to submission.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2016**

2016-107

CFDA No.: 84.374 Teacher Incentive Fund

Department: Maricopa County Education Service Agency

Contact person(s): Marc Kuffner, Assistant Superintendent for Economic Management,
(602) 506-2068

Anticipated completion date: June 30, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency (MCESA) has policies and procedures to ensure that before the award monitoring, including obtaining DUNS numbers, is completed for new subrecipients. DUNS numbers were verified for all current subrecipients by March 2017. The Teacher Incentive Fund grant is a five year award and MCESA received a one year no cost extension from the U.S. Department of Education. However, the intergovernmental agreement with the subrecipients was not extended. These allowable expenditures did occur within the grant awards period of availability.

2015-108

Cluster name: Health Center Program Cluster

CFDA No.: 93.224 Health Center Program (Health Care for the Homeless)

Department: Maricopa County Department of Public Health

Contact person(s): Corinne Velasquez, Clinical Services Division Administrator, Maricopa County Department of Public Health, (602) 506-6657

Anticipated completion date: April 30, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Department of Public Health updated their procedures and policies to ensure fee schedules comply with grant requirements. The revised policies and schedules have been placed on the next Board meeting for approval. Additionally, the policy was updated to require annual review of the sliding fee scale program.

2016-109

CFDA No.: 93.563 Child Support Enforcement

Department: Maricopa County Superior Court

Contact person(s): Cheri Clark, Family Court Administrator/Director Conciliation Services,
(602) 506-2109

Anticipated completion date: June 30, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Superior Court obtained a software application that will permit staff to record time spent on Child Support Enforcement eligible activities. The application will create timesheets that will be used to support payroll charges to the grant. The staff will sign these timesheets which will act as certifications. Training is scheduled for April 2017 and the new process will be implemented beginning in May 2017.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2016**

2016-110

CFDA No.: 93.568 Low-Income Home Energy Assistance
Department: Maricopa County Human Services Department
Contact person(s): Celeste Bautista, Finance Manager, (602) 506-2513
Completion date: March 10, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Service Department has strengthened its procedures by requiring staff who work on multiple programs to track their time and complete Personnel Allocation Report forms. These will be used to document time and effort spent on each program. The department finance team will also work with the programs to ensure general ledger and ADP reports are reconciled. Additionally, all transfers will be reviewed and analyzed to ensure expenditures were incurred for the specific program. All transfer journal vouchers will include explanations and supporting documentation.

2016-111

CFDA No.: 93.600 Head Start
Department: Maricopa County Human Services Department
Contact person(s): Celeste Bautista, Finance Manager, (602) 506-2513
Anticipated completion date: March 31, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department has revised its procedures related to in-kind match documentation. A new application is being developed that will permit real time recording of volunteer time contributions. The Department has also revised its procedures to improve consistency in entering and storage of the in-kind forms. These improvements should reduce data entry errors. Additionally, policies were updated to define the staff responsibilities for reviewing in-kind match documentation to ensure compliance with program requirements. A secondary review by program staff not responsible for in-kind forms is also being implemented.

2016-112

CFDA No.: 93.600 Head Start
Department: Maricopa County Human Services Department
Contact person(s): Celeste Bautista, Finance Manager, (602) 506-2513
Anticipated completion date: March 10, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department updated its policies to ensure required financial reports are completed accurately. The department now includes supporting documents that will be retained with copies of the financial reports. Additionally, reports are reviewed to supporting documentation by the program and finance managers for accuracy prior to submission.



Maricopa County

Office of Assistant County Manager and Department of Finance

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March 28, 2017

Debbie Davenport
Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

Dear Ms. Davenport:

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* (Uniform Guidance). 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,

Shelby L. Scharbach
Assistant County Manager – Chief Financial Officer

Status of financial statement findings

The County should follow its policies and procedures when preparing financial statements and note disclosures

Finding No. 2015-01

Status: Partially corrected.

Although the Department of Finance performs multilevel detailed reviews of all financial statements, note disclosures, and required supplementary information, errors can occur due to the complex nature of the disclosures and manner in which analysis is performed. All items were corrected prior to issuance of the financial statements. The Department of Finance continues to work with county departments to ensure financial information is provided in compliance with accounting policies to prevent future errors from occurring. Contact person is John Lewis, Deputy Director, Department of Finance, (602) 506-1373.

The County should improve access controls over its information technology resources

Finding No. 2015-02

Status: Partially corrected.

Access control procedures for Treasurer IT systems have been updated to ensure users with multiple IDs are identified and approvals are fully documented. Access controls related to new employees have been revised to prevent access prior to management approval. The Treasurer's Office is currently implementing a new financial system that will be implemented in fiscal year 2018. It is anticipated that controls for this system will adhere to current National Institute of Standards and Technology guidelines and help correct the remaining deficiencies. Contact person is Phil Van Kley, Information Systems Manager, Maricopa County Treasurer, (602) 506-4635.

The County should monitor controls over its outside service organizations

Finding No. 2015-03

Status: Fully corrected.

The County should maintain documentation of its calculation of indirect cost expenditures

Finding No. 2015-04

Status: Fully corrected.

Housing Authority of Maricopa County (HAMC): General Ledger Maintenance

Finding No. 2015-05

Status: Not corrected.

HAMC is in the process of implementing a monthly balance sheet account reconciliation and is providing trainings to new staff. See finding 2016-06 for additional information.

Status of Federal Award Findings and Questioned Costs

CFDA No.: 16.738 Edward Byrne Memorial Justice Assistance Grant Program

Finding No. 2014-105

Status: Fully corrected.

CFDA No.: 84.374 Teacher Incentive Fund

Finding No. 2014-108

Status: Partially corrected.

The Maricopa County Education Service Agency (MCESA) updated its policies and procedures to ensure new vendors and subrecipients who receive \$25,000 in federal funds are not suspended or debarred. As the Single Audit for fiscal year 2015 was not completed until March 2016, corrective action was not fully implemented until September 2016. MCESA verified and documented the vendor's status by checking the Excluded Parties List System (EPLS), obtaining vendor certification, or adding a clause or condition to the contract. Contact person is Marc Kuffner, Assistant Superintendent for Economic Management & Consulting, (602) 506-2068.

CFDA No.: 93.069 Public Health Emergency Preparedness (PHEP)

Finding No. 2014-109

Status: Fully corrected.

CFDA No.: 10.904 Watershed Protection and Flood Prevention

Finding No. 2015-101

Status: Partially corrected.

The Maricopa County Flood Control District has updated its policies and procedures to ensure that required reports are completed accurately and submitted on time. Internal reports have been developed to ensure financial data on projects can be obtained on demand. Additionally, all reports are reviewed for accuracy to supporting documentation by a knowledgeable person prior to submission. As the Single Audit for fiscal year 2015 was not completed until March 2016, corrective action was not fully implemented until March 2016. Contact person is David Turner, Finance Support Supervisor Flood Control District, (602) 506-8617.

CFDA No.: 10.904 Watershed Protection and Flood Prevention

84.374 Teacher Incentive Fund

Finding No. 2015-102

Status: Partially corrected.

The Maricopa County Education Service Agency (MCESA) updated its policies and procedures to ensure new vendors and subrecipients who receive \$25,000 in federal funds are not suspended or debarred. As the Single Audit for fiscal year 2015 was not completed until March 2016, corrective action was not fully implemented until September 2016. MCESA verified and documented the vendor's status by checking the Excluded Parties List System (EPLS), obtaining vendor certification, or adding a clause or condition to the contract.

Contact person is Marc Kuffner, Assistant Superintendent for Economic Management & Consulting, (602) 506-2068.

The Maricopa County Flood Control District amended its procedures in the contract department to ensure that all contracts (Contractor or consultant) are reviewed to ensure vendors and subrecipients receiving more than \$25,000 in federal funds are not suspended or disbarred by reviewing the excluded parties list system (EPLS), obtaining a vendor certification, or including a clause in new contracts. This finding was fully corrected for this program. Contact person is David Turner, Finance Support Supervisor Flood Control District, (602) 506-8617.

CFDA No.: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
Finding No. 2015-103
Status: Fully corrected.

CFDA No.: 84.374 Teacher Incentive Fund
Finding No. 2015-104
Status: Fully corrected.

CFDA No.: 84.374 Teacher Incentive Fund
Finding No. 2015-105
Status: Partially corrected.

The Maricopa County Education Service Agency (MCESA) has policies and procedures to ensure that before the award monitoring including obtaining DUNS numbers is completed for new subrecipients. As the Single Audit was not completed until March 2016, corrective action was not fully implemented until September 2016. During FY 2016, MCESA modified its procedures and provided subrecipients with program information and followed up on audit findings by issuing management decisions within 6 months.

CFDA No.: 93.069 Public Health Emergency Preparedness (PHEP)
Finding No. 2015-106
Status: Fully corrected.

CFDA No.: 93.563 Child Support Enforcement
Finding No. 2015-107
Status: Does not warrant further action.

No further action is required because the pass-through entity no longer requires the report.

CFDA No.: 93.563 Child Support Enforcement
Finding No. 2015-108
Status: Not corrected.

The Superior Court will update its policies and procedures to ensure that employee payroll costs charged to the program follow 2 CFR §225 and 2 CFR §200.430(i) for payroll documentation and time distribution. Specifically, policies and procedures will ensure employee payroll costs will be supported by personnel activity reports or equivalent

documentation that reflect an after-the-fact distribution of each employee's actual activity during the period. In addition, these procedures will include at least monthly certifications that the employee signs. The process for implementing a solution began in June 2016, but took longer than anticipated to implement. Training began in March 2017 and is anticipated to be fully implemented by April 2017. Contact person is Cheri Clark, Family Court Administrator/Director Conciliation Services, (602) 506-2109.

CFDA No.: 93.568 Low-Income Home Energy Assistance
Finding No. 2015-109
Status: Not corrected.

The Maricopa County Human Services Department will update its policies to utilize a Personnel Activity Report (PAR) that split funded employees can record and certify actual time spent on each project or funding strings. The PAR will be reconciled to ADP payroll distribution reports and a correcting journal entry will be prepared on a semiannual basis to align actual hours worked for each grant. This will ensure that payroll and indirect expenditures are charged to the appropriate grant. As the Single Audit for fiscal year 2015 was not completed until March 2016, corrective action is anticipated to be fully implemented in June 2017. Contact person is Celeste Bautista, Finance Administrator, (602) 506-2513.

CFDA No.: 93.600 Head Start
Finding No. 2015-110
Status: Fully corrected.

