



# Maricopa County

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## Internal Audit Department

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**To:** Maricopa County Board of Supervisors

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

**Subject:** Audit Report: Contracts and Agreements

**Date:** July 28, 2016

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**Conclusion:** Contract terms were generally followed for 11 contract reviews completed in fiscal year (FY) 2016. However, we found some control weaknesses.

**Scope and Observations:** We reviewed four contracts for compliance with various contract terms and conditions. We published detailed reports (including recommendations) to agencies that use these contracts. Agency management concurred with our recommendations. A summary of this work can be found on page 2.

In addition, we reviewed seven revenue generating contracts and agreements as part of our Parks and Recreation, Protective Services, and Sheriff's Office Inmate Funds and Programs audits. See page 3 for a description of this work. The results of these reviews were issued in separate agency reports. Agency management concurred with our recommendations.

**Objective:** Our primary objective was to determine compliance with contract terms and County policies.

This report is intended primarily for the information and use of the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a public record and its distribution is not limited.

This audit was approved by the Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. If you have any questions about this report, please contact Stella Fusaro, Audit Manager, at 602-506-1777.

**Contracts and Agreements**

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<b>Contract Audit Work</b>	
<b>Contract</b>	<b>Results</b>
<p><b>Asphalt Service and Repair</b>  <u>Contract Expenditures</u>                      \$5.2 million                      FY 2014                      1 Contract</p>	<ul style="list-style-type: none"> <li>• No exceptions with pricing, invoice terms, or payment approvals.</li> <li>• No issues with bid documentation.</li> <li>• Review included 3 vendors.</li> </ul>
<p><b>Furniture, Office</b>  <u>Contract Expenditures</u>                      \$1.2 million                      FY 2014                      1 Contract</p>	<ul style="list-style-type: none"> <li>• No issues with contract pricing.</li> <li>• Price lists were not available and quotes were missing contractually-required information.</li> <li>• Purchase orders and invoices were not tied to the correct contract in the County's financial system.</li> <li>• Agencies purchased furniture (totaling \$138,000) not associated with any contract.</li> <li>• Review included one vendor.</li> </ul>
<p><b>Painting Services</b>  <u>Contract Expenditures</u>                      \$1.1 million                      FY 2014                      1 Contract</p>	<ul style="list-style-type: none"> <li>• No exceptions with pricing, invoice terms, or payment approvals.</li> <li>• Missing contractually-required information for 16 of 18 invoices.</li> <li>• One project was awarded to a vendor whose bid was \$10,918 higher than the competing bid.</li> <li>• Review included 3 vendors.</li> </ul>
<p><b>Sonoqui Wash Channelization Phase IIIB</b>  <i>Compliance with Legal Arizona Workers Act</i>  <u>Contract Expenditures</u>                      \$3.2 million                      FY 2015                      1 Contract</p>	<ul style="list-style-type: none"> <li>• Some I-9 forms were missing or incomplete.</li> <li>• E-Verify indicated that two employees reviewed were not authorized to work.</li> <li>• Review included one contractor and one subcontractor.</li> <li>• No issues with subcontractor documentation.</li> </ul>

**Contracts and Agreements**

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<b>Agency Audits with Contract Work</b>	
<b>Parks and Recreation Department</b>	
<b>Revenue Agreements</b>	<b>Results</b>
<b>Concessionaire Agreements</b> <u>Agreement Revenues</u> \$1.1 million FY 2014 – FY 2016 5 Agreements	<ul style="list-style-type: none"><li>• Estimated \$16,115 in uncollected revenue due to errors in calculating price increases and uncollected late fees and interest.</li><li>• No formal policies or procedures in place to monitor concessionaire agreements.</li><li>• No fee structure in place for concessionaire agreements.</li><li>• Review included four Use Management Agreements and one Commercial Management Concession Agreement.</li></ul>
<b>Protective Services</b>	
<b>Revenue Agreement</b>	<b>Results</b>
<b>Human Services Campus</b> <u>Agreement Revenues</u> \$291,355 FY 2016 1 Agreement	<ul style="list-style-type: none"><li>• Monthly invoice amount did not match the contract’s billing terms and conditions.</li><li>• No documentation existed to support the \$8,333 monthly invoice discount given.</li><li>• The Human Service Campus was three months behind in paying for security services.</li><li>• Review included one vendor.</li></ul>
<b>Sheriff’s Office Inmate Funds and Programs</b>	
<b>Revenue Contract</b>	<b>Results</b>
<b>Inmate Telephone Services</b> <u>Contract Revenues</u> \$3.2 million FY 2015 1 Contract	<ul style="list-style-type: none"><li>• Terminology used in revenue summary reports did not align with the contract.</li><li>• Commission payments and rates did not adhere to contract terms.</li><li>• Vendor did not pay the County \$374,585 in required commissions for CY 2015 state-to-state calls.</li><li>• Review included one vendor.</li></ul>