



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

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Compliance Attestation Report

# Maricopa County Highway User Revenue Fund Monies

Year Ended June 30, 2007

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**Debra K. Davenport**  
Auditor General

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Maricopa County  
Compliance Attestation Report on Highway User Revenue Fund Monies  
Year Ended June 30, 2007

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**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Accountants' Report**

Members of the Arizona State Legislature

The Board of Supervisors of  
Maricopa County, Arizona

We have examined Maricopa County's compliance as to whether expenditures made during the year ended June 30, 2007, from Highway User Revenue Fund monies received by the County pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the County, were used solely for authorized transportation purposes prescribed in Article IX, §14, of the Arizona Constitution. Management is responsible for compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements.

In our opinion, Maricopa County complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2007.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA  
Financial Audit Director

September 3, 2008



**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Accountants' Report on Internal Control over  
Compliance with Requirements Applicable to Highway User Revenue Fund Monies  
and Other Dedicated State Transportation Revenues Received by the County**

Members of the Arizona State Legislature

The Board of Supervisors of  
Maricopa County, Arizona

In planning and performing our examination of Maricopa County's compliance as to whether Highway User Revenue Fund (HURF) monies and any other dedicated state transportation revenues received by the County were used solely for the authorized transportation purposes specified in Article IX, §14, of the Arizona Constitution, Arizona Revised Statutes (A.R.S.) §28-5801(B)(1)(c) and (2)(c), and A.R.S. §28-5808(A)(2)(b) and (B)(2)(b) during the year ended June 30, 2007, in accordance with the attestation standards established by the American Institute of Certified Public Accountants, we considered the County's internal control over compliance with those requirements as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance with those requirements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control with those requirements, and accordingly, we do not express such an opinion.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency in the County's internal control over compliance 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 noncompliance with the compliance requirements for HURF monies and any other dedicated state transportation revenues on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer these monies such that there is more than a remote likelihood that noncompliance with the compliance requirements for these monies that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the following deficiency to be a significant deficiency in internal control:

The County should spend highway user and vehicle license tax monies in accordance with state laws

Each year, the State distributes Highway User Revenue Fund (HURF) monies and a portion of the vehicle license tax (VLT) monies to the County and has mandated that the County use these monies solely for highway and street purposes, as specified in Article IX, §14, of

the Arizona Constitution, A.R.S. §28-5801(B)(1)(c) and (2)(c), and A.R.S. §28-5808(A)(2)(b) and (B)(2)(b). The County received \$117 million in HURF and VLT monies in fiscal year 2007. The County's Transportation Department operates primarily from these monies. Based on the Constitution, laws, and Attorney General Opinion No. 105-003, auditors noted the following expenditures that appeared to be unallowable charges:

<b>Description</b>	<b>Amount</b>
General and automobile liability premiums	\$789,003
Conferences and catered food	13,275

Liability premiums represent 98 percent of the questionable expenditures. The Attorney General Opinion specifically states that HURF monies may not be used to pay premiums related to liability for personal injury judgments. County officials have indicated that they do not agree with this opinion. However, our determination in this matter is based on the Attorney General opinion.

The County should strengthen its policies and procedures to help ensure that HURF and restricted VLT monies are spent in accordance with the Arizona Constitution and A.R.S., and ensure that its transportation department follows these policies and procedures. Written policies should clearly identify the types of expenditures that are allowable and unallowable. In addition, management should review and approve expenditures to help ensure that all expenditures charged to HURF and restricted VLT monies are only for allowable charges. Finally, the County should allocate local revenues to replenish the monies it spent inappropriately during fiscal year 2007. A similar recommendation was provided to the County in the prior year.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with the compliance requirements for these monies will not be prevented or detected by the County's internal control. We do not believe that the significant deficiency described above is a material weakness.

Maricopa County's response to the finding identified in our examination is presented on page 4. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Dennis L. Mattheisen, CPA  
Financial Audit Director

September 3, 2008



# Maricopa County

## Department of Transportation

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September 29, 2008

Ms. Debbie Davenport  
Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, AZ 85018

Dear Ms. Davenport:

The Department of Transportation has reviewed the Compliance Attestation Report for Maricopa County Highway User Revenue Fund (HURF) Monies for fiscal year 2006-07 as prepared by the Office of the Auditor General. The following is our response to the items discussed in the Attestation Report.

General and Automobile Liability Premiums \$789,003

Maricopa County does not concur with the disallowance of general and automobile liability premiums. The County considers these necessary expenditures to operate and maintain the County roadway system. The Maricopa County Attorney's Office advises that these charges are within the scope of expenditures allowed by Article IX, §14 of the Arizona Constitution for the maintenance of County highways.

Conferences \$12,247

This is for a leadership development conference for employees. It was important to provide this training for successful implementation of the Strategic Plan.

Memberships and Catered Food \$ 1,028

The \$700 in membership dues for the City-County Communications Association supports public involvement for our Capital Program. This is a required step in project delivery and we do not concur with the disallowance.

The Department of Transportation has identified non-HURF funding sources for items identified in the audit for which we concur. Written policies and procedures have been developed to ensure that HURF and restricted VLT monies are spent in accordance with State laws. If you have any questions or need additional information, please contact me at 602-506-4622.

Sincerely,

John B. Hauskins, P.E.  
Transportation Director