



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Maricopa County

Year Ended June 30, 2012



Debra K. Davenport
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.
You may request them by contacting us at:

Office of the Auditor General

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

www.azauditor.gov

Maricopa County
Single Audit Reporting Package
Year Ended June 30, 2012

Table of Contents	Page
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	1
Schedule of Expenditures of Federal Awards	5
Schedule of Findings and Questioned Costs	
Summary of Auditors' Results	15
Financial Statement Findings	17
Federal Award Findings and Questioned Costs	17
Corrective Action Plan	27
Summary Schedule of Prior Audit Findings	31

Reports Issued Separately

Comprehensive Annual Financial Report

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*



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 with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

Members of the Arizona State Legislature

The Board of Supervisors of
Maricopa County, Arizona

Compliance

We have audited Maricopa County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012, except for that portion of the federal programs administered by the Housing Authority of Maricopa County (Authority). The Authority was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the compliance of the Authority with the types of compliance requirements described in the *OMB Circular A-133 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit and the report of the other auditors.

Maricopa County's basic financial statements include the operations of the Maricopa County Accommodation Schools, which expended \$648,813 in federal awards that are not included in the County's Schedule of Expenditures of Federal Awards for the year ended June 30, 2012. Our audit, described below, did not include the operations of the Maricopa County Accommodation Schools because the Accommodation Schools engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in item 12-109 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding reporting that are applicable to its Section 8 Housing Choice Vouchers program. Compliance with such requirements is necessary, in our opinion, based on our audit and the report of the other auditors, for the County to comply with the requirements applicable to that program.

In our opinion, based on our audit and the report of the other auditors, except for the noncompliance described in the preceding paragraph, Maricopa County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our auditing procedures and the report of the other auditors also disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and that are described in the accompanying Schedule of Findings and Questioned Costs as items 12-101, 12-102, 12-103, 12-104, 12-106, 12-108, and 12-110.

Internal Control over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we and the report of the other auditors identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be 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 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 12-101, 12-102, 12-103, 12-106, 12-107, 12-108, and 12-109 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 12-104, 12-105, and 12-110 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012, that contained an unqualified opinion on those financial statements. Our report was modified to include 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 OMB Circular A-133 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.

Maricopa County's responses to the findings identified in our audit are presented on pages 27 through 30. We did not audit the County's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, others within the County, federal awarding agencies, and pass-through entities 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.

Jay Zsorey, CPA
Financial Audit Director

March 28, 2013

(This page is left intentionally blank)

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture			
Child Nutrition Cluster:			
School Breakfast Program, passed through the Arizona Department of Education	10.553	ED09-0001	\$ 156,558
National School Lunch Program, passed through the Arizona Department of Education	10.555	ED09-0001	<u>238,910</u>
Total Child Nutrition Cluster			<u>395,468</u>
Special Supplemental Nutrition Program for Women, Infants, and Children, passed through the Arizona Department of Health Services	10.557	ADHS11-005228, HG150102, ADHS11-006673, HG050297	10,884,934
Child and Adult Care Food Program, passed through the Arizona Department of Education	10.558	KR02-1170-ALS	277,190
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, passed through the Arizona Department of Health Services	10.561	HI050071	313,475
Schools and Roads—Grants to States, passed through the Arizona State Treasurer	10.665	None	488,307
Cooperative Law Enforcement Agreement	10.11-LE-11031200-002		41,353
Cooperative Law Enforcement Agreement	10.11-LE-11031200-005		100,056
White Tanks No. 4 FRS Rehabilitation Project	10.68-9457-10-491		<u>3,553,441</u>
Total U.S. Department of Agriculture			<u>16,054,224</u>
U.S. Department of Commerce			
ARRA—Broadband Technology Opportunities Program (BTOP), passed through the Arizona State Library, Archives and Public Records	11.557	AZJAC-GIK-11-1-JHH-08	<u>56,443</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		1,723,754
Emergency Solutions Grants Program	14.231		94,344
HOME Investment Partnerships Program	14.239		4,170,863
ARRA—Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257		259,893
Public and Indian Housing	14.850		3,055,163
Resident Opportunity and Supportive Services— Service Coordinators	14.870		64,278
Section 8 Housing Choice Vouchers	14.871		14,638,175
Public Housing Capital Fund	14.872		1,004,007
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	14.877		16,805
Lead-Based Paint Hazard Control in Privately-Owned Housing, passed through the City of Phoenix	14.900	125739, 133523	28,009

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
ARRA—Lead-Based Paint Hazard Control in Privately-Owned Housing, passed through the City of Phoenix	14.900	126719	\$ 94,715
Total Lead-Based Paint Hazard Control in Privately-Owned Housing			<u>122,724</u>
Total U.S. Department of Housing and Urban Development			<u>25,150,006</u>
U.S. Department of the Interior			
Payments in Lieu of Taxes	15.226		2,802,089
Distribution of Receipts to State and Local Governments, passed through the Arizona State Treasurer	15.227	None	7,162
National Fire Plan—Rural Fire Assistance	15.242		19,402
U.S. Geological Survey-Research and Data Collection	15.808		<u>20,000</u>
Total U.S. Department of the Interior			<u>2,848,653</u>
U.S. Department of Justice			
Juvenile Accountability Block Grants, passed through the Arizona Governor's Office for Children, Youth and Families	16.523	JB-CSG-10-1273-05, JB-CSG-11-1273-03, JB-CSG-12-2366-03	213,318
Juvenile Justice and Delinquency Prevention—Allocation to States, passed through the Arizona Governor's Office for Children, Youth and Families	16.540	J2-CSG-10-0181-05Y2, J2-CSG-10-0181-00, J2-GRA-11-1273-01,	68,131
National Criminal History Improvement Program (NCHIP), passed through the Arizona Criminal Justice Commission	16.554	NCP11-12-006	69,375
National Institute of Justice Research, Evaluation, and Development Project Grants, passed through the Arizona Criminal Justice Commission	16.560	IDM-10-001, IDM-11-001	27,412
Crime Victim Assistance, passed through the Arizona Department of Public Safety	16.575	2011-VA-GX-0019	101,654
Crime Victim Compensation, passed through the Arizona Criminal Justice Commission	16.576	VC-11-056, VC-12-056	893,096
Drug Court Discretionary Grant Program	16.585		96,609
Residential Substance Abuse Treatment for State Prisoners, passed through the Arizona Criminal Justice Commission	16.593	RSAT-11-003, RSAT-12-003	55,496
Bulletproof Vest Partnership Program	16.607		45,754
Project Safe Neighborhoods, passed through the Arizona Criminal Justice Commission	16.609	PSN-12-007	24,010
Public Safety Partnership and Community Policing Grants	16.710		170,685
Juvenile Mentoring Program	16.726		59,466
Enforcing Underage Drinking Laws Program, passed through the Arizona Governor's Office of Highway Safety	16.727	2011-DOJ-002, 2012-DOJ-008	41,787
JAG Program Cluster: Edward Byrne Memorial Justice Assistance Grant Program	16.738		1,942,595

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Criminal Justice Commission	16.738	CRI11-12-003, CRI11-12-004, DC-12-021, DC-12-033	\$ 2,471,659
Edward Byrne Memorial Justice Assistance Grant Program, passed through the Arizona Supreme Court	16.738	DC-12-011	<u>538,087</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>4,952,341</u>
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804		<u>388,220</u>
Total JAG Program Cluster			<u>5,340,561</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742		175,000
Paul Coverdell Forensic Sciences Improvement Grant Program, passed through the Arizona Criminal Justice Commission	16.742	CV-10-002, CV-11-003	<u>15,100</u>
Total Paul Coverdell Forensic Sciences Improvement Grant Program			<u>190,100</u>
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		57,229
Southwest Border Prosecution Initiative Program	16.755		344,868
ARRA—Recovery Act—Edward Byrne Memorial Competitive Grant Program	16.808		548,054
ARRA—Recovery Act—State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program	16.809		111,267
Financial Crimes/Mortgage Fraud Task Force	16.290-PX-C81654		14,969
Joint Terrorism Task Force	16.66F-PX-A54566-S/LMOU		15,452
Desert Hawk Violent Crime Task Force	16.88A-PX-46088		45,056
Federal Equitable Sharing Agreement	16.AZ0070000		1,564
Federal Equitable Sharing Agreement	16.AZ007013A		120,000
Organized Crime Drug Enforcement Task Forces	16.SWAZP0519		157,616
Organized Crime Drug Enforcement Task Forces	16.SWAZP0560		650,773
DEA Task Force	16.unknown		<u>28,442</u>
Total U.S. Department of Justice			<u>9,492,744</u>
U.S. Department of Labor			
Employment Service/Wagner-Peyser Funded Activities, passed through the Governor's Office of Education Innovation	17.207	WP-GRA-12-2152-03	10,089
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program, passed through the Arizona Department of Economic Security	17.258	DE101047001, DE111009001	5,601,347
WIA Youth Activities, passed through the Arizona Department of Economic Security	17.259	DE111009001	2,796,538

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
WIA Dislocated Workers, passed through the Arizona Department of Economic Security	17.260	DE091201001, DE101047001	\$ 6,906
WIA Dislocated Worker Formula Grants, passed through the Arizona Department of Economic Security	17.278	DE111009001	<u>4,840,885</u>
Total WIA Cluster			<u>13,245,676</u>
ARRA—Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors, passed through the Arizona Department of Economic Security	17.275	DE101183001	<u>1,940,888</u>
Total U.S. Department of Labor			<u>15,196,653</u>
U.S. Department of Transportation			
Highway Planning and Construction	20.205		443,484
Highway Planning and Construction, passed through the Maricopa Association of Governments	20.205	90-072, 412, CM MMA-0(213), CM MMA-0(227), CM MMA-0(228), STP MMA-0(001), STP MMA-0(034), STP MMA-0(236), STP QCR-0(001)	13,363,335
Highway Planning and Construction, passed through the Arizona Department of Transportation	20.205	CM-MMA-0(206), CM-MMA-0(212), CM-MMA-0(215), JPA 10-194, TEA-BR MMA-0(202)	<u>2,815,664</u>
Total Highway Planning and Construction			<u>16,622,483</u>
Highway Safety Cluster:			
State and Community Highway Safety, passed through the Arizona Governor's Office of Highway Safety	20.600	2011-AL-058, 2011-AL-060, 2011-PT-052, 2011-AI-010, 2011-OP-036, 2012-AI-004, 2012-AL-055, 2012-PT-044, 2012-OP-029	103,893
Alcohol Impaired Driving Countermeasures Incentive Grants I, passed through the Arizona Governor's Office of Highway Safety	20.601	2011-410-011, 2011-410-021, 2012-410-014, 2012-410-022	<u>153,261</u>
Total Highway Safety Cluster			<u>257,154</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants, passed through the Arizona Emergency Response Commission	20.703	HM-HMP-0232-11-01-00	<u>1,487</u>
Total U.S. Department of Transportation			<u>16,881,124</u>

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Institute of Museum and Library Services			
Grants to States, passed through the Arizona State Library, Archives and Public Records	45.310	None	\$ 25,000
U.S. Environmental Protection Agency			
Air Pollution Control Program Support	66.001		884,028
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		<u>111,528</u>
Total U.S. Environmental Protection Agency			<u>995,556</u>
U.S. Department of Energy			
Weatherization Assistance for Low-Income Persons, passed through the Governor's Office of Energy Policy	81.042	EW-ESA-12-2182-03	181,286
ARRA—Weatherization Assistance for Low-Income Persons, passed through the Governor's Office of Energy Policy	81.042	C037-09-03	<u>4,159,481</u>
Total Weatherization Assistance for Low-Income Persons			<u>4,340,767</u>
U.S. Department of Education			
Adult Education—Basic Grants to States, passed through the Arizona Department of Education	84.002	11FAEABE-170694-01A, 11FAEAEF-170694-02A, 12FAEABE-270694-01A, 12FAEAEF-270694-02A	263,181
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies, passed through the Arizona Department of Education	84.010	11FAADEL-170696-02A, 12FTIDEL-270696-02A	173,822
ARRA—Title I Grants to Local Educational Agencies, Recovery Act, passed through the Arizona Department of Education	84.389	11FAALDR-170696-05A	<u>74,845</u>
Total Title I, Part A Cluster			<u>248,667</u>
Special Education—Grants to States, passed through the Arizona Department of Education	84.027	11FESSCG-170692-02A, 12FESSCG-270692-01A, 12FESCBG-270692-02A	139,993
Educational Technology State Grants, passed through Pima County	84.318	11FETSTP-160950-02A, 12FETSTP-260950-01A	98,331
English Language Acquisition State Grants, passed through the Arizona Department of Education	84.365	11FACENG-170696-03A, 12FELENG-270696-03A	161,968
Improving Teacher Quality State Grants, passed through the Arizona Department of Education	84.367	11FAAAZE-170696-01A, 12FAAPD3-270696-01A	108,077

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Teacher Incentive Fund	84.374		\$ 4,094,262
ARRA—State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants, passed through the Arizona Department of Education	84.395	13-03-EDSG	50,753
ARRA—State Fiscal Stabilization Fund (SFSF)—Government Services, Recovery Act, passed through the Arizona Governor's Office of Economic Recovery	84.397	GOEI-GRA-11-1273-02, OER-11-IGA-GS-153	322,945
Total U.S. Department of Education			<u>5,488,177</u>
U.S. Department of Health and Human Services			
Special Programs for the Aging—Title III, Part B—Grants for Supportive Services and Senior Centers, passed through Area Agency on Aging	93.044	2012-32-MCH	491,780
Public Health Emergency Preparedness, passed through the Arizona Department of Health Services	93.069	ADHS12-007891, HG754199	4,237,660
Project Grants and Cooperative Agreements for Tuberculosis Control Programs, passed through the Arizona Department of Health Services	93.116	HG852310	298,425
Consolidated Health Centers (Health Care for the Homeless)	93.224		2,643,452
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243		380,498
Immunization Cluster:			
Immunization Cooperative Agreements, passed through the Arizona Department of Health Services	93.268	HG352193, HG854288	2,326,683
ARRA—Immunization, passed through the Arizona Department of Health Services	93.712	HG854288	92,895
Total Immunization Cluster			<u>2,419,578</u>
Drug Abuse and Addiction Research Programs, passed through Arizona State University	93.279	11-447, 12-816	14,725
The Affordable Care Act: Centers for Disease Control and Prevention—Investigations and Technical Assistance, passed through the Arizona Department of Health Services	93.283	ADHS11-007632, ADHS12-0130061	113,081
Teenage Pregnancy Prevention Program	93.297		1,092,737
PPHF 2012 National Public Health Improvement Initiative	93.507		257,192
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF, passed through the Arizona Department of Health Services	93.521	ADHS12-012315	25,906
Temporary Assistance for Needy Families, passed through the Arizona Department of Economic Security	93.558	DE111071001	442,364

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Child Support Enforcement, passed through the Arizona Department of Economic Security	93.563	DE111171001, G1104AZ4004	\$ 1,826,768
Low-Income Home Energy Assistance, passed through the Arizona Department of Economic Security	93.568	DE111071001	4,001,193
Low-Income Home Energy Assistance, passed through the Governor's Office of Energy Policy	93.568	LW-ESA-12-2182-03	<u>1,115,812</u>
Total Low-Income Home Energy Assistance			<u>5,117,005</u>
Community Services Block Grant, passed through the Arizona Department of Economic Security	93.569	DE111071001	953,226
Refugee and Entrant Assistance—Discretionary Grants, passed through the Arizona Department of Economic Security	93.576	DE101038001	1,567,610
Grants to States for Access and Visitation Programs, passed through the Arizona Department of Economic Security	93.597	G1101AZSAVP	58,993
Head Start Cluster:			
Head Start	93.600		22,079,405
ARRA—Head Start	93.708		251,640
ARRA—Early Head Start	93.709		<u>483,843</u>
Total Head Start Cluster			<u>22,814,888</u>
Voting Access for Individuals with Disabilities—Grants to States, passed through the Arizona Secretary of State	93.617	HHS-2006-ACF-ADD- VOTE-0135	85,196
Social Services Block Grant, passed through Area Agency on Aging	93.667	2012-32-MCH	231,426
Social Services Block Grant, passed through the Arizona Department of Economic Security	93.667	DE111071001	<u>326,566</u>
Total Social Services Block Grant			<u>557,992</u>
ARRA—Grants to Health Center Programs	93.703		100,514
HIV Emergency Relief Project Grants	93.914		8,123,328
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs, passed through the Arizona Department of Health Services	93.919	HG761266	595,963
Healthy Start Initiative	93.926		371,517
Special Projects of National Significance	93.928		27,045
HIV Prevention Activities—Health Department Based, passed through the Arizona Department of Health Services	93.940	ADHS12-016584, HG652198	449,157
Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups, passed through the Arizona Department of Health Services	93.943	ADHS12-016584, HG652198	225,452
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance, passed through the Arizona Department of Health Services	93.944	ADHS12-016584, HG652198	97,060

(Continued)

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012
(Continued)

Federal Grantor/Program Title/ Pass-Through Grantor	CFDA Number	Pass-Through Grantor's Number	Expenditures
Preventive Health Services—Sexually Transmitted Diseases Control Grants, passed through the Arizona Department of Health Services	93.977	HG052195, HG854321, HG854317	\$ 460,472
Preventive Health and Health Services Block Grant, passed through the Arizona Department of Health Services	93.991	HG854371	43,794
Maternal and Child Health Services Block Grant to the States, passed through the Arizona Department of Health Services	93.994	ADHS12-010921, HG861344, HP961245, HG161084	<u>622,833</u>
Total U.S. Department of Health and Human Services			<u>56,516,211</u>
Executive Office of the President of the United States			
High Intensity Drug Trafficking Areas Program	95.001		<u>692,012</u>
U.S. Department of Homeland Security			
Emergency Management Performance Grants, passed through the Arizona Department of Emergency and Military Affairs	97.042	EMW-2012-EP-APP-00003, EMW-2011-EP-APP-00006	492,565
Cooperating Technical Partners	97.045		309,309
Homeland Security Grant Program, passed through the Arizona Department of Homeland Security	97.067	555208-02, 555208-07, 555811-01, 777201-01, 777201-03, 777201-04, 777208-03, 777208-06, 777208-07, 777812-01, 777812-02, 777813-01, 777813-02, 777813-03, 777813-04, 888200-01, 888200-03, 888206-01, 888206-02, 888813-01, 888814-01, 888814-02, 888814-03	1,494,643
Homeland Security Biowatch Program	97.091		<u>763,385</u>
Total U.S. Department of Homeland Security			<u>3,059,902</u>
Total Expenditures of Federal Awards			<u>\$ 156,797,472</u>

See accompanying notes to schedule.

Maricopa County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Maricopa County and is presented 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. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The amounts included on the schedule of \$4,326 for the School Breakfast Program (10.553), \$6,489 for the National School Lunch Program (10.555), \$56,443 for the ARRA-Broadband Technology Opportunities Program (BTOP) (11.557), and \$5,608 for the HIV Prevention Activities—Health Department Based Program (93.940) represent the value of noncash assistance expended for each of the federal programs.

Note 2 – Catalog of Federal Domestic Assistance (CFDA) Number

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2012 *Catalog of Federal Domestic Assistance*. When no CFDA number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word “unknown” were used.

Note 3 – Subrecipients

From the federal expenditures presented in the schedule, the County awarded the following to subrecipients:

Program Title	CFDA Number	Amount
Community Development Block Grants/Entitlement Grants	14.218	\$1,189,051
Emergency Solutions Grants Program	14.231	76,378
HOME Investment Partnerships Program	14.239	3,946,108
ARRA—Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	258,713
National Fire Plan—Rural Fire Assistance	15.242	19,402
Drug Court Discretionary Grant Program	16.585	728
Public Safety Partnership and Community Policing Grants	16.710	170,685
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,574,778

Maricopa County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Program Title	CFDA Number	Amount
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	\$ 13,939
ARRA—Recovery Act—Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	11,621
WIA Adult Program	17.258	194,975
WIA Youth Activities	17.259	2,480,717
ARRA—Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	970,960
Highway Planning and Construction	20.205	393,458
ARRA—Weatherization Assistance for Low-Income Persons	81.042	3,887,242
Consolidated Health Centers (Health Care for the Homeless)	93.224	125,869
Substance Abuse and Mental Health Services—Projects of Regional and National Significance	93.243	16,228
Immunization Cooperative Agreements	93.268	139,135
Teenage Pregnancy Prevention Program	92.297	110,670
Temporary Assistance for Needy Families	93.558	433,164
Low-Income Home Energy Assistance	93.568	1,195,662
Community Services Block Grant	93.569	375,138
Head Start	93.600	7,965,077
Social Services Block Grant	93.667	326,566
ARRA—Head Start	93.708	61,967
ARRA—Early Head Start	93.709	112,503
HIV Emergency Relief Project Grants	93.914	5,361,111
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	363,801
Maternal and Child Health Services Block Grant to the States	93.994	122,787
Homeland Security Grant Program	97.067	<u>206,128</u>
Total awards to subrecipients		<u>\$32,104,561</u>

Maricopa County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
	Yes	No	
Internal control over financial reporting:			
Material weakness identified?	<u> X </u>	<u> </u>	
Significant deficiency identified?	<u> X </u>	<u> </u>	
Noncompliance material to the financial statements noted?	<u> </u>	<u> X </u>	

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	<u> X </u>	<u> </u>	
Significant deficiencies identified?	<u> X </u>	<u> </u>	
Type of auditors' report issued on compliance for major programs: Unqualified for all major programs except for Section 8 Housing Choice Vouchers program which was qualified.			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	<u> X </u>	<u> </u>	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.68-9457-10-491	White Tanks No. 4 FRS Rehabilitation Project
14.218	Community Development Block Grants/Entitlement Grants
14.239	HOME Investment Partnerships Program
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund
16.738, 16.804	JAG Program Cluster
17.275	ARRA—Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors

Maricopa County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2012

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
81.042	ARRA—Weatherization Assistance for Low-Income Persons
84.374	Teacher Incentive Fund
93.224	Consolidated Health Centers (Health Care for the Homeless)
93.568	Low-Income Home Energy Assistance
93.600, 93.708, 93.709	Head Start Cluster

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

Yes No

Auditee qualified as low-risk auditee? ___ X

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])? X ___

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Financial Statement Findings

Financial statement findings were reported in the separately issued 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*.

Federal Award Findings and Questioned Costs

12-101 CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) U.S. Department of Agriculture Passed through the Arizona Department of Health Services Award Period/Award Numbers: October 1, 2010 through September 30, 2013/HG050297 March 1, 2011 through February 28, 2014/HG150102 October 1, 2011 through September 30, 2012/ADHS11-006673 October 1, 2011 through September 30, 2012/ ADHS11-005228 CFDA No.: 93.224 Consolidated Health Centers (Health Care for the Homeless) U.S. Department of Health and Human Services Award Period/Award Numbers: November 1, 2010 through October 31, 2012/H80CS00044 Allowable Costs/Cost Principles	Questioned Cost: Unknown
--	--------------------------

Criteria: Charges included in the cost pools used to calculate the indirect cost reimbursement rate should be for allowable costs in accordance with the requirements of 2 Code of Federal Regulations (CFR), §225, Appendix B.

Condition and context: The County's Department of Public Health (Department) received approximately \$1.6 million for WIC and \$300 thousand for Health Care for the Homeless in federal monies based on the Department's indirect cost rate proposal (ICRP). The Department relied on transaction information included in the County's financial system and the Department's Central Service Cost Allocation (CSCA) to calculate the indirect cost rate. For 3 of 63 indirect cost pool expenditures tested, auditors noted the County included costs that were not incurred for a common purpose. Specifically, there was no payroll documentation signed by the County's Office of Enterprise Technology (OET) employees to support the allocation of their payroll charges. Auditors performed additional OET payroll test work, and for one of the five transactions tested, there was no supporting documentation. Auditors estimated approximately \$20,000 of payroll costs was not supported by payroll documentation and was incorrectly included in the indirect cost allocation. In addition, while analyzing the ICRP, auditors noted that the County double-counted \$516,075 in expenditures and excluded \$451,618 in allowable expenditures.

Effect: The Department's indirect cost reimbursement rate was not properly calculated and could have resulted in an overpayment of federal monies. It was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding. This finding has the potential to affect other federal programs the County administered.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Cause: The County overlooked costs not incurred for a common purpose that should have been charged directly to a federal program. In addition, because of personnel turnover, supporting payroll records were not retained by OET. Finally, the County's review and approval of the ICRP and CSCA did not identify that expenditures were included twice.

Recommendation: To ensure that indirect costs used to calculate the County's indirect cost rate and departmental indirect cost rates are allowable and properly supported, the County should modify its existing procedures. The County should review its plans to ensure that only indirect costs are included within the plans. In addition, the Department should ensure that payroll costs for employees who do not work solely for one program are supported by a personnel activity report or equivalent documentation as defined in 2 CFR, Part 225, Appendix B, 8(h). These records should be retained according to the County's record retention policy. Further, the County should exclude duplicated costs within the plans.

12-102

CFDA No.: 14.218 **Community Development Block Grants/Entitlement Grants**

U.S. Department of Housing and Urban Development

Award Period/Award Numbers: March 19, 2009 through March 19, 2013/B-08-UN-04-0501

July 1, 2009 through indefinite/B-09-UC-04-0501

July 1, 2010 through indefinite/B-10-UC-04-0501

March 9, 2011 through March 9, 2014/B-11-UN-04-0501

July 1, 2011 through indefinite/B-11-UC-04-0501

CFDA No.: 14.239 **HOME Investment Partnerships Program**

U.S. Department of Housing and Urban Development

Award Period/Award Numbers: July 1, 2007 through indefinite/M-07-DC-04-0227

August 6, 2008 through indefinite/M-08-DC-04-0227

August 31, 2009 through indefinite/M-09-DC-04-0227

July 1, 2010 through indefinite/M-10-DC-04-0227

July 1, 2011 through indefinite/M-11-DC-04-0227

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Cost: \$2,991

Criteria: 2 CFR §225, Appendix A(C)(1)(b), states that costs must be allocable to federal awards. Further, employees who work on more than one grant should allocate and identify specifically the time devoted to each federal award. In accordance with 24 CFR §92.214, HOME Investment Partnerships Program (HOME) monies may not be used to administer other federal programs. However, Community Development Block Grants/Entitlement Grants (CDBG), monies can be used for HOME-funded activities in accordance with 24 CFR §570.206.

Condition and context: The County did not allocate employees' hours worked to the HOME and CDBG programs accurately. Auditors noted that the County set up HOME and CDBG employees in its payroll system so that 50 percent of their hours would be charged to each program. Employees were also using time sheets to charge actual hours worked. However, because of the allocation set up in the payroll system, employees time was not charged to the programs based on actual hours worked. Specifically, auditors noted for 1 of 6 CDBG payroll transactions tested and 6 of 13 HOME payroll transactions tested, the employees' hours were incorrectly allocated between the two programs.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Effect: The payroll costs for the HOME and CDBG programs were incorrectly charged to the federal programs. For the payroll items tested, auditors estimated that \$2,991 was charged incorrectly to the HOME program for CDBG payroll expenditures and estimated total questioned costs were over \$10,000. HOME payroll expenditures are allowable under the CDBG program, and therefore, there was no potential questioned cost related to the errors for the CDBG program. It was not practical to extend our auditing procedures sufficiently to determine whether any additional questioned costs resulted from this finding. In addition, this error has the potential to affect other major programs the County administered.

Cause: The CDBG and HOME program administrators were unaware that the payroll expenditures were allocated automatically by the payroll system instead of using the completed time sheets.

Recommendation: The County should remove the percentage allocation in the payroll system for employees who work on more than one federal award and allocate payroll expenditures based on the hours worked and certified on the employees' time sheets. In addition, the County should determine the effect of this error on the other federal programs it administered.

12-103

CFDA No.: 14.218 **Community Development Block Grants/Entitlement Grants**
U.S. Department of Housing and Urban Development

Award Period/Award Numbers: July 1, 2008 through indefinite/B-08-UC-04-0501
March 19, 2009 through March 19, 2013/B-08-UN-04-0501
June 4, 2009 through September 30, 2012/B-09-UY-04-0501
July 1, 2009 through indefinite/B-09-UC-04-0501
July 1, 2010 through indefinite/B-10-UC-04-0501
March 9, 2011 through March 9, 2014/B-11-UN-04-0501
July 1, 2011 through indefinite/B-11-UC-04-0501

CFDA No.: 14.239 **HOME Investment Partnerships Program**
U.S. Department of Housing and Urban Development

Award Period/Award Numbers: July 1, 2007 through indefinite/M-07-DC-04-0227
August 6, 2008 through indefinite/M-08-DC-04-0227
August 31, 2009 through indefinite/M-09-DC-04-0227
July 1, 2010 through indefinite/M-10-DC-04-0227
July 1, 2011 through indefinite/M-11-DC-04-0227

Reporting

Questioned Cost: None

Criteria: In accordance with 2 CFR §170, Appendix A, and the Federal Funding Accountability and Transparency Act (FFATA) of 2006, for grant awards beginning on October 1, 2010, or later, the County must report each subaward to a subrecipient that amounts to \$25,000 or more, not including American Recovery and Reinvestment Act awards. Each subaward payment, along with additional subaward information, must be reported no later than the end of the month following the month in which the obligation was made.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Condition and context: The County's Human Services Department (Department) did not submit the required FFATA reports for the CDBG and HOME programs. Additionally, the County did not request or obtain permission from the Office of Management and Budget to deviate from this requirement and could not provide evidence that there was communication with the federal awarding agency to attempt a "good faith" effort to comply with this requirement.

Effect: The Department did not comply with FFATA requirements for reporting subawards to subrecipients.

Cause: The Department did not sufficiently understand the requirement in order to develop policies and procedures to ensure compliance with the FFATA reporting requirements.

Recommendation: To comply with FFATA requirements for reporting subawards to subrecipients, the Department should develop policies and procedures to ensure the required reports are accurately compiled, reviewed, and submitted in a timely manner.

12-104

CFDA No.: 14.218 **Community Development Block Grants/Entitlement Grants**
U.S. Department of Housing and Urban Development

Award Period/Award Numbers: March 19, 2009 through March 19, 2013/B-08-UN-04-0501

July 1, 2009 through indefinite/B-09-UC-04-0501

July 1, 2010 through indefinite/B-10-UC-04-0501

March 9, 2011 through March 9, 2014/B-11-UN-04-0501

July 1, 2011 through indefinite/B-11-UC-04-0501

Reporting

Questioned Cost: None

Criteria: In accordance with 24 CFR, §85.41, the County's Human Services Department (Department) should complete the SF-425, *Federal Financial Report* (FFR) no later than 30 days after the end of each quarter. This report should include the accurate cash balances for each quarter.

Condition and context: The Department did not have adequate policies and procedures in place to ensure that the FFRs were completed accurately and submitted within 30 days at the end of each quarter. Specifically, the Department submitted all four quarters of its Federal Financial Report for the period July 1, 2011 through June 30, 2012 on July 31, 2012. In addition, the County overstated cash receipts and cash on hand by approximately \$400,000 in the Federal Financial Report for the quarter ended June 30, 2012.

Effect: The Department did not initially comply with the federal reporting requirements. The errors were subsequently corrected by Department and revised report was submitted in February 2013. Auditors did not note any questioned costs related to the errors.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Cause: The Department was understaffed and unable to complete the reports on time. In addition, when compiling the June 30, 2012 FFR the Department accidentally included the quarter ended March 31, 2012 balances in the June 30, 2012 FFR.

Recommendation: The Department should establish policies and procedures to ensure all FFRs are submitted on time and in accordance with the Federal Financial Reporting instructions. In addition, FFRs should be reviewed to supporting records and any errors noted should be corrected, prior to submitting them to federal agencies.

12-105

CFDA No.: 17.275 **ARRA—Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors**

U.S. Department of Labor

Passed through the Arizona Department of Economic Security

Award Period/Award Numbers: January 29, 2010 through January 28, 2013/DE101183001

Reporting

Questioned Cost: None

Criteria: In accordance with its grant agreement with the Arizona Department of Economic Security, the County should include accrued expenditures in its monthly financial reimbursement report. The Department's pass-through entity relied on this report to help compile its financial reports submitted to the U.S. Department of Labor. Further, in accordance with 29 CFR §95.52, if the recipient's accounting records are not normally maintained on the accrual basis, the recipient should calculate accrued amounts using estimates based on an analysis of the documentation on hand.

Condition and context: The County's Human Services Department (Department) did not accurately report accrued expenditures correctly on the monthly financial reimbursed report. Specifically for four of four reports selected for test work, the Department misstated accrued expenditures. The accruals were cumulative and adjusted throughout the fiscal year; therefore, auditors performed additional test work and selected the June 2012 report and noted that the final accrued amount presented was materially correct.

Effect: The accrued amounts reported to its pass-through entity contained errors ranging from (\$21,176) to \$50,420. However, the drawdown amounts were correct, and therefore, there were no questioned costs. This finding has the potential to affect other federal programs the Department administered.

Cause: The Department's internal control procedures for reporting accrued expenditures were not properly designed. As a result, expenditure accruals were double-counted and were recorded for payments that had already been made.

Recommendation: The Department should develop procedures to ensure that expenditure accruals are not double-counted or recorded for payments that have already been made. Further, the monthly financial report should be reviewed by a supervisor to ensure that all accrued amounts are recorded accurately.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

12-106

CFDA No.: 81.042 **Weatherization Assistance for Low-Income Persons**

81.042 **ARRA—Weatherization Assistance for Low-Income Persons**

U.S. Department of Energy

Passed through the Governor's Office of Energy Policy

Award Period/Award Numbers: July 1, 2009 through March 31 2012/C037-09-03

July 1, 2011 through June 30, 2012/EW-ESA-12-2182-03

CFDA No.: 93.568 **Low-Income Home Energy Assistance Program**

U.S. Department of Health and Human Services

Passed through the Arizona Department of Economic Security and Governor's Office of Energy Policy

Award Period/Award Numbers: July 1, 2010 through June 30, 2015/DE111071-001

July 1, 2011 through June 30, 2012/LW-ESA-12-2182-03

Allowable Costs/Cost Principles

Questioned Cost: Unknown

Criteria: 2 CFR Part 225, Appendix B(h) requires when employees work on multiple activities or cost objectives that their salaries and wages should be charged to the various programs.

Condition and context: The County's Human Services Department (Department) was awarded several federal and nonfederal weatherization programs during the period July 1, 2011 through June 30, 2012. The Department did not follow its policies and procedures to ensure that employees who worked on the weatherization programs allocated their time to the specific programs. Specifically, auditors noted that 100 percent of payroll expenditures for four employees totaling \$62,394 was charged to the Low-Income Home Energy Assistance Program (LIHEAP) grant number LW-ESA-12-2182-03 for the period February 6, 2012 through June 30, 2012, even though the employees worked on the Weatherization Assistance for Low-Income Persons program and other local weatherization programs. Payroll expenditures for these employees for the period July 1, 2011 through February 5, 2012, were charged to ARRA—Weatherization Assistance for Low-Income Persons program. Further, the Department was reimbursed for indirect costs for both programs based on a percentage of the programs total payroll costs.

Effect: The Department may have been incorrectly reimbursed for both payroll and indirect cost expenditures. However, it was not practical to extend our auditing procedures sufficiently to determine questioned costs, if any, that may have resulted from this finding.

Cause: The Department charged payroll expenditures to whichever program had available monies because the overall purposes of all weatherization programs were the same.

Recommendation: The Department should follow the County's policies and procedures and require its weatherization employees to allocate the hours they work among the various programs. Indirect costs should be based on actual payroll costs allocated to the program.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

12-107

CFDA No.: 84.374 **Teacher Incentive Fund**

U.S. Department of Education

Award Period/Award Numbers: October 1, 2009 through September 30, 2013/S374A100025

Matching

Questioned Cost: None

Criteria: To comply with its grant agreement; the County is required to match \$5,040,652 with nonfederal monies for the programs award period October 1, 2010 through September 30, 2013. Also, in accordance with 34 CFR §74.23(a)(1-5), the contributions must be verifiable from the grantee's records, and the basis for determining matching contributions from third parties must be documented and supported by the grantee. Additionally, the grantee should monitor the nonfederal match throughout the grant award to ensure the amounts are budgeted properly and that it is on track to meet its required match. Actual expenditures or outlays must be compared with budgeted amounts for each grant to comply with 34 CFR 80.20(4).

Condition and context: The County's Maricopa Education Service Agency (Agency) did not adequately monitor its matching requirements for the federal program. The Agency relied on participating school districts to match federal expenditures; however, the Agency did not communicate to the districts that it planned to use the districts' leadership salaries to match expenditures. As a result, the County was unable to certify that the current reported amount of \$3,181,056 was from allowable sources. Although the Agency is not required to meet its matching requirement of \$5,040,652 until September 30, 2013, it appears the Agency may not be on track to meet its matching requirement.

Effect: Failure to properly support and monitor matching expenditures could result in noncompliance with the County's matching requirements by the end of the grant award.

Cause: The Agency did not realize that it had to document the basis used for determining third-party contribution matching amounts, maintain verifiable records, or monitor the matching requirement on a budgetary basis.

Recommendation: To help ensure that only allowable funding sources are used to match federal expenditures and that the program's matching requirement is met, the Agency should establish policies and procedures for monitoring its matching expenditures throughout the grant period. In addition, the County should maintain records to demonstrate the basis for determining third-party matching contributions and to support that the program is matched with allowable nonfederal sources.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

12-108

CFDA No.: 84.374 **Teacher Incentive Fund**

U.S. Department of Education

Award Period/Award Numbers: October 1, 2009 through September 30, 2013/S374A100025

Cash Management

Questioned Cost: None

Criteria: In accordance with 34 CFR §80.20(b)(2-3), grantees must maintain records that adequately identify the sources and uses of federal awards. Additionally, effective controls and accountability must be maintained over federal monies to ensure that they are used solely for authorized purposes. Therefore, all cash reimbursement requests should be reviewed and approved for accuracy prior to submission.

Condition and context: The County's Maricopa Education Service Agency did not have policies and procedures to review and approve cash reimbursement requests and retain documentation supporting its requests. Specifically, auditors noted that for two of three cash reimbursement requests tested, the Agency did not maintain adequate records to support the request. Further, none of the cash reimbursement requests appeared to have been reviewed and approved prior to submission.

Effect: The Agency may have requested reimbursement for expenditures that had not yet occurred during the reporting period. Auditors performed an analysis of the cash reimbursement requests for the entire audit period and determined that the total program's expenditures exceeded the total amount reimbursed; and therefore, no question costs were noted.

Cause: The Agency was basing its reimbursement requests on a secondary accounting system and did not realize it should maintain appropriate records for and evidence a review and approval of its requests.

Recommendation: The Agency should establish internal controls and procedures over its cash management and reporting process. This should include retaining supporting documentation for cash reimbursement requests and having the supervisor review and approve the requests.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Other auditors' findings:

The other auditors who audited the federal programs administered by the Housing Authority of Maricopa County (HAMC) reported the following findings:

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

12-109 Reporting

Housing Choice Vouchers – CFDA#14.871

Condition: The Housing Choice Voucher (HCV) Annual Contributions and Operating Statement (HUD-52681-B) submitted to HUD via VMS was materially different than the Authority's financial records.

Criteria: PHA's are required to submit monthly VMS reports on the same basis of accounting as the PHA prepares its annual financial submission to HUD.

Cause: Inadequate controls over the gathering of the financial data and monitoring of submitted data. Utilization of electronic spreadsheets to compile data from accounting software for VMS submission.

Effect: Program was funded based on the inaccurate data.

Recommendation: We recommend the Authority modify VMS procedures to provide adequate oversight of monthly submissions. We recommend the Authority utilize reports directly generated from the accounting software to prepare VMS submissions.

HAMC Response: HAMC concurs. HAMC has drafted procedures to provide consistent steps in processing monthly VMS submissions. Additionally, it has tested its enterprise financial and management system called HAB. The tests have proven the data in the system is accurate, and HAMC will begin using system generated reports to produce the VMS submission data.

12-110 Special Tests & Provisions – Cost Reasonableness

Public Housing – CFDA#14.850

Questioned Costs \$84,240

Condition: The Authority's indirect cost charged to the Public Housing Projects did not adhere to the Safe Harbor rates established by HUD.

Criteria: HUD Asset Management Handbook 7475.1 requires PHA's to operate within the established limits for allocated overhead for the year ending June 30, 2012.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

- Cause:** Total overhead costs are in excess of the amount that is allocable to Public Housing based on new regulations effective beginning on or after June 15, 2010, for the allocated cost method.
- Effect:** The Authority charged the Public Housing projects allocated overhead costs in excess of HUD established limits. The costs are considered ineligible programs costs.
- Context:** Cost reasonableness was calculated for each AMP based on Safe Harbor fees established by HUD. The result was that each AMP did not meet cost reasonableness. Six AMPs exceeded the ceiling rate for a total of \$84,240, with the likely total of all ineligible costs totaling \$216,958.
- Recommendation:** We recommend the Authority establish a plan to reduce indirect costs charged to Public Housing or increase managed unit portfolio, and increase unit occupancy rates to ensure compliance with HUD regulations. In addition, the Authority should consider adopting the Fee for Service Approach for the treatment of overhead costs, which includes establishing a Central Office Cost Center.
- HAMC Response:** HAMC concurs. HAMC adopted a Fee for Service approach and established a Central Office Cost Center effective 7/1/2012 and anticipates we are now in compliance. HAMC will monitor to ensure operations are efficient.



Maricopa County

Department of Finance

Shelby L. Scharbach

CPA, CGFM

Assistant County
Manager

Chief Financial Officer

301 West Jefferson Street
Suite 960

Phoenix, AZ 85003-2143

Phone: 602-506-3561

Fax: 602-506-4451

www.maricopa.gov/finance

March 25, 2013

Debbie Davenport

Auditor General

2910 North 44th Street, Suite 410

Phoenix, AZ 85018

Dear Ms. Davenport:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are providing you with the names of the contact persons responsible for corrective action, the corrective action planned, and the anticipated completion date for each federal award finding included in the current year's Schedule of Findings and Questioned Costs.

Sincerely,

Shelby L. Scharbach

Assistant County Manager — Chief Financial Officer

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2012**

Federal Award Findings and Questioned Costs

12-101

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

93.224 Consolidated Health Centers (Health Care for the Homeless)

Department: Maricopa County Department of Public Health

Contact person(s): Scot Pitcairn, Financial Supervisor, Maricopa County Department of Public Health, (602) 506-6963

Anticipated completion date: June 30, 2013

County Response: Concur

County Corrective Action Plan: The Maricopa County Department of Public Health is correcting the duplicate expenditures for fiscal year 2013 by reversing the Office of Enterprise Technology (OET) charges to the indirect cost pool retroactive to July 1, 2012 and going forward for the remainder of the fiscal year. Effective for the fiscal year 2014 budget, the OET LAN support costs have been netted out of the department's Central Service Cost Allocation (CSCA) amount to calculate the indirect rate. The Department of Public Health will reallocate the OET charges to the department's indirect cost pool. Some of the errors noted had no effect on the indirect rate and other errors had a very minimal effect on the indirect rate. In addition, the Department of Public Health will emphasize to OET the importance of retaining all applicable labor tracking documents for the personnel activity report.

12-102

CFDA No.: 14.218 Community Development Block Grants/Entitlements Grants

14.239 HOME Investment Partnerships Program

Department: Maricopa County Human Services Department

Contact person(s): Cal Davidson, Financial Services Administrator, (602) 506-2513

Anticipated completion date: June 30, 2013

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department will review all employee profiles in the payroll system to ensure allocations are accurate for all divisions within the Human Services Department. The Department will also review payroll records to ensure that amounts paid through the payroll system match the amounts reported on the employee timesheets. The County will identify employees whose hours are allocated similarly in other grant-funded departments and will coordinate with these departments to ensure that employee timesheets match payroll records in the payroll system.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2012**

12-103

CFDA No.: 14.218 Community Development Block Grants/Entitlement Grants
14.239 HOME Investment Partnerships Program

Department: Maricopa County Human Services Department

Contact person(s): Cal Davidson, Financial Services Administrator, (602) 506-2513

Anticipated completion date: June 30, 2013

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department has updated the registration information for the System for Award Management (SAM) to enable staff to complete the required filings in the Financial Subaward Reporting System (FSRS). Outstanding reports will be filed by April 1, 2013. The Department is developing policies and procedures to ensure that required reports are completed, reviewed, and submitted in compliance with Federal Funding Accountability and Transparency Act requirements.

12-104

CFDA No.: 14.218 Community Development Block Grants/Entitlement Grants

Department: Maricopa County Human Services Department

Contact person(s): Cal Davidson, Financial Services Administrator, (602) 506-2513

Anticipated completion date: June 30, 2013

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department is developing policies and procedures to ensure staff are aware of reporting requirements for each federal grant program. This includes a review of all grants at the time of award/renewal to determine applicable federal reporting requirement. Reports will be filed by the grantor deadline and include a documented supervisory review to ensure the reports are accurate.

12-105

CFDA No.: 17.275 ARRA—Program of Competitive Grants for Worker Training and
Placement in High Growth and Emerging Industry Sectors

Department: Maricopa County Human Services Department

Contact person(s): Cal Davidson, Financial Services Administrator, (602) 506-2513

Anticipated completion date: June 30, 2013

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department is developing updated policies and procedures to ensure that all expenditure accruals are recorded accurately. These procedures will include improving the tracking of the client training status by program staff in order to properly accrue the expenditures. The monthly financial report will be reviewed and approved by the program supervisor to ensure the reports are accurate.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2012**

12-106

CFDA No.: 81.042 Weatherization Assistance for Low-Income Persons
81.042 ARRA—Weatherization Assistance for Low-Income Persons
93.568 Low-Income Home Energy Assistance Program

Department: Maricopa County Human Services Department

Contact person(s): Cal Davidson, Financial Services Administrator, (602) 506-2513

Anticipated completion date: June 30, 2013

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department will review County procedures with program staff and supervisors regarding the requirements of allocating payroll costs to each program based on the actual hours worked.

12-107

CFDA No.: 84.374 Teacher Incentive Fund

Department: Maricopa County Education Service Agency

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

Anticipated completion date: June 30, 2013

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency will implement improved procedures for tracking and documenting matching funds. The Maricopa County Education Service Agency will monitor partner district administrative salary and benefit expenses on a quarterly basis and verify that no federal funds were used to pay for these expenses. The agency will also require districts to submit semiannual certifications. The Maricopa County Education Service Agency will also document matches from performance-based compensation payments through the use of invoices supplied by the district.

12-108

CFDA No.: 84.374 Teacher Incentive Fund

Department: Maricopa County Education Service Agency

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

Anticipated completion date: March 15, 2013

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency has developed procedures to ensure cash reimbursement requests are reviewed for accuracy. These procedures include maintaining adequate supporting documentation and requiring a supervisor's review and approval.



Maricopa County

Department of Finance

Shelby L. Scharbach
CPA, CGFM
Assistant County
Manager
Chief Financial Officer
301 West Jefferson Street
Suite 960
Phoenix, AZ 85003-2143
Phone: 602-506-3561
Fax: 602-506-4451
www.maricopa.gov/finance

March 11, 2013

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

Dear Ms. Davenport:

The accompanying Summary Schedule of Prior Audit Findings has been prepared as required by U.S. Office of Management and Budget Circular A-133. Specifically, we are reporting the status of audit findings included in the prior audit's Schedule of Findings and Questioned Costs related to federal awards. This schedule also includes 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

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

Status of Federal Award Findings and Questioned Costs

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA No.: 20.205 Highway Planning and Construction
 20.205 ARRA – Highway Planning and Construction
Finding No. 09-105, 10-102, 11-101
Status: Fully corrected.

CFDA No.: 14.218 Community Development Block Grants/Entitlement Grants
 14.253 ARRA – Community Development Block Grant ARRA Entitlement Grants (CDBG-R) – (Recovery Act Funded)
Finding No. 10-103, 11-102
Status: Fully corrected.

CFDA No.: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
 16.803 ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories
 16.804 ARRA – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government
Finding No. 11-103
Status: Fully corrected.

CFDA No.: 81.042 Weatherization Assistance for Low-Income Persons
 81.042 ARRA – Weatherization Assistance for Low-Income Persons
Finding No. 10-108, 11-104
Status: Fully corrected.

CFDA No.: 93.600 Head Start
 93.708 ARRA – Head Start
 93.709 ARRA – Early Head Start
Finding No. 10-110, 11-105
Status: Fully corrected.

CFDA No.: 14.850 Public and Indian Housing
CFDA No.: 14.871 Section 8 Housing Choice Vouchers
CFDA No.: 14.872 Public Housing Capital Fund (CFP)
CFDA No.: 14.218 Community Development Block Grants/Entitlement Grants
Finding No. 10-111
Status: Not corrected.

**Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012**

The Housing Authority of Maricopa County has presented information and is currently in discussions with HUD. A final Corrective Action Plan was submitted and is currently under review by HUD as of October 12, 2012. Contact person is Karen Mofford, Finance Director, Housing Authority of Maricopa County, (602) 744-4517.

CFDA No.: 14.850 Public and Indian Housing
Finding No. 10-113
Status: Fully corrected.

CFDA No.: 14.850 Public and Indian Housing
CFDA No.: 14.872 Public Housing Capital Fund (CFP)
Finding No. 10-114
Status: Fully corrected.

CFDA No.: 14.850 Public and Indian Housing
Finding No. 11-109
Status: Not corrected.

The Housing Authority of Maricopa County adopted a Fee for Service approach and established a Central Office Cost Center effective July 1, 2012. Contact person is Karen Mofford, Finance Director, Housing Authority of Maricopa County, (602) 744-4517.

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 10-112
Status: Fully corrected.

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 11-106
Status: Partially corrected.

The Housing Authority of Maricopa County contracted with Casterline and Associates to assist in reconstructing VMS financial records going back to 2005 to evaluate and identify Net Restricted Asset and Unrestricted Net Assets reporting deficiencies. This will be completed by June 30, 2013. Contact person is Karen Mofford, Finance Director, Housing Authority of Maricopa County, (602) 744-4517.

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 11-107
Status: Fully corrected.

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 11-108
Status: Fully corrected.