



A REPORT
TO THE
ARIZONA LEGISLATURE

Financial Audit Division

Single Audit

Maricopa County

Year Ended June 30, 2014



Debra K. Davenport
Auditor General

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Maricopa County
Single Audit Reporting Package
Year Ended June 30, 2014

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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 Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Members of the Arizona State Legislature

The Board of Supervisors of
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) 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, 2014, except for the Public and Indian Housing (14.850), Section 8 Housing Choice Vouchers (14.871), and Public Housing Capital Fund (14.872) major federal programs administered by the Housing Authority of Maricopa County (Authority). Those major federal programs were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those major federal programs' compliance 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.

Maricopa County's basic financial statements include the operations of the Maricopa County Accommodation Schools, which expended \$818,258 in federal awards that are not included in the County's Schedule of Expenditures of Federal Awards for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 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 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 Section 8 Housing Choice Vouchers

As described in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding the Section 8 Housing Choice Vouchers (14.871) program's eligibility compliance requirements as described in 2014-112. Compliance with such requirements is necessary, in our opinion, based on the report of the other auditors, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 Housing Choice Vouchers

In our opinion, based on the report of the other auditors, 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 Section 8 Housing Choice Vouchers (14.871) for the year ended June 30, 2014.

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, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance 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 2014-102, 2014-104, 2014-105, 2014-106, and 2014-107. Our opinion on each major federal program is not modified with respect to these matters.

Maricopa County's responses to the noncompliance findings identified in our audit are presented on pages 31 through 36. 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 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 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 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 2014-105, 2014-106, 2014-107, 2014-109, 2014-110, and 2014-111 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 2014-101, 2014-102, 2014-103, 2014-104, 2014-108, 2014-112, 2014-113, and 2014-114 to be significant deficiencies.

Maricopa County's responses to the internal control over compliance findings identified in our audit are presented on pages 31 through 36. 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.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 19, 2014, 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 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.

Jay Zsorey, CPA
Financial Audit Director

March 25, 2015

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 551	Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030680	\$ 1,408,118	\$ 568,171
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS12-030680	907,633	468,411
	<i>Total SNAP Cluster</i>				<u>2,315,751</u>	<u>1,036,582</u>
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	131,138	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	204,292	
	<i>Total Child Nutrition Cluster</i>				<u>335,430</u>	
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS11-005228, ADHS11-006673, ADHS14-053007	10,769,452	
10 558	Child and Adult Care Food Program		Arizona Department of Education	KR02-1170-ALS	245,400	
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster	Arizona State Treasurer	None	464,417	
10 904	Watershed Protection and Flood Prevention				1,971,111	
10 11-LE-11031200-005	Cooperative Law Enforcement Agreement				141,791	
10 68-9457-12-490	Powerline FRS Interim Dam Safety Mitigation Project				1,619,599	
	Total Department of Agriculture				<u>17,862,951</u>	<u>1,036,582</u>
Department of Housing and Urban Development						
14 218	Community Development Block Grants/Entitlement Grants	Community Development Block Grants/Entitlement Grants			5,246,107	2,494,568
14 231	Emergency Solutions Grant Program				98,428	
14 239	HOME Investment Partnerships Program				3,361,765	3,104,027
14 850	Public and Indian Housing				3,264,201	
14 870	Resident Opportunity and Supportive Services - Service Coordinators				73,640	
14 871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster			11,596,983	
14 872	Public Housing Capital Fund	CFP Cluster			1,236,576	
14 877	Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services				50,467	
14 900	Lead-Based Paint Hazard Control in Privately-Owned Housing		City of Phoenix	133523	138,690	
	Total Department of Housing and Urban Development				<u>25,066,857</u>	<u>5,598,595</u>
Department of the Interior						
15 226	Payments in Lieu of Taxes				3,011,264	
15 227	Distribution of Receipts to State and Local Governments		Arizona State Treasurer	None	6,637	
	Total Department of the Interior				<u>3,017,901</u>	
Department of Justice						
16 111	Joint Law Enforcement Operation (JLEO)				90,870	
16 523	Juvenile Accountability Block Grants		Arizona Governor's Office for Children, Youth and Families	JB-CSG-13-3365-04, JB-CSG-14-44365-03	238,700	
16 540	Juvenile Justice and Delinquency Prevention—Allocation to States		Arizona Governor's Office for Children, Youth and Families	J2-CSG-10-0181-05Y3, J2-CSG-14-4181-00	79,340	
16 554	National Criminal History Improvement Program (NCHIP)		Arizona Criminal Justice Commission	NCP12-13-003	54,000	

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
16 560	National Institute of Justice Research, Evaluation, and Development Project Grants		Arizona Criminal Justice Commission	IDM-11-001	88,411	
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2011-302, 2011-303, 2013-081, 2013-082	112,493	
16 576	Crime Victim Compensation		Arizona Criminal Justice Commission	VA-14-024	819,687	
16 585	Drug Court Discretionary Grant Program				1,528	
16 606	State Criminal Alien Assistance Program				14,499,636	
16 607	Bulletproof Vest Partnership Program				9,622	
16 726	Juvenile Mentoring Program		National CASA Association	AZ10766-12-0613-L1	8,659	
16 735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities		National PREA Resource Council	16090	215,407	
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster			1,344,232	1,051,902
16 738	Edward Byrne Memorial Justice Assistance Grant Program	JAG Program Cluster	Arizona Criminal Justice Commission	CRI11-12-003, DC-13-033, DC-14-015	923,108	
	<i>Total JAG Program Cluster</i>				<u>2,267,340</u>	<u>1,051,902</u>
16 742	Paul Coverdell Forensic Sciences Improvement Grant Program		Arizona Criminal Justice Commission	CV-13-002, CV13-14-002	14,737	
16 745	Criminal and Juvenile Justice and Mental Health Collaboration Program				117,162	114,059
16 750	Support for Adam Walsh Act Implementation Grant Program				147,299	
16 755	Southwest Border Prosecution Initiative Program				491,173	
16 756	Court Appointed Special Advocates		National CASA Association	AZ10766-12-1012-L	22,537	
16 812	Second Chance Act Reentry Initiative				28,329	
16 66F-PX-A54566-S/LMOU	Joint Terrorism Task Force				6,071	
16 88A-PX-46088	Desert Hawk Violent Crime Task Force				29,773	
16 AZ007013A	Equitable Sharing				558,926	
16 SWAZP0595H	Organized Crime Drug Enforcement Task				169,858	
16 SWAZP0661	Organized Crime Drug Enforcement Task				141,474	
16 unknown	DEA Task Force				38,127	
	Total Department of Justice				<u>20,251,159</u>	<u>1,165,961</u>
Department of Labor						
17 258	WIA Adult Program	Workforce Investment Act (WIA) Cluster	Arizona Department of Economic Security	ADES14-054318, DE111009001	4,735,979	67,062
17 259	WIA Youth Activities	Workforce Investment Act (WIA) Cluster	Arizona Department of Economic Security	ADES14-054318, DE111009001	2,624,620	1,310,063
17 278	WIA Dislocated Worker Formula Grants	Workforce Investment Act (WIA) Cluster	Arizona Department of Economic Security	ADES14-054318, DE111009001	3,681,277	
	<i>Total Workforce Investment Act (WIA) Cluster</i>				<u>11,041,876</u>	<u>1,377,125</u>
17 267	Incentive Grants—WIA Section 503		Arizona Department of Economic Security	DE111009001	16,571	
17 267	Incentive Grants — WIA Section 503		Arizona Department of Education	14FAECCR-470694-05A	14,418	
	<i>Total 17.267</i>				<u>30,989</u>	
	Total Department of Labor				<u>11,072,865</u>	<u>1,377,125</u>

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	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), AC STP-MMA-0(240), AC-STP MMA-0(241), CM MMA-0(206), CM MMA-0(214), CM MMA-0(232), CM MMA-0(233), CM MMA-0(238), CM-MMA-0(234), CM-MMA-0(235), CM-MMA-0(243), CM-MMA-0(244)CM-MMA-0(245), CM-MMA-0(246), JPA 10-194, JPA 12-001, JPA14-00040221-C3, STP MMA-0(224)	10,327,432	
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Maricopa Association of Governments	412, CM MMA-0(228), STP MMA-0(033), STP MMA-0(217), STP MMA-0(236), STP QCR-0(001)	11,741,157	385,445
	<i>Total 20.205</i>				<u>22,068,589</u>	<u>385,445</u>
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2013-AI-009, 2013-AL-045, 2013-PT-013, 2014-AI-001, 2014-CIOT-009, 2014-PT-007, 2014-PT-044	135,893	
20 601	Alcohol Impaired Driving Countermeasures Incentive Grants I	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2013-410-014, 2013-410-033, 2013-HF-002, 2014-410-001, 2014-410-022, 2014-410-030	282,523	
	<i>Total Highway Safety Cluster</i>				<u>418,416</u>	
20 608	Minimum Penalties for Repeat Offender for Driving While Intoxicated		Arizona Governor's Office of Highway Safety	2013-164-006, 2013-164-014, 2013-164-015	155,927	
20 703	Interagency Hazardous Materials Public Sector Training and Planning Grants		Arizona Emergency Response Commission	HM-HMP-0282-12-01-00	1,908	
	Total Department of Transportation				<u>22,644,840</u>	<u>385,445</u>
Institute of Museum and Library Services						
45 310	Grants to States		Arizona State Library, Archives and Public Records	2012-32032-12, 2013-33023-16	158,452	
Environmental Protection Agency						
66 001	Air Pollution Control Program Support				1,003,278	
66 034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act				132,504	
	Total Environmental Protection Agency				<u>1,135,782</u>	

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Department of Energy						
81 042	Weatherization Assistance for Low-Income Persons		Governor's Office of Energy Policy	EW-ESA-14-4181-03Y3	96,814	
Department of Education						
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	13FAEABE-370694-01A, 14FAEABE-470694-01A, 14FAEAEF-470694-03A	136,808	
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Department of Education	14FLCCCL-470696-02A	74,799	
84 018	Overseas Programs—Special Bilateral Projects		Arizona Department of Education	13FT1ZDR-370696-02A	12	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	13FESCGB-370692-01A, 13FESSCG-370692-02A, 14FESCGB-470692-01A, 14FESSCG-470692-02A	115,541	
84 365	English Language Acquisition State Grants		Arizona Department of Education	14FELENG-470696-03A	40,897	
84 366	Mathematics and Science Partnerships		Arizona Department of Education	14FMSIMG-470696-02A	6,922	
84 374	Teacher Incentive Fund	Teacher Incentive Fund Cluster			12,313,460	
84 395 ARRA	State Fiscal Stabilization Fund (SFSF)—Race-to-the-Top Incentive Grants		Arizona Department of Education	13-03-EDSG	89,721	
84 411	Investing in Innovation (i3) Fund				757,104	
	Total Department of Education				<u>13,535,264</u>	
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	2014-28-MCH	288,366	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007891	3,308,050	
93 116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		Arizona Department of Health Services	ADHS13-042100	349,655	
93 224	Consolidated Health Centers (Health Care for the Homeless)	Health Centers Cluster			2,622,726	176,321
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041805	1,355,748	
93 283	Centers for Disease Control and Prevention—Investigations and Technical Assistance		Arizona Department of Health Services	ADHS-13-029502	209,506	155,453
93 292	National Public Health Improvement Initiative				176,076	
93 297	Teenage Pregnancy Prevention Program				818,777	206,104
93 505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		Arizona Department of Health Services	ADHS12-023419	1,419,576	409,052
93 507	PPHF 2012 National Public Health Improvement Initiative				106,147	
93 521	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		Arizona Department of Health Services	ADHS12-012315	39,546	

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
93 544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease prevention and Health Promotion Program		Arizona Department of Health Services	ADHS12-015902	93,519	
93 558	Temporary Assistance for Needy Families	TANF Cluster	Arizona Department of Economic Security	DE111071001	551,290	
93 563	Child Support Enforcement		Arizona Department of Economic Security	DE111162001, DE111171001	2,336,786	
93 568	Low-Income Home Energy Assistance		Governor's Office of Energy Policy	LW-ESA-12-2182-03Y3	921,687	
93 568	Low-Income Home Energy Assistance		Arizona Department of Economic Security	DE111071001	2,693,034	<u>122,002</u>
	<i>Total 93.568</i>				<u>3,614,721</u>	<u>122,002</u>
93 569	Community Services Block Grant		Arizona Department of Economic Security	DE111071001	879,705	
93 576	Refugee and Entrant Assistance—Discretionary Grants		Arizona Department of Economic Security	DE101038001	1,383,960	
93 600	Head Start				21,301,516	7,784,517
93 617	Voting Access for Individuals with Disabilities—Grants to States		Arizona Secretary of State	HHS-2006-ACF-ADD-VOTE-0135	1,824,028	
93 652	Adoption Opportunities				204,782	
93 667	Social Services Block Grant		Area Agency on Aging	2014-28-MCH	260,903	
93 667	Social Services Block Grant		Arizona Department of Economic Security	DE111071001	305,754	145,000
	<i>Total 93.667</i>				<u>566,657</u>	<u>145,000</u>
93 742	PPHF: Early Childcare and Education Obesity Prevention Program -Obesity Prevention in Young Children - financed solely by Public Prevention and Health Funds		Arizona Department of Health Services	ADHS-14-052676	63,365	
93 914	HIV Emergency Relief Project Grants				7,116,382	5,035,011
93 917	HIV Care Formula Grants		Arizona Department of Health Services	ADHS14-059037	84,000	
93 926	Healthy Start Initiative				362,685	
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS13-034910	798,299	
93 977	Preventive Health Services—Sexually Transmitted Diseases Control Grants		Arizona Department of Health Services	ADHS13-036320, ADHS14-071224, HG052195	445,237	
93 991	Preventive Health and Health Services Block Grant		Arizona Department of Health Services	HG854371	314	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS11-006208, ADHS12-010921, ADHS12-016584, ADHS12-021145, ADHS13-037845	802,510	
	Total Department of Health and Human Services				<u>53,123,929</u>	<u>14,033,460</u>
Executive Office of the President of the United States						
95 001	High Intensity Drug Trafficking Areas Program				769,210	

See accompanying notes to schedule.

Maricopa County
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's number(s)	Program expenditures	Amount provided to subrecipients
Department of Homeland Security						
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	EMW-2013-EP- 000024	547,992	
97 045	Cooperating Technical Partners				159,133	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	130201-01, 130814-01, 130814-02, 130814-04, 777208-06, 888200-04, 888206-01, 888206-05, 888814-04, 888814-05, 999200-02, 999810-01, 999810-02, 999810-03, 999810-04	507,933	57,754
97 091	Homeland Security Biowatch Program				720,883	-
	Total Department of Homeland Security				<u>1,935,941</u>	<u>57,754</u>
	Total expenditures of federal awards				<u>\$ 170,671,965</u>	<u>\$ 23,654,922</u>

See accompanying notes to schedule.

Maricopa County
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Note 1 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes Maricopa County's federal grant activity 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 \$5,383 for the School Breakfast Program (10.553) and \$8,338 for the National School Lunch Program (10.555) 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 2014 *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.

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Maricopa County
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2014

Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:			
Material weaknesses identified?	<u>X</u>	___	
Significant deficiencies identified?	<u>X</u>	___	
Type of auditors' report issued on compliance for major programs: Unmodified for all major programs except for Section 8 Housing Choice Vouchers (14.871) 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>	___	

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
14.218	Community Development Block Grants/Entitlement Grants
14.850	Public and Indian Housing
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund
15.226	Payments in Lieu of Taxes
16.606	State Criminal Alien Assistance Program
16.738	JAG Program Cluster
17.258, 17.259, 17.278	WIA Cluster
84.374	Teacher Incentive Fund

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<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.069	Public Health Emergency Preparedness
93.568	Low-Income Home Energy Assistance
93.576	Refugee and Entrant Assistance—Discretionary Grants
93.600	Head Start

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
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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

2014-101

CFDA No. and Name:	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Award Numbers and Years:	ADHS11-006673; October 1, 2010 through September 30, 2013; ADHS11-005228; March 1, 2011 through February 28, 2014; ADHS14-053007; October 1, 2013 through September 30, 2018
Federal Agency:	Department of Agriculture
Pass-through Grantor	Arizona Department of Health Services
Compliance Requirement:	Reporting
Questioned Costs:	None

Criteria: In accordance with 7 Code of Federal Regulations (CFR) §246.14(c) and the grant agreement with its pass-through grantor, the County's Department of Public Health (Department) is required to expend a minimum of one-sixth of the total amount spent for WIC services and another 4 percent each program year on nutrition education activities and breastfeeding promotion and support, respectively. The County is required to complete and submit to its pass-through grantor the Annual Cost Summary Report documenting that the minimum spending levels were met.

Condition and context: The Department had not established adequate policies and procedures to verify the expenditure data used to compile the Annual Cost Summary Report was accurate. Specifically, the Department relied on time-study reports entered into a database to compile the report by the designated program function. However, in 2 of 70 time-study reports tested, the hours in the database did not agree by program function to the time-study report.

Effect: There is a risk that the Department may not meet the program's appropriate spending levels. Auditors determined that the overall total program expenditures reported in the Annual Cost Summary were accurate but misclassified by program function. The Department was able to demonstrate to auditors that the program met the expenditure spending requirements.

Cause: The County had not established policies and procedures to ensure data used to prepare the Annual Cost Summary Report was accurate at the time the report was completed in December 2013. The County established new procedures in February 2014.

Maricopa County
 Schedule of Findings and Questioned Costs
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Recommendation: The Department should implement its policies and procedures to help ensure data used to prepare the Annual Cost Summary is accurately recorded and accumulated.

This is similar to a prior-year finding.

2014-102

CFDA No. and Name:	10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Award Numbers and Years:	ADHS11-006673; October 1, 2010 through September 30, 2013; ADHS11-005228; March 1, 2011 through February 28, 2014; ADHS14-053007; October 1, 2013 through September 30, 2018
Federal Agency:	Department of Agriculture
Pass-through Grantor	Arizona Department of Health Services
CFDA No. and Name:	93.069 Public Health Emergency Preparedness (PHEP)
Award Numbers and Years:	ADHS12-007891; July 1, 2012 through June 30, 2014 ADHS12-007891; July 1, 2013 through September 30, 2014
Federal Agency:	Department of Health and Human Services
Pass-through Grantor	Arizona Department of Health Services
CFDA No. and Name:	93.576 Refugee and Entrant Assistance—Discretionary Grants (REA)
Award Numbers and Years:	DE101038001; July 1, 2012 through June 30, 2014
Federal Agency:	Department of Health and Human Services
Pass-through Grantor	Arizona Department of Economic Security
Compliance Requirement:	Allowable Costs/Cost Principles
Questioned Costs:	\$23,020

Criteria: In accordance with 2 CFR §225, Appendix E, Sections D.1 and D.3, all governmental units desiring to claim indirect costs under federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The indirect cost rate is designated for a specific time frame. When grants are received in multiple fiscal years, grants management staff are responsible for making award adjustments to reflect the change in indirect cost rates in subsequent years. In addition, for the WIC program, changes in the indirect cost rate should be submitted and approved by the pass-through agency.

Condition and context: The County's Department of Public Health (Department) prepares an Indirect Cost Plan in accordance with 2 CFR §225, on an annual basis. The Department's policy is to use the indirect cost rate in effect when the grant is awarded and use the indirect cost rate for the entire award period. The County's plan establishes indirect cost rates to be used on a fiscal-year basis of July 1 through June 30. As a result, the Department did not adjust the indirect cost rate applied for reimbursement of indirect program expenditures when the grants covered multiple years.

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Effect: The County was reimbursed for indirect costs in excess of the established rate in the Indirect Cost Plan as follows: WIC of \$19,442, PHEP of \$3,090, and REA of \$488. This finding has the potential to affect other federal programs the Department administers and prior-year grant awards.

Cause: The Department was not aware that the rates established in the Indirect Cost Plan should be used on a fiscal-year basis, regardless of the grant award period.

Recommendation: In order to ensure indirect costs claimed for a federal award are allowable and in compliance with 2 CFR §225, the Department should apply the indirect cost rate calculated and supported by its annual Indirect Cost Plan during the proper time period. Specifically, the indirect cost rates should be updated on a fiscal-year basis and be applied to expenditures occurring as of July 1 of the plan year. In addition, changes in the indirect cost rates should be submitted to the pass-through entity.

2014-103

Cluster Name:	Community Development Block Grants/Entitlement Grants
CFDA No. and Name:	14.218 Community Development Block Grants/Entitlement Grants
Award Numbers and Years:	B-10-UC-04-0501; July 1, 2010 through indefinite B-11-UC-04-0501; July 1, 2011 through indefinite B-12-UC-04-0501; July 1, 2012 through indefinite Neighborhood Stabilization Program: March 19, 2009 through March 19, 2014
Federal Agency:	Department of Housing and Urban Development
Compliance Requirement:	Reporting
Questioned Costs:	None

Criteria: The County's Human Services Department (Department) is required to submit an annual Integrated Disbursement and Information System (IDIS) – CDBG Financial Summary Report (C04PR26) in accordance with 24 CFR §91.520. This report should contain accurate data that is supported by its accounting records.

Condition and context: The Department did not have adequate review procedures in place to ensure that the CDBG Financial Summary Report was completed. Specifically, the Department did not complete the section used to track expenditures for the program's earmarking requirement related to low and moderate income level activities.

Effect: The County was not able to utilize the report to track earmarking requirements for low and moderate income level activities. Auditors performed additional audit procedures and verified that the Department was on track to meet the program's earmarking requirements.

Maricopa County
Schedule of Findings and Questioned Costs
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Cause: The Department's review of the report failed to identify the error due to oversight.

Recommendation: Prior to submitting reports to its federal grantor agency, the Department should improve its review process to ensure the CDBG Financial Summary Report is reviewed to supporting records and any errors noted are corrected. In addition, the Department should be utilizing the report to help monitor its earmarking requirements.

This is similar to a prior-year finding.

2014-104

Cluster Name:	Community Development Block Grants/Entitlement Grants
CFDA No. and Name:	14.218 Community Development Block Grants/Entitlement Grants
Award Numbers and Years:	B-10-UC-04-0501; July 1, 2010 through indefinite B-11-UC-04-0501; July 1, 2011 through indefinite B-12-UC-04-0501; July 1, 2012 through indefinite Neighborhood Stabilization Program: March 19, 2009 through March 19, 2014
Federal Agency:	Department of Housing and Urban Development
Compliance Requirement:	Cash Management and Period of Availability
Questioned Costs:	\$13,270

Criteria: In accordance with the Federal Register Vol. 75, No. 201, 64336, the Neighborhood Stabilization Program 3 (NSP3) grantees must expend 100 percent of the initial allocation of NSP funds within 3 years of receipt of those funds or HUD will recapture and reallocate the amount of funds not expended or provide for other corrective action. Further, in accordance with the reimbursement method prescribed by 24 CFR §85.21 (d), the County's Human Services Department (Department) should not request reimbursement from the federal agency prior to payment of the expenditure.

Condition and context: The Department did not have adequate review procedures in place to ensure that funds received for the NSP3 grant were supported and spent within the program's expenditure deadline. Specifically, auditors noted that the Department received \$13,270 in reimbursements prior to the payment of the expenditures, which were incurred outside the program's period of availability but included on the cash management reimbursement requests. Additionally, these unexpended monies were improperly included in the program's March 9, 2014, calculation demonstrating 100 percent of program funds were spent. Further the Department made transfers between its two NSP grants but did not maintain adequate records to identify how the expenditures were requested for reimbursement. As a result, the Department may have requested reimbursement twice for approximately \$35,000 in expenditures.

Maricopa County
Schedule of Findings and Questioned Costs
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Effect: The Department requested and received \$13,270 in program funds prior to the monies being spent. The program monies were encumbered and spent outside the program's 3-year period of availability. Additionally, the Department may have requested reimbursement twice for approximately \$35,000 in NSP expenditures. It was not practical to extend our auditing procedures to determine the total questioned costs that resulted from this finding.

Cause: The Department did not sufficiently understand that the expenditures were required to be incurred and not encumbered prior to requesting reimbursement and at the end of the 3-year grant award. Additionally, the Department did not maintain adequate support to document the transfer of expenditures between programs after reimbursement was received by the grantor.

Recommendation: To help ensure compliance with the grant awards period of availability of funds, the Department should ensure only actual expenditures incurred are included in the calculation demonstrating 100 percent of the grant award was spent. Further, to meet federal cash management requirements, the Department should ensure that adequate support is maintained for each reimbursement request and only amounts that are spent are requested for reimbursement. The request for reimbursement should be reviewed and approved by another employee for accuracy.

2014-105

Cluster Name:	JAG Program Cluster
CFDA No. and Name:	16.738 Edward Byrne Memorial Justice Assistance Grant Program
Award Numbers and Years:	2009-DJ-BX-0342; October 1, 2009 through September 30, 2012 2010-DJ-BX-1213; October 1, 2009 through September 30, 2014 2011-DJ-BX-3298; October 1, 2010 through September 30, 2014 2012-DJ-BX-1182; October 1, 2011 through September 30, 2015 2013-DJ-BX-1164; October 1, 2012 through September 30, 2016 CRI11-12-003; October 1, 2010 through December 31, 2013 DC-14-015; July 1, 2014 through June 30, 2014
Federal Agency:	Department of Justice
Pass-through Grantor	Arizona Criminal Justice Commission
Compliance Requirement:	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting
Questioned Costs:	\$49,277

Criteria: In accordance with 28 CFR §66.20 (b)(3) and (5), effective controls and accountability must be maintained over federal monies to ensure that the monies are used for allowable purposes as outlined in the grant budgets. In addition, to comply with 28 CFR §66.20(b), internal controls should be maintained over reporting to provide reasonable assurance that federal program reports are accurate and reliable.

Maricopa County
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Condition and context: Since October 1, 2009, the County Manager's Department (Department) has received various annual awards to administer the Edward Byrne Memorial Justice Assistance Grant Program (grant number 2010-DJ-BX-1213 and 2009-DJ-BX-0342). As reported in the prior-year audit report (see finding 2013-103), the County reported that all administrative costs were spent; however, the revenues received for the program were placed into a cost pool to be spent in future years. The prior-year finding recommended that the Department evaluate the \$263,591 in unexpended federal monies at June 30 and establish procedures to track unexpended administrative costs by grant agreements to ensure unexpended funds were spent by the end of the grant agreement or remitted back to the awarding agency. The County performed the evaluation and remitted \$134,993 of the unexpended monies back to the Department of Justice. However, when performing an evaluation of all administrative costs the County did not review prior fiscal years 2012 and 2013 expenditures paid from the cost pool for allowability and, as a result, did not remit back an additional \$49,277 in direct expenditures that were considered to be unallowable. Auditors did not note this deficiency for new awards received during the audit period. Further, the Department did not update quarterly SF-425 Federal Financial Reports to reflect changes in its actual administrative expenditures for the federal programs and submitted its quarterly SF-425 Federal Financial Reports without a documented independent review and approval by a knowledgeable person for reports the Department submitted.

Effect: The Department did not comply with the federal program requirements for claiming administrative costs, resulting in a questioned cost of \$49,277 related to grant 2010-DJ-BX-1213 and 2009-DJ-BX-0342. This amount is part of the amounts reported in the prior-year audit. Also, the Department's administrative expenditures were incorrectly reported on the SF-425 Federal Financial Report.

Cause: The Department did not sufficiently identify unallowable costs when determining the amount of the award to remit back to the awarding agency. Additionally, department officials stated that review and approval controls for reporting were not implemented because sufficient resources were not available.

Recommendation: The Department should reevaluate the prior-year grant expenditures and ensure that all unallowable costs spent in prior years are remitted back to the federal agency. When possible, the County should request a modified budget for costs that are allowed under the federal program. In addition, the County should modify its federal financial reports when costs are adjusted for unspent or unallowable monies. The report should be reviewed and approved by a knowledgeable employee.

This is similar to a prior-year finding.

Maricopa County
Schedule of Findings and Questioned Costs
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2014-106

Cluster Name:	JAG Program Cluster
CFDA No. and Name:	16.738 Edward Byrne Memorial Justice Assistance Grant Program
Award Numbers and Years:	2010-DJ-BX-1213; October 1, 2009 through September 30, 2014 2011-DJ-BX-3298; October 1, 2010 through September 30, 2014 2012-DJ-BX-1182; October 1, 2011 through September 30, 2015 2013-DJ-BX-1164; October 1, 2012 through September 30, 2016 CRI11-12-003; October 1, 2010 through December 31, 2013 DC-14-015; July 1, 2014 through June 30, 2014
Federal Agency:	Department of Justice
Pass-through Grantor	Arizona Criminal Justice Commission
Compliance Requirement:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs:	\$101,683

Criteria: In accordance with 28 CFR §66.20 (b)(3) and (5), effective controls and accountability must be maintained over federal monies to ensure that the monies are used for allowable purposes as outlined in the grant agreement.

Condition and context: The County Attorney's Office (Office) received funding from the Arizona Criminal Justice Commission for grant number DC-14-015 to pay for 15 attorney positions as outlined in its grant agreement. However, the Office used the federal monies to pay salaries for 3 employees during the audit period July 1, 2013 through June 30, 2014, who were not classified as attorneys. Therefore, the salaries were unallowable expenditures.

Effect: The Office did not comply with its grant agreement and improperly charged \$101,683 to grant award number DC-14-015.

Cause: The Office did not sufficiently understand the required process to request approval for a change in allowable positions and submitted the wrong documentation to update the allowable positions instead of the required grant adjustment notification. Upon this issue being brought to the Office's attention by the auditors, the Office filed a grant adjustment notification with the awarding agency.

Recommendation: The Office should ensure that it charges payroll expenditures only for allowable positions as identified by the grant agreement. The Office should coordinate with its pass-through agency to either modify the grant agreement or remit monies back to the pass-through agency for the unallowable expenditures.

Maricopa County
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2014-107

Cluster Name:	Teacher Incentive Fund Cluster
CFDA No. and Name:	84.374 Teacher Incentive Fund
Award Numbers and Years:	S374A100025; October 1, 2010 through September 30, 2014; S374A12089; October 1, 2012 through September 30, 2014
Federal Agency:	Department of Education
Questioned Costs:	None

Criteria: OMB Circular A-133, §.300 and 2 CFR §225, Appendices A and B, require the County to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA).

Condition and context: The County's Maricopa Education Service Agency (Agency) was awarded the Teacher Incentive Fund program along with partnering school districts. The Agency is fiscally responsible for passing through federal monies to the partnering school districts. Both the County and partnering school districts are considered direct recipients of the program funds. However, the Agency did not realize the school districts were partners and the monies passed through to the partners should be excluded from its SEFA. As a result, the County did not properly prepare an accurate and complete SEFA as the partner's federal expenditures were incorrectly recorded as federal expenditures of the County. In addition, the partners incorrectly classified the expenditures as a pass-through from the County on their SEFA and not as a direct recipient of the U.S. Department of Education.

Effect: The County's original SEFA was overstated by \$2,441,185 for the federal program. The County adjusted its SEFA for the errors. In addition, the partnering school district's SEFAs were not prepared properly.

Cause: The County was unaware the partnering school districts were considered direct recipients by the U.S. Department of Education.

Recommendation: To help ensure that the County prepares its SEFA in compliance with OMB Circular A-133, the County should properly classify entities receiving federal grant payments from the County as vendors, subrecipients, or partners.

Maricopa County
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2014-108

Cluster Name:	Teacher Incentive Fund Cluster
CFDA No. and Name:	84.374 Teacher Incentive Fund
Award Numbers and Years:	S374A100025; October 1, 2010 through September 30, 2014; S374A12089; October 1, 2012 through September 30, 2014
Federal Agency:	Department of Education
Compliance Requirement:	Suspension and Debarment
Questioned Costs:	None

Criteria: In accordance with 2 Code of Federal Regulations (CFR) §180.300, when a nonfederal entity enters into a procurement transaction that is expected to equal or exceed \$25,000 or makes a subaward to a subrecipient regardless of award amount, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. Further, 34 CFR §80.35 states that 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 vendors providing goods and services paid with federal monies of \$25,000 or more had not been suspended or debarred, or otherwise excluded, from federal contracts. As a result, for two of seven vendors tested, the Agency did not verify that the vendor was not suspended or debarred. Auditors performed additional procedures for all vendors and determined no payments were made to suspended or debarred vendors; therefore, no questioned costs were noted.

Effect: Payments could be made to suspended or debarred vendors.

Cause: The Agency's procedures were not adequate to ensure that vendors receiving \$25,000 or more in federal funds were not suspended or debarred.

Recommendation: The Agency should establish procedures to document its determinations that 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 Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), obtaining vendor certification, or adding a clause or condition to the contract regarding suspension and debarment.

Maricopa County
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2014-109

CFDA No. and Name:	93.069 Public Health Emergency Preparedness
Award Numbers and Years:	ADHS12-007891; July 1, 2012 through June 30, 2014 ADHS12-007891; July 1, 2013 through September 30, 2014
Federal Agency:	Department of Health and Human Services
Pass-through Grantor:	Arizona Department of Health Services
Compliance Requirements:	Matching
Questioned Costs:	None

Criteria: To comply with its grant agreement, the County is required to match \$269,176 (10 percent of award) with nonfederal monies for the program's award period July 1, 2013 through September 30, 2014. In addition, the County should monitor the nonfederal match throughout the grant award period to ensure the amounts are budgeted properly and that it is on track to meet its required match. Further, the County should ensure the nonfederal match is met through an allowable source to comply with 45 CFR §92.24.

Condition and context: The County's Office of Preparedness and Response (Office) did not adequately monitor its federal program matching requirements. The Office relied on donated time from county employees to match federal expenditures; however, donated time was not appropriately recorded and certified by a supervisor in a timely manner, resulting in the need to obtain backdated time sheets. In addition, donated time from 1 of 18 employees was unallowable because the employee was paid through grant funds. Auditors reviewed additional documentation through September 30, 2014, and noted the Office was able to provide sufficient documentation to substantiate the \$269,176 matching was met.

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

Cause: The Office was in the process of obtaining a new accountant at the beginning of the grant year, which resulted in a backlog of work. As a result, the matching expenditures were not sufficiently monitored and associated controls over matching did not function properly.

Recommendation: To help ensure that only allowable sources are used to match federal expenditures and that the program's matching requirement is met, the Office should ensure policies and procedures for monitoring its matching expenditures are implemented throughout the entire grant period.

Maricopa County
Schedule of Findings and Questioned Costs
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2014-110

CFDA No. and Name:	93.069 Public Health Emergency Preparedness (PHEP)
Award Numbers and Years:	ADHS12-007891; July 1, 2012 through June 30, 2014 ADHS12-007891; July 1, 2013 through September 30, 2014
Federal Agency:	Department of Health and Human Services
Pass-through Grantor:	Arizona Department of Health Services
Compliance Requirements:	Cash Management and Reporting
Questioned Costs:	None

Criteria: In accordance with its grant agreement with the Arizona Department of Health Services (ADHS), the County should submit a complete and accurate Contractor's Expenditure Report within 30 days of month-end. ADHS relies on this report to help compile its financial reports submitted to the U.S. Department of Health and Human Services.

Condition and context: The County did not have adequate policies and procedures to review and approve financial reports for accuracy, and sufficient supporting documentation was not maintained for adjustments to the financial reports for reimbursements received during the period July 1, 2013 through December 20, 2013. As a result, the County did not accurately report expenditures on the program's monthly financial Contractor's Expenditure Report to reimburse program funds for five of nine reports selected for test work. Auditors performed additional test work and noted that the final expenditures reported for the fiscal year were materially correct.

Effect: The financial reports to the pass-through entity included errors in the expenditures ranging from \$27 to \$71,000. Auditors performed additional test work and determined that at no time did the County request reimbursement for more expenditures than had been incurred. Since the County's reports were used by the pass-through entity to compile its financial reports, the reports submitted to the federal agency were likely incorrect.

Cause: The program was without an accountant to prepare the reports for several months before a replacement was hired.

Recommendation: The County should maintain supporting documentation for manual adjustments and develop policies and procedures to review and approve financial reports to ensure expenditures are reported correctly.

Maricopa County
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2014-111

CFDA No. and Name:	93.576 Refugee and Entrant Assistance—Discretionary Grants
Award Numbers and Years:	DE101038001; July 1, 2012 through June 30, 2014
Federal Agency:	Department of Health and Human Services
Pass-through Grantor:	Arizona Department of Economic Security
Compliance Requirements:	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Questioned Costs:	\$5,311

Criteria: In accordance with 45 CFR §74.21(b)(3), the County's Department of Public Health (Department) is required to maintain internal controls over federal programs that provides reasonable assurance that the Department is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. Based on the grant agreement with its pass-through grantor, the Department is required to utilize federal awards for allowable activities consistent with the Refugee Assistance Program medical screening activities. The County is required to identify only the federal awards expended for medically screening individuals deemed eligible by the pass-through grantor and the federal cognizant agency. In addition, in accordance with 2 CFR §225, Appendix D, claims developed under approved cost allocation plans will be based on allowable costs as identified in 2 CFR § 225. When unallowable costs have been claimed and reimbursed, they will be refunded to the program that reimbursed the unallowable costs.

Condition and context: The Department has not established adequate policies and procedures to monitor and review expenditures for the Refugee Assistance Program. For 4 of 40 expenditures tested, the Department failed to properly review the invoices and reconcile medical services provided to ensure that it paid only allowable costs. As a result, the Department incorrectly paid \$4,618 for medical costs for participants who were not eligible for the program during the period July 2013 through December 2013. The costs were associated with a separate program the Department administers. When the error was identified, the Department failed to properly correct the error in a timely manner and for the full amount. In addition, the Department obtained an additional \$693 in indirect cost reimbursement because of the errors.

Effect: The Department was reimbursed \$5,311 for unallowable program expenditures related to these transactions. Failure to properly review and approve expenditures could increase the risk of noncompliance for the federal program.

Cause: The Department's review of vendor invoices was insufficient to ensure that it paid only allowable costs out of program funds.

Recommendation: The Department should implement policies and procedures to properly review and approve vendor invoices to ensure it makes payments only for allowable expenditures. This should include reconciling invoices to accounting records when the Department makes payments on behalf of eligible participants.

Maricopa County
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Other auditors' findings:

The other auditors who audited the Public Indian Housing (14.850), Section 8 Housing Choice Vouchers (14.871), and Public Housing Capital Fund (14.872) federal programs administered by the Housing Authority of Maricopa County (Authority) reported the following findings:

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2014-112 Eligibility

Housing Choice Vouchers – CFDA#14.871

Condition: The Authority did not recertify participants in a timely basis. In addition, income calculations and documentation procedures were not made in accordance with HUD regulations.

Criteria: HUD regulations require PHAs reexamine family income calculated in accordance with program requirements using third-party documentation at least once every 12 months.

Cause: Employee turnover, lack of staff experience and ineffective review/quality control procedures.

Effect or potential effect: Potential overpayment of HAP due to incorrect and/or untimely income calculations.

Recommendation: We recommend that the Authority adhere to resident file Quality Control review procedures to monitor and evaluate HCV staff performance and ensure compliance with HUD regulations.

Authority response: Corrective Action completed this fiscal year. HCV Program Supervisor conducts monthly file Quality Control reviews. HCV Housing Specialists' performance is evaluated for compliance with HUD regulations and administrative policies. Ongoing monitoring/coaching occurs to ensure deficiencies are addressed and corrected immediately and for the long term.

Target Completion Date (Accountability): Complete. (Administrator).

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2014-113 Activities Allowed and Unallowed

Housing Choice Vouchers – CFDA#14.871

Condition: Financial information relating to bank reconciliations, inter-program transactions and portability payments and balances were not recorded appropriately and/or reconciled in a timely basis.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Criteria: Adequate internal controls require accurate recording and periodic reconciliation of general ledger activity to ensure accurate financial reporting.

Cause: Employee turnover; ineffective procedures for the recording and tracking of HCV portability transactions and other cash receipts.

Effect or potential effect: Additional yearend reconciliations and adjustments were necessary. Potential effect on interim financial reporting.

Recommendation: We recommend that financial activity for all balance sheet accounts be reconciled on a periodic basis to ensure accurate financial reporting. In addition, the Authority should modify the process for recording and tracking portability transaction and other cash receipts.

Authority response: HAMC has fully implemented review and reconciliation of interprogram transactions and bank reconciliations on a regular basis. Financial activity for interprogram transactions are being reviewed and reconciled on a quarterly basis. Bank reconciliations are being performed on a monthly basis. All receipts of portability payments are now tracked separately in the general ledger and tied to bank reconciliations. The Agency has been implementing usage of the enterprise finance system to record and reconcile portability activity.

Target Completion Date (Accountability): HAMC will fully implement improvements to tracking portability transactions, generating balance statements for housing authorities and recording portability receivables by April 30, 2015. (Finance Manager).

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
2014-114 Special Tests and Provisions
Public Housing – CFDA #14.850**

Condition: Capital grant activity and the related Fixed Assets are not maintained in accordance with generally accepted accounting principles (GAAP).

Criteria: Revenue is to be recognized when earned and assets capitalized in accordance with GAAP to facilitate accurate financial reporting.

Cause: Multiple staffing changes and Capital grant activity being maintained on a budgetary basis whereas expenditures accumulate by grant and are recognized in the financials at yearend.

Maricopa County
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Effect or potential effect: Yearend closing entries were needed to accurately report capital expenditures and revenues. Interim and internal financial reporting does not reflect capital activity.

Recommendation: We recommend that capital grant activity be maintained in accordance with GAAP by modifying the Capital Grant chart of accounts to include revenue and expense accounts, whereby operating period activity can be tracked and reported as necessary. In addition, the Authority should consider automating the recognition of revenues to coincide with the recording of capital grant expenditures to assist in grant tracking and reporting in accordance with GAAP.

Authority response: Corrective Action completed this fiscal year. HAMC has fully implemented procedures for grant tracking and reporting in accordance with GAAP.

Target Completion Date (Accountability): Complete. (Finance Manager).

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Maricopa County

Office of Assistant County Manager and Department of Finance

Shelby L. Scharbach
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Assistant County Manager
and
Chief Financial Officer
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March 20, 2015

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, 2014**

Federal Award Findings and Questioned Costs

2014-101

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

Department: Maricopa County Department of Public Health

Contact person(s): Carrie Zavala, Program Manager WIC, (602) 506-9339

Anticipated completion date: March 31, 2015

County Response: Concur

County Corrective Action Plan: The Maricopa County Department of Public Health has updated internal controls, policies, and procedures to ensure the expenditure data used to compile the Annual Cost Summary Report is accurate. Due to manual data entry errors entered on the original Time Study report and manually transferred onto the Annual Cost Summary Report, incidental misclassification by program function categories occurred although the overall total program activity reported is accurate. To avoid future misclassifications, the WIC program has revised the Time Study form, implemented internal Time Study controls that conform to with existing State Policy, and initiated an internal document review process.

2014-102

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

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

CFDA No.: 93.576 Refugee and Entrant Assistance—Discretionary Grants (REA)

Department: Maricopa County Department of Public Health

Contact person(s): Scot Pitcairn, Finance Manager, (602) 506-6963

Anticipated completion date: June 30, 2015

County Response: Do Not Concur

County Corrective Action Plan: The Maricopa County Department of Public Health and Department of Finance has performed research for indirect rate cost recovery that crosses fiscal years. Online guidance from Health and Human Services (HHS), Grants Policy Directives System, Grants Policy Directive 3.01, HHS Transmittal 98.01, page 7, states indirect costs under grants to local government agencies shall be budgeted and reimbursed on the basis of the rates computed and proposed by the local government in its grant application.

The County has received guidance from current federal direct and state pass-through grantors that supports the County's current practice of using the same indirect rate for the budget period of the grant when the grant crosses fiscal years. Further, it was determined through an informal survey of other State of Arizona and national local governments that the majority were using and reporting indirect rate cost recovery in the same manner as the County.

To obtain further guidance, the Department of Finance contacted the U.S. Department of Health and Human Services that indicated that the indirect rate should be updated for Federal awards even when they cross the County's fiscal year. However, the proposed

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2014**

change to the initial indirect rate will contradict the annual signed grant award and/or contract when it crosses the fiscal year. The practice and understanding of the indirect rate and its application for grants awards that cross fiscal years is not consistently applied by local governments and would suggest that further clarification and guidance is needed.

The Maricopa County Department of Public Health will consult with the grantor to ensure compliance with the Uniform Guidance and will review and update, if necessary, its policies and procedures.

2014-103

CFDA No.: 14.218 Community Development Block Grants/Entitlement Grants
Department: Maricopa County Human Services Department
Contact person(s): Amy Jacobson, Community Development Program Coordinator,
(602) 372-1508
Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department Community Development Program updated its staff review process to ensure the CDBG Financial Summary Reports are reviewed and approved. The earmarking reporting section was not completed due to misinterpretation of program reporting guidance. The Department has updated its policies and procedures to ensure that earmarking information is included in the annual reports. The Community Development Assistant Director in coordination with the Department's Financial Service administrator will review and approve the Financial Summary reports prior to submission.

2014-104

CFDA No.: 14.218 Community Development Block Grants/Entitlement Grants
Department: Maricopa County Human Services Department
Contact person(s): Amy Jacobson, Community Development Program Coordinator,
(602) 372-1508
Anticipated completion date: March 31, 2015

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department will review reporting and cash management procedures and implement improvements to ensure only expenditures made within the period of availability are requested for reimbursement. Further, all requests for reimbursement or other required reporting will be reviewed for accuracy to supporting documentation by the Senior Grant Accountant, the Financial Services Administrator, and the Assistant Director for Community Development.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2014**

2014-105

CFDA No.: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
Department: Maricopa County Manager's Department
Contact person(s): Alice Bustillo, JAG Grant Administrator, (602) 372-7059
Anticipated completion date: June 30, 2015

County Response: Concur

County Corrective Action Plan: The Maricopa County Manager's Department updated its procedures and policies regarding tracking of indirect and administrative costs. The Department of Justice (DOJ) had initially approved the budgets to allow for indirect expenditures only. This resulted in the auditors questioning all administrative expenditures that were not indirect costs. The County Manager's Department submitted amended budgets to the DOJ which were approved for the 2011, 2012, and 2013 JAG awards that clarified allowable costs and indirect expenditures. The Department reviewed unexpended administrative costs and remitted \$134,992.79 to the DOJ on April 8, 2014. The Department is currently consulting with DOJ regarding the administrative costs for the 2009 and 2010 JAG awards. The Department has updated its policies and procedures to ensure that reports are reviewed and approved by a knowledgeable person prior to submission.

2014-106

CFDA No.: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
Department: Maricopa County Attorney's Office
Contact person(s): John Garcia, Grants Administrator, (602) 506-3188
Anticipated completion date: February 28, 2015

County Response: Concur

County Corrective Action Plan: The Maricopa County Attorney's Office has retroactively modified the grant agreement to the satisfaction of the grantor and will formalize all future changes in accordance with the grant agreement.

2014-107

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: February 28, 2015

County Response: Concur

County Corrective Action Plan: The Maricopa Education Service Agency will employ newly provided State and grantor guidance in compilation of the SEFA.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2014**

2014-108

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: April 1, 2015

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency (MCESA) will update its policies and procedures to ensure vendors who receive \$25,000 in federal funds are not suspended nor or debarred. MCESA will document and verify the vendor's status by checking the Excluded Parties List System (EPLS), obtaining vendor certification, or adding a clause or condition to the contract.

2014-109

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

Department: Maricopa County Department of Public Health

Contact person(s): Eugene See, OPR Logistics Supervisor, (602) 372-2667

Anticipated completion date: June 30, 2014

County Response: Concur

County Corrective Action Plan: The Maricopa County Department of Public Health Office of Preparedness and Response identified and corrected the finding independent of the audit. As part of ongoing process improvement, the Department developed and implemented a review process to ensure the positions/personnel being utilized for cost match purposes are allowable. Cost match documentation, such as timesheets, will be collected and reviewed at least monthly. This review will ensure supporting documentation is completed as the work is performed. Additionally, the reviews will track actual match expenditures with the proposed match expenditures documented in the Grantor Budget Tool to ensure the 10% match will be met by grant year end.

2014-110

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

Department: Maricopa County Department of Public Health

Contact person(s): Eugene See, OPR Logistics Supervisor, (602) 372-2667

Anticipated completion date: March 1, 2015

County Response: Concur

County Corrective Action Plan: The Maricopa County Department of Public Health Office of Preparedness and Response, as part of ongoing process improvement, developed and implemented a review process to ensure the documentation of all adjustments. The journal voucher that is prepared must include supporting documentation stating the reason for the adjustment. The timing issue of when to run the reports after the month end close is clearly documented which will ensure all appropriate expenditures are included. The reports and reimbursement requests will be reviewed, approved, and submitted to the grantor in a timely manner.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2014**

2014-111

CFDA No.: 93.576 Refugee and Entrant Assistance–Discretionary Grants (REA)

Department: Maricopa County Department of Public Health

Contact person(s): Angelito Bravo, Program Manager, (602) 372-1013

Anticipated completion date: March 1, 2015

County Response: Concur

County Corrective Action Plan: The Maricopa County Department of Public Health has updated procedures to ensure that vendor invoices are reviewed and approved. Monthly vendor invoices will be cross referenced to the Department electronic records system for eligible participants and allowable costs. Invoices will then be reconciled by date of service, patient name, medical services, and program.



Maricopa County

Office of Assistant County Manager and Department of Finance

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February 10, 2015

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 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, 2014**

Status of Federal Award Findings and Questioned Costs

CFDA No.: 84.374 Teacher Incentive Fund
Finding No. 12-107
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: Fully corrected.

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

The Housing Authority of Maricopa County has had positive operating results and additional work on the NRA balance have reduced the cash deficiency to \$229,857. The Authority is currently in discussions with HUD regarding possible repayment. There were no current year audit findings noted. Contact person is Irma Hollamby, Administrator, Housing Authority of Maricopa County, (602) 744-4541.

CFDA No.: 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Finding No. 2013-101
Status: Fully corrected.

CFDA No.: 14.218 Community Development Block Grants/Entitlement Grants
Finding No. 2013-102
Status: Partially corrected.

The Maricopa County Human Services Department Community Development Program updated its staff review process to ensure the CDBG Financial Summary Reports are reviewed and approved. The earmarking reporting section was not completed due to misinterpretation of program reporting guidance. The Community Development Assistant Director in coordination with the Department's Financial Service administrator will review and approve the Financial Summary reports prior to submission. Contact person is Amy Jacobson, Community Development Program Coordinator, (602) 372-1508.

**Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014**

CFDA No.: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
16.804 ARRA Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government

Finding No. 2013-103

Status: Partially corrected.

The Maricopa County Manager's Department updated its procedures and policies regarding tracking of indirect and administrative costs. The Department of Justice (DOJ) had initially approved the budgets to allow for indirect expenditures only. This resulted in the auditors questioning all administrative expenditures that were not indirect costs. The County Manager's Department submitted amended budgets to the DOJ which were approved for the 2011, 2012, and 2013 JAG awards that clarified allowable costs and indirect expenditures. The Department reviewed unexpended administrative costs and remitted \$134,992.79 to the DOJ on April 8, 2014. The Department is currently consulting with DOJ regarding the administrative costs for the 2009 and 2010 JAG awards. Contact person is Alice Bustillo, JAG Grant Administer, (602) 372-7059.

CFDA No.: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
16.804 ARRA Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government

Finding No. 2013-104

Status: Fully corrected.

CFDA No.: 16.738 Edward Byrne Memorial Justice Assistance Grant Program
16.804 ARRA Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government

Finding No. 2013-105

Status: Fully corrected.

CFDA No.: 93.600 Head Start

Finding No. 2013-106

Status: Fully corrected.

CFDA No.: 93.600 Head Start

Finding No. 2013-107

Status: Fully corrected.

CFDA No.: 93.600 Head Start

Finding No. 2013-108

Status: Fully corrected.

CFDA No.: 84.374 Teacher Incentive Fund

Finding No. 2013-109

Status: Fully corrected.

CFDA No.: 84.374 Teacher Incentive Fund

Finding No. 2013-110

Status: Fully corrected.

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

CFDA No.: 14.871 Section 8 Housing Choice Vouchers
Finding No. 2013-111
Status: Partially corrected.

The Housing Authority of Maricopa County has made improvements in the recertification process, including performance of Quality Control reviews, as instances of noncompliance relate to late recertification only. Contact person is Irma Hollamby, Administrator, Housing Authority of Maricopa County, (602) 744-4541.