



Countywide Revenue Audit Fines, Forfeitures, and Charges for Services By Maricopa County Internal Audit April 2021

Why This Audit Is Important

Maricopa County has a variety of revenue sources, including taxes, licenses, and permits. Some revenue amounts are driven by state statute while others are determined by Maricopa County. This audit focused on how discretionary fee levels are established, reviewed, and adjusted for revenue from fines, forfeitures, and charges for services. In addition, the audit evaluated whether there were opportunities to establish or resume the collection of certain revenue.

We conducted a countywide survey and reviewed financial data to gather preliminary information. We also tested a sample of county agencies to determine if policies, procedures, and practices for determining and reviewing fee levels conform to industry best practices.

Key Findings

- There were no formal controls in place to ensure that fee reviews and adjustments are completed and communicated to county leadership.
- Some agencies tested were unaware of available guidance for developing and reviewing fee levels. Opportunities exist to strengthen the guidance.
- Recommendations from a 2019 external fee study should be formally evaluated, along with developing action plans as appropriate.

All key findings requiring corrective action were addressed through agreed-upon management action plans.

What We Audited

Following is a summary of work performed and findings. Corresponding recommendations and responses start on page 4. The responses were approved by Cindy Goelz, Chief Financial Officer, on April 22, 2021. More detailed observations and recommendations were communicated to management throughout the audit process.

Countywide Revenue Survey

Background – We developed and distributed a brief survey to 29 county agencies and had a 100% response rate. The survey requested information regarding the collection of fines, forfeits, and charges for services, including types of revenue collected, frequency of fee reviews, and opportunities for increased revenue collection.

Observations – We used the survey response information below to make initial assessments and conduct the testing included in this report.

CHARGES FOR SERVICES

- 22 of the 29 responding agencies reported receiving revenue from charges for services (i.e., user fees). Of the agencies collecting charges:
 - 41% reported having established a goal or metric related to their user fee revenue (e.g., cost recovery goal).
 - 82% reported performing user fee reviews; however, only 55% of those agencies perform reviews annually in accordance with county policy, and 18% did not know how often, if ever, reviews are performed.
- The most common type of charge was flat rate or amount (62%), followed by percentage of the costs of the service/program (17%), hourly rate charged against deposits (10%), and other types (10%).
- Agencies used several tools for establishing or reviewing user fee amounts, including internally developed tools/methods (28%), outsourced user fee studies or external guidance (28%), and Department of Finance guidance (17%).

FINES / FORFEITS

- 8 of the 29 responding agencies reported receiving revenue from fines.
- Most fines are set by state statute, the county agency with Board approval, or the courts.
- 1 agency reported collecting both civil and administrative forfeit revenue.

FEE OPPORTUNITIES

For all revenue fees considered, we asked if opportunities existed to establish or resume the collection of any types of fines or charges for services.

- Some agencies reported opportunities and are either currently reviewing them and/or lack guidance and expertise to assess them.
- Following the implementation of the audit recommendations in this report, we will examine the reported opportunities to determine if they are being pursued.

Agency-Level Testing

Background – We conducted interviews and reviewed documentation for four selected agencies to determine if policies, procedures, and practices for determining and reviewing fee levels conform to industry best practices. This included comparing fee setting practices to county policies and guidance, and to best practices available from the Government Finance Officers Association (GFOA). Our objective was to assess whether improvements can be made on a countywide level.

Observations – County policy B1011 *Budgeting and Accountability* requires fees to be developed based on current market conditions and on full cost recovery, including indirect costs. For the agencies we tested, we noted inconsistencies in how they establish and review fees. This coincides with observations from the countywide survey. In addition, the policy requires fees to be reviewed annually in conjunction with the budget development process. However, some fees were not developed or reviewed in accordance with policy.

While the departures were justifiable, there was no formal process to ensure that county management or the Board of Supervisors agreed with these departures. To enhance oversight and transparency, agencies should acknowledge/disclose their fee review in conjunction with their budget submissions (**Recommendation 1**). To assist with implementing our recommendation, we furnished a four-question “Fee Review Acknowledgment” template that can be used during the budget submission process.

Some agencies were unaware that county guidance exists to help them develop and review their fee levels (**Recommendation 1**). In addition, the resources can be strengthened by including GFOA’s best practices for government charges and fees (**Recommendation 2**).

County policy B1011 requires fees to be reviewed annually but does not require the review to be documented and retained for audit or other purposes (**Recommendation 3**).

External Fee Study Recommendations

Background – During fiscal year 2019, the County engaged MGT Consulting Group to provide guidance and policy recommendations for the County’s user fees. The report contained tools necessary to make fee policy decisions. It also included several countywide and agency specific recommendations. The report is posted on the County’s intranet for reference.

Observations – We inquired as to the status of the recommendations made by MGT Consulting Group and learned there were no written responses or action plans put into place. While the report serves as a valuable resource, no follow-up was done to ensure that meaningful recommendations were evaluated and implemented (**Recommendation 4**).

Additional Information

This audit was approved by the Maricopa County Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. This report is intended primarily for the County and its stakeholders. However, this report is a public record and its distribution is not limited. If you have any questions about this report, please contact Mike McGee, County Auditor, at 602-506-1585.

Recommendations and Responses

Recommendations to the Office of Budget and Finance	Responses
<p>1 As part of the budget submission process, agencies should acknowledge/disclose:</p> <ul style="list-style-type: none"> • Basic information about their last fee review • Opportunities to further County cost recovery goals by establishing new fees and/or revising existing fee schedules <p>The acknowledgement form should provide references to guidance as appropriate. Internal Audit developed and furnished a template that can be used.</p>	<p>Concur – will implement with modifications</p> <p>The Office of Budget and Finance will update the checklist for department annual budget submission to include a box to indicate that any and all fees have been reviewed and the department has documented the review.</p> <p>Departments will retain responsibility to identify where fees are inadequate or opportunities for new fees. Departments will retain responsibility to bring this information forward to the Board of Supervisors for consideration. As directed by the Board of Supervisors or County Leadership, the Office of Budget and Finance will provide support and guidance where assistance is requested or needed.</p> <p>The Office of Budget and Finance will incorporate any direction from the Board of Supervisors regarding updates to existing fees or establishment of new fees in the Annual budget Guidelines and Priorities adopted/approved by the Board of Supervisors.</p> <p>Target Date: 12/31/2021</p>
<p>2 Enhance existing fee guidance by including references to GFOA’s best practices for government charges and fees.</p>	<p>Concur – completed</p> <p>The Office of Budget and Finance updated its intranet site to include a link to the updated GFOA best practices for Establishing Government Charges and Fees.</p>

Recommendations to the Office of Budget and Finance	Responses
<p>3 In the next version of Policy B1011, require future fee reviews to be documented and retained in accordance with applicable retention schedules.</p>	<p>Concur – will implement with modification</p> <p>The Office of Budget and Finance will update the Budget and Accountability Policy section VI.B.3 to add the following sentence and submit it for Board of Supervisor approval: <i>Departments will be responsible to maintain documentation of their annual fee review and shall retain this evidence in accordance with applicable retention schedules. Departments will affirm the completion of the review as part of their budget submission. Documentation of the fee review will be made available as directed by the Board of Supervisors.</i></p> <p>Target Date: 09/30/2021</p>
<p>4 Review the June 2019 report from MGT Consulting Group and determine which countywide recommendations should be implemented. Develop an action plan as appropriate. For agency specific recommendations, obtain a response from the agencies as to whether they concur with the recommendations and their plans to implement them.</p>	<p>Concur – will implement with modification</p> <p>In 2019, MGT Consulting Group was engaged to assist the County in reviewing its fee models for internal services funds and provide general guidance on establishing fee models. The manuals were published to the MyMC site to provide guidance to departments. Although the MGT report was coordinated by the Department of Finance, our understanding was the recommendations were not traditional audit recommendations that required response, but were considerations that the County should take into account if the County were to implement a robust policy on establishing charges for services and fees.</p> <p>The Office of Budget and Finance will revisit this report, review the recommendations, and consult with County leadership to identify which, if any, of the recommendations warrant additional action.</p> <p>Target Date: 12/31/2021</p>