



Internal Audit Report

**Grant Funded Organizations
Federal Audit Compliance Review**

June 2005



Audit Team Members

Joe Seratte, Audit Manager
Louise Wild, Associate Auditor
Jennifer Pilwallis, Audit Intern



Maricopa County

Internal Audit Department

301 West Jefferson St
Suite 1090
Phx, AZ 85003-2143
Phone: 602-506-1585
Fax: 602-506-8957
www.maricopa.gov

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Max W. Wilson, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Mary Rose Wilcox, Supervisor, District V

We have concluded the Grant Funded Organizations Federal Audit Compliance reviews for funds distributed to subrecipients in fiscal years 2002-2003 and 2003-2004. As required by federal guidelines, we surveyed 96 organizations that received \$30.3 million in County-distributed federal grant funds during the two fiscal years and reviewed the Single Audit reports of the entities required to submit them during this period. This review was performed in accordance with the Board of Supervisors' approved annual audit plan.

We noted 18 of the audit reports contained 84 findings related to federal grant funds. The 84 findings included 58 instances of noncompliance with laws, regulations, contracts, or grant agreements and 52 reportable weaknesses in internal controls (a finding can encompass both compliance and internal control). Sixteen of the reportable weaknesses in internal controls were considered material weaknesses. However, most of the findings do not appear directly related to funds distributed by the County.

This report includes:

- Background information on the Single Audit Act
- Internal Audit's role in the Single Audit reporting process
- Single Audit report data and a listing of the County's FY 2002-2003 and 2003-2004 subrecipients
- A summary of audit issues noted in the audit reports

If you have any questions, please contact Joe Seratte at 506-6092.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

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Table of Contents

Executive Summary	1
Introduction	2
County Pass-Through Grantors	6
Independent Auditors' Findings	7
Appendices	11

Executive Summary

What is a Single Audit?

A Single Audit is an independent audit of non-federal entities that expend \$300,000 or more in federal grant funds in years ending on or before December 31, 2003 or \$500,000 for years ending thereafter. These audits are performed in compliance with Federal Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Why does Internal Audit Review Single Audit Reports?

Non-federal entities that receive federal grant funds and distribute any portion of those funds to subrecipients (other entities that use the funds in their own programs) are responsible for ensuring their subrecipients comply with the Single Audit requirements.

How Much Federal Money Do We Pass Through?

The County expended \$102.9 million in federal grant funds in FY 2002-2003 and passed \$23.7 through to subrecipients. In FY 2003-2004, the County expended \$113.6 million in federal grant funds and passed \$23.3 million through to subrecipients.

Do Any of the Single Audit Findings Affect the County?

The subrecipients' independent auditors report findings relate to the general purpose financial statements and the entities' major programs. Findings related to the general purpose financial statements could indirectly affect federal funds passed through the County. Findings related to major programs will only affect the County if the County funds those programs. Summary tables of findings that could impact federal funds passed through the County are shown on pages 7 and 8.

What Action Do We Take on Findings?

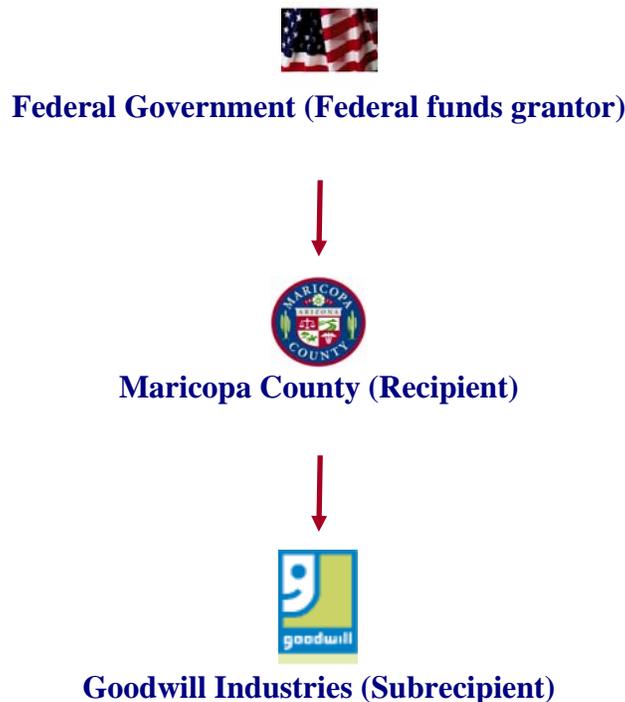
Internal audit reports findings to departments that pass through grant funds. Individuals who manage the grants make final determination of whether the findings impact funds the department passed through. If they determine the findings do affect the funds they passed through, they review the subrecipients corrective action plan and issue a management decision to the subrecipient that states whether they accept the plan and what other corrective action is required, if any. They then follow up to ensure that timely and appropriate corrective action is taken.

Introduction

Background

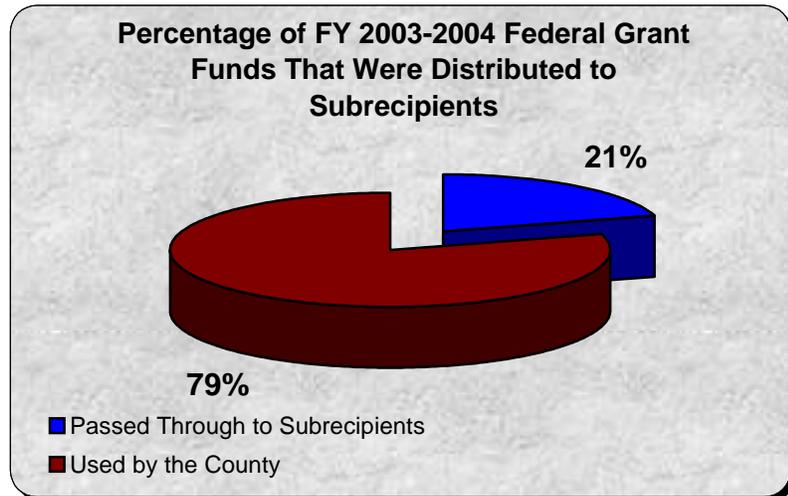
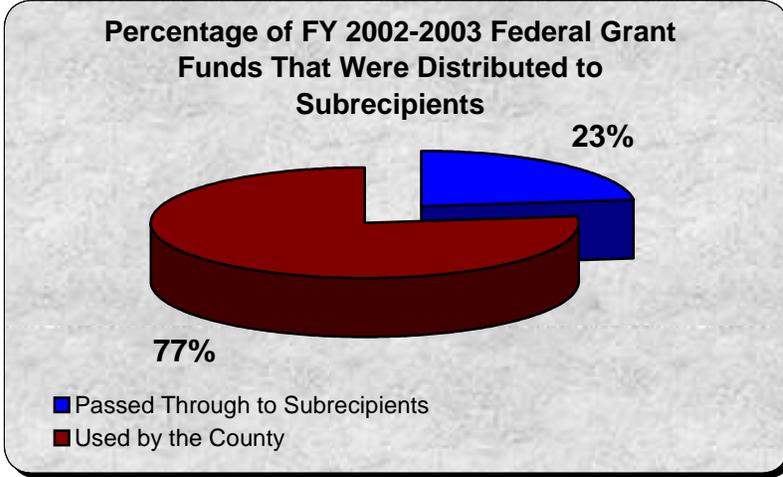
In 1984, the United States Congress passed the Single Audit Act to consolidate a previously fragmented and inefficient approach to auditing federal grants. The Federal Office of Management and Budget issued Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations* to implement the Single Audit Act. Non-federal entities who expended \$300,000 or more of federal assistance for fiscal years ended on or before December 31, 2003, or \$500,000 or more for fiscal years ended thereafter, are required to undergo a comprehensive financial and compliance audit each year (a Single Audit).

In addition, Circular A-133 discusses federal grant subrecipients and pass-through entities. It defines a *subrecipient* as “an organization that receives federal financial assistance to carry out a program” from a primary recipient or other subrecipient. A *pass-through entity* is a primary recipient or subrecipient that passes federal grant funds through to subrecipients. The federal fund distribution process is illustrated below:



The County expended \$102.9 million of federal grant funds in FY 2003 and directed \$23.7 (23%) million of these funds to subrecipient cities, charitable organizations, and service foundations within Maricopa County. For FY 2004 the County expended \$113.6 million and distributed \$23.3 (21%) to subrecipient organizations. A listing of the County’s 2003 and 2004 subrecipients is shown in Appendices A and B.

Illustration of Federal Grant Funds Used and Distributed by the County



Auditor General Findings and Internal Audit's Role

The Arizona Auditor General's June 30, 1988 *Report on Supplemental Data, Internal Controls, and Compliance for Single Audit*, found Maricopa County to be in noncompliance with the Single Audit Act. The County did not have countywide procedures to ensure that subrecipients were audited. The Auditor General directed the County to ensure that subrecipients undergo audits, follow up on reported audit findings, and ensure corrective action is taken.

As a result, the Board of Supervisors directed Internal Audit to establish and maintain a countywide subrecipient audit management program. Each year Internal Audit:

- Identifies County subrecipients
- Contacts them to determine if they expended enough federal grant funds to meet the Single Audit threshold
- Requests and reviews the Single Audit reporting packages
- Communicates the findings to County departments that passed through the funds so they may ensure that subrecipients take appropriate corrective action (when necessary)

In recent years Community Development and the Sheriff's Office have obtained Board approval to assume responsibility for ensuring their subrecipients comply with the Single Audit Act. Therefore, we did not review Community Development and Sheriff's Office subrecipients for FY 2002-2003 or 2003-2004, which accounted for \$7.3 and \$8.9 million, respectively, of grants passed through. In addition, Maricopa Medical Center assumed responsibility for monitoring its subrecipient's compliance from FY 2004 forward when it transitioned to the Special Healthcare District in January 2005. As a result, we did not review Maricopa Medical Center subrecipients for FY 2004, which accounted for \$560,000 of grant funds passed through.

Specific Requirements

Primary recipients and subrecipients who exceed the "grant funds expended" threshold (\$300,000 for years ended in 2003 and \$500,000 for years ended in 2004) must hire an independent auditor, either the State Auditor General or an independent Certified Public Accountant (CPA), each year. The auditor performs uniform audit procedures established in 1996 by the Single Audit Amendment and produces a Single Audit Reporting Package, which includes:

- Independent Auditor's Report
- Audited Financial Statements
- Schedule of Expenditures of Federal Awards
- Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings
- Corrective Action Plan (if appropriate)

If subrecipient auditees' schedules of findings and questioned costs disclose any finding directly related to the federal award the pass-through entity provided, the auditee must submit a copy of the audit reporting package to the pass-through entity. Auditees must also submit copies of their

reporting packages to pass-through entities upon request. Conversely, when a report identifies findings related to the federal award provided, the pass-through entity must issue a management decision on the findings within six months of receipt of the reporting package, and ensure that the subrecipient takes timely corrective action.

Finding Classifications

The independent auditors report instances of noncompliance and weaknesses in internal control in the *Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards* and the *Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133*. Each report contains a section on compliance and a section on internal control over compliance. The classifications of the findings reported by the auditors are described in the following table:

<i>Immaterial Instances of Noncompliance</i>	<i>Noncompliance</i>	<i>Reportable Conditions</i>	<i>Material Weakness</i>
Noncompliance that is not required to be reported. These findings represent areas for potential improvement that are typically communicated to the audited entity in a separate management letter and not included in the audit reports.	Noncompliance with certain provisions of laws, regulations, contracts, and grants, which could have a direct and material effect on financial statement amounts or major federal programs.	Reportable conditions are significant deficiencies in the design or operation of the internal control over financial reporting that could adversely affect the organization's ability to record, process, summarize, and report financial data.	A material weakness is a reportable condition significant enough that a material misstatement in the financial statements or material noncompliance with requirements of a major federal program may occur and not be detected by employees in the normal course of business.

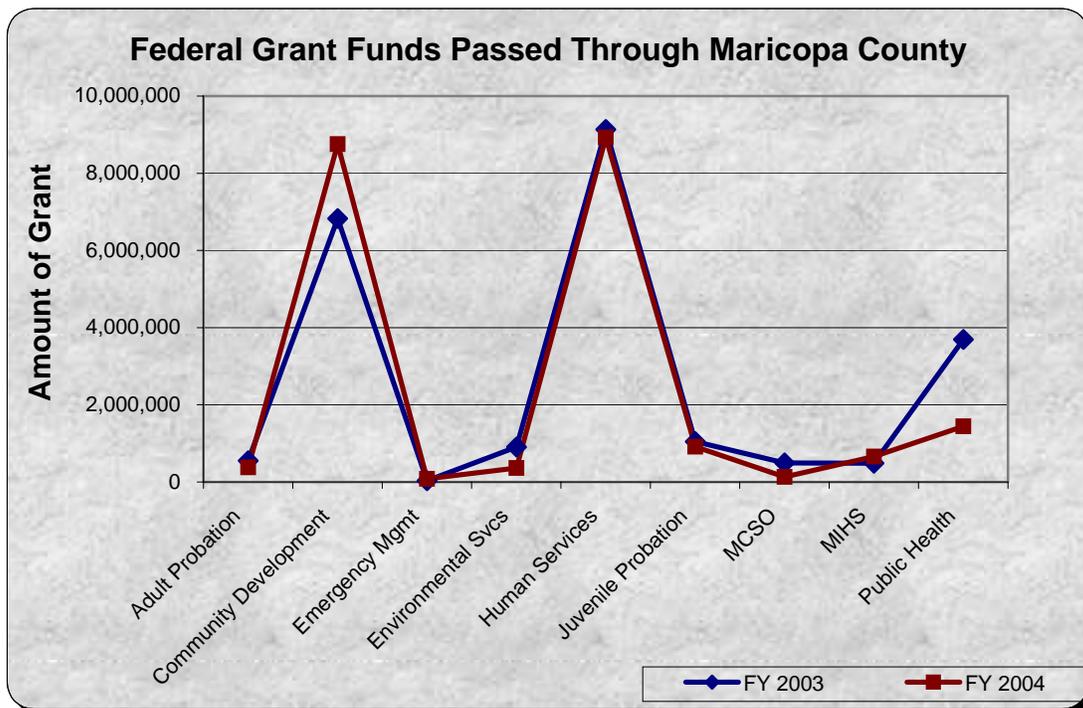
Details of these findings and any associated costs are presented in the *Schedule of Findings and Questioned Costs*.

County Pass-Through Grantors

Nine County organizations passed federal grant monies through to subrecipients in FY 2002-2003 and 2003-2004:

- Adult Probation
- Community Development (not reviewed by IA)
- Emergency Management
- Environmental Services
- Human Services
- Juvenile Probation
- Maricopa County Sheriff's Office (not reviewed by IA)
- Maricopa Integrated Health System (reviewed by IA for FY 2003 only)
- Public Health

The chart below illustrates total grant dollars passed through each department for FY 2003 and FY 2004. The dollar amounts passed through to each subrecipient are detailed in Appendices A and B for departments whose subrecipients' reports are reviewed by Internal Audit.



Independent Auditors' Findings

Summary for FY 2002 – 2003

The County departments whose subrecipient Single Audit reports are reviewed by Internal Audit passed through federal grant funds to 46 subrecipients in FY 2003. We determined that seven subrecipients were not required to have Single Audits done and reviewed the remaining 39 subrecipients' Single Audit reports. The reports reviewed represented \$15.8 million in federal funding that passed through the County.

Ten audit reports identified 27 instances of noncompliance, 17 reportable conditions and nine material weaknesses that OMB Circular A-133 requires to be reported. We reported these findings to the appropriate County departments so they could determine whether the findings impacted any of the grant funds they passed through. Although the grantor departments must make the final determination, most of the findings do not appear to affect County grant funds. The table below presents the findings that potentially impact County distributed funds. Appendix C summarizes all FY 2003 findings for reviewed subrecipients.

Subrecipient	Finding	Financial Statement Compliance	Financial Statement Internal Control	Grant Agreement Compliance	Grant Agreement Internal Control
Aids Project Arizona	Inadequate segregation of accounting duties		RC		
Aids Project Arizona	Inadequate segregation of duties related to HIV Emergency Relief Project grants	NC			
Aids Project Arizona	Inadequate eligibility documentation for HIV Emergency Relief Project eligibility			NC	
Aids Project Arizona	Single Audit reporting package not submitted timely	NC		NC	
Arizona Call-A-Teen	Improper accounting procedures, particularly with respect to revenue recognition and recording and cash reconciliations		MW		
Community Services of Arizona	Improper reporting of revenues & expenses related to inadequate controls over reporting new activities		MW		
Phoenix Children's Hospital	Did not have formal policies and procedures to ensure compliance with OMB A-110			NC	RC

NC= Noncompliance, RC=Reportable Condition, MW=Material Weakness

Our review of the reports for compliance with the requirements of OMB A-133 also noted problems with the quality of 23 of the reporting packages, such as failure to include federal grant funds passed through the County in their *Schedule of Expenditure of Federal Awards* (SEFA), failure to state the audit was performed in accordance with government auditing standards (GAS) and failure to include required schedules. These findings are summarized in the following table:

Subrecipient	Amount Passed Through as Reported by Department	County Funds Not Included in SEFA	SEFA Reports Significantly Different County Funds Amount	Audit Report Does Not State GAS Compliance	All Required Schedules Not Included	Other Miscellaneous Issues*
Aids Project Arizona	\$923,315			✓	✓	
Area Agency on Aging	1,182,812		✓			
Arizona Call-A-Teen	659,898				✓	
Banner Health	103,442	✓				
Body Positive	737,223					✓
Catholic Healthcare West (St. Josephs Hospital)	45,704	✓			✓	
Central Arizona Shelter Services	40,934	✓				✓
Chandler School District	113,953	✓				
Chicanos Por La Causa	483,461	✓			✓	✓
City of Phoenix	925,638				✓	
City of Tempe	122,034				✓	
Concilio Latino de Salud	58,260	✓		✓		
Ebony House	66,207		✓			
Foundation for Senior Living	103,456					✓
Mesa Public Schools	131,722	✓				
Mountain Park Health Center	26,844	✓				✓
New Life Center	27,111			✓		
Phoenix Shanti Group	153,753					✓
Pinal County Health Department	10,621	✓				
State of Arizona	379,443	✓				
Tempe Community Action Agency	103,182		✓			
Town of Buckeye	62,793	✓				
Town of Gila Bend	50,187			✓		

* Includes items such as unexplained restatements of prior year amounts and inappropriate or incomplete report presentation

Summary for FY 2003 - 2004

Six County departments passed through \$14.4 million in grant funds to 48 subrecipients during fiscal year 2004; 38 of these were required to have Single Audits performed; 28 subrecipients who received \$12.4 million (in aggregate) submitted their audited financial statements and single audit reports by April 30th and were reviewed during this period. Of the ten subrecipients who did not submit reports during this period, three subrecipient's reporting packages are overdue (out of compliance with OMB A-133), one subrecipient is out of business, and six reporting packages are not yet due because the organization had a year-end later than 6/30/04.

Eight of the audit reports reviewed identified 31 instances of noncompliance, 19 reportable conditions and 7 material weaknesses. We reported these findings to the appropriate County departments so they could determine whether the findings impacted any of the grant funds they passed through. Although the grantor departments must make the final determination, most of the findings do not appear to affect County grant funds. Appendix D summarizes all FY 2004 findings for reviewed subrecipients. The table below presents the findings that appear to impact County distributed funds.

Subrecipient	Finding	Financial Statement Compliance	Financial Statement Internal Control	Grant Agreement Compliance	Grant Agreement Internal Control
Aids Project Arizona	No reports – Out of Business				
Town of Buckeye	The Town's general ledger required numerous adjustments for financial statement preparation		RC		
Town of Buckeye	Purchase orders and requisitions were not always maintained		RC		
Town of Buckeye	Proper bidding procedures were not always followed		RC		
Town of Buckeye	Receipts for credit card purchases were not always maintained		RC		
Town of Buckeye	Invoices were not always maintained		RC		
Town of Buckeye	Updated employee personnel action forms were not always maintained		RC		

NC= Noncompliance, **RC**=Reportable Condition, **MW**=Material Weakness

We also identified problems with the quality of 17 of the reports, such as failure to include federal grant funds passed through the County in their *Schedule of Expenditure of Federal Awards* and failure to state the audit was performed in accordance with government auditing standards. These findings are summarized in the table on the following page:

Subrecipient	Amount Passed Through as Reported by Department	County Funds Not Included in SEFA	SEFA Reports Significantly Different County Funds Amount	Audit Report Does Not State GAS Compliance	All Required Schedules Not Included	Other Miscellaneous Issues*
Area Agency on Aging	1,080,729		✓			
Arizona Call-A-Teen	475,000				✓	✓
Catholic Healthcare West (St. Joseph's Hospital)	60,999	✓			✓	
Chicanos Por La Causa	452,337	✓			✓	
City of Avondale	73,459				✓	
City of Glendale	204,251					
City of Mesa	12,570		✓			
City of Peoria	4,869		✓			
City of Phoenix	819,542		✓			
City of Scottsdale	2,601		✓			
City of Surprise	3,859		✓			
City of Tempe	11,836		✓		✓	
Concilio Latino de Salud	45,046	✓		✓		
Goodwill Industries	400,000				✓	
Pinal County	38,005		✓			
Regional Public Trans. Authority	360,854		✓			
State of Arizona	97,193	✓				
Town of Gilbert	3,699	✓				

* Includes items such as unexplained restatements of prior year amounts and inappropriate or incomplete report presentation

If a pass-through department determines that audit findings impact the grant funds they provided, they should review the subrecipient's corrective action plan and issue a management decision to the subrecipient that states whether they accept the plan and what other corrective action they require, if any. They should also follow up to ensure that the subrecipient takes timely and appropriate corrective action.

Circular A-133 does not require any specific action of pass-through entities when subrecipients' audit reporting packages do not meet the established criteria. However, A-133 does require pass-through entities to communicate certain information about the grant and the requirements imposed on them by federal law, regulations, grant and contract agreements. Therefore, we reported this information to the departments so they could work with their subrecipients to resolve these issues.

Appendix A

Maricopa County FY 2002-2003 Subrecipients

	Subrecipients	Amount Passed through	Adult Probation	Emergency Management	Environmental Services	Human Services	Juvenile Probation	MIHS	Public Health
1	AIDS Project AZ (APAZ) (1)	923,315						✓	✓
2	Area Agency on Aging (dba HIV Care Directions)	1,182,812						✓	✓
3	Arizona Call-A-Teen Youth Resources	659,898				✓			
4	Arizona Department of Health Services	299,974							✓
5	ASU-Community Health Services & Student Health HIV Program	79,469						✓	✓
6	Banner Health	103,442							✓
7	Body Positive (Phoenix)	737,223						✓	✓
8	Catholic Social Service of Central and Northern AZ	6,939,109				✓			✓
9	Central Arizona Shelter Services	40,934							✓
10	Chandler Unified School District	113,953				✓			
11	Chicanos Por La Causa	483,461	✓						✓
12	City of Avondale	60,478				✓			
13	City of Chandler	15,068		✓					
14	City of El Mirage	58,463				✓			
15	City of Glendale	226,621				✓	✓		
16	City of Phoenix	925,638					✓		
17	City of Scottsdale	97,090				✓			
18	City of Tempe	122,034		✓		✓			
19	City of Tolleson	56,141				✓			
20	Clinica Adelante	16,469							✓
21	Community Legal Services (HIV/AIDS Law Project)	36,731							✓
22	Community Services of Arizona (CSA)	136,974				✓			
23	Concepts for Change (2)	29,744	✓						
24	Concilio Latino de Salud	58,260						✓	✓
25	Ebony House	66,207						✓	
26	Family Service Agency (2)	64,910	✓						
27	Foundation for Senior Living (FSAL)	103,456				✓			
28	Gilbert Unified School District	80,390				✓			

Maricopa County FY 2002-2003 Subrecipients, Continued

	Subrecipients	Amount Passed through	Adult Probation	Emergency Management	Environmental Services	Human Services	Juvenile Probation	MIHS	Public Health
29	Jewish Family & Children's Services (2)	19,452							✓
30	Mesa School District	131,722				✓			
31	Mountain Park Health Center	26,844							✓
32	Northwest Organization for Voluntary Alternatives, Inc. (NOVA) (2)	96,624							✓
33	New Life Center	27,111				✓			
34	Phoenix Children's Hospital	68,448						✓	✓
35	Phoenix Indian Medical Center (3)	11,670							✓
36	Phoenix Shanti Group	153,753							✓
37	Pinal County Health Department	10,621							✓
38	Regional Public Transportation Authority	904,393			✓				
39	Save the Family (ARM)	27,111				✓			
40	St Josephs Hospital (CHW)	45,704							✓
41	Treatment Assessment Screening Center (TASC) (2)	153,627	✓						
42	Tempe Community Action Agency	103,182				✓			
43	Town of Buckeye	62,793				✓			
44	Town of Gila Bend	50,187				✓			
45	Town of Guadalupe	220,146				✓			
46	Volunteer Center (2)	17,150		✓					
	Total	15,848,800							

- (1) Out of business – did not submit a report
(2) Did not meet the \$500,000 threshold
(3) Federal entity – not required to have a Single Audit

Appendix B

Maricopa County Subrecipients FY 2003-2004

	Subrecipients	Amount Passed Through	Adult Probation	Emergency Management	Environmental Services	Human Services	Juvenile Probation	Public Health
1	AIDS Project AZ (APAZ) (1)	595,271						✓
2	Area Agency on Aging (dba HIV Care Directions)	1,080,729						✓
3	Arizona Call-A-Teen Youth Resources	475,000				✓		
4	ASU	95,185						✓
5	AZ Division of Emergency Management	2,008		✓				
6	Banner Health	78,217						✓
7	Body Positive	967,057						✓
8	Catholic Social Service of Central and Northern AZ	6,845,987				✓		✓
9	Central Arizona Shelter Services	51,604						✓
10	Chicanos Por La Causa	452,337	✓					✓
11	City of Avondale	73,459		✓		✓		
12	City of Chandler	19,109		✓				
13	City of El Mirage	69,598				✓		
14	City of Glendale	204,251		✓		✓	✓	
15	City of Goodyear	2,500		✓				
16	City of Mesa	12,570		✓				
17	City of Peoria	4,869		✓				
18	City of Phoenix	819,542		✓			✓	
19	City of Scottsdale	2,601		✓				
20	City of Surprise	3,859		✓				
21	City of Tempe	11,836		✓				
22	City of Tolleson (2)	56,141				✓		
23	Clinic Adelante	13,184						✓
24	Community Services of Arizona (CSA)	146,920				✓		
25	Community Legal Services (HIV/AIDS Law Project)	58,443						✓
26	Concepts for Change (2)	104,160	✓					
27	Concilio Latino de Salud	45,046						✓
28	Daisy Mountain FD - New River (2)	3,043		✓				
29	Family Service Agency (2)	58,173	✓					
30	Foundation for Senior Living (FSAL)	428,713				✓		
31	Fountain Hills – CERT (2)	1,887		✓				

Maricopa County Subrecipients FY 2003-2004, Continued

	Subrecipients	Amount Passed Through	Adult Probation	Emergency Management	Environmental Services	Human Services	Juvenile Probation	Public Health
32	Goodwill Industries of AZ	400,000				✓		
33	Jewish Family & Children's Services (2)	21,600						✓
34	Mountain Park Health Center	28,860						✓
35	New Life Center (2)	27,111				✓		
36	Northwest Organization for Voluntary Alternatives, Inc. (NOVA) (2)	57,645	✓					
37	Phoenix Children's Hospital	3,922						✓
38	Phoenix Indian Medical Center (3)	26,530						✓
39	Phoenix Shanti Group	288,880						✓
40	Pinal County Health Department	38,005						✓
41	Regional Public Transportation Authority	360,854			✓			
42	Salt River Pima Indian Community FD (2)	2,339		✓				
43	Save the Family (ARM)	27,770				✓		
44	St Josephs Hospital (Catholic Healthcare West)	60,999						✓
45	Sun Lakes Fire District (2)	1,000		✓				
46	Tempe Community Action Agency (2)	121,543				✓		
47	Town of Buckeye	62,793				✓		
48	Town of Gila Bend	50,187				✓		
49	Town of Gilbert	6,199		✓				
50	Town of Guadalupe	52,466				✓		
	Total	14,422,003						

- (1) Out of business – did not submit a report
 (2) Did not meet the \$500,000 threshold
 (3) Federal entity – not required to have a Single Audit

Appendix C

Subrecipient Findings for FY 2002-2003

Subrecipient	Finding Type	Description
Arizona Call-A-Teen Youth Services	Material Weakness	Not properly reconciling cash accounts or recording contract revenue and A/R in accordance with generally accepted accounting principles. Not properly accounting for carry-over funds at year-end – CFDA N/A.
Aids Project Arizona	Reportable Condition	Lack of appropriate segregation of duties over accounting functions – CFDA N/A
	Reportable Condition	Lack of appropriate segregation of duties over accounting functions – CFDA #93.914
	Noncompliance	Lack of documentation to support eligibility – CFDA #93.914
	Noncompliance	Failure to submit Single Audit reporting package timely – applies to CFDA #s
Catholic Healthcare West	Noncompliance	Failure to reconcile HIV/AIDS units of outpatient service rendered to units of services reported to the City and County of San Francisco – CFDA #93.914
	2 Instances of Noncompliance	Failure to ensure that all recipients are eligible for HIV/AIDS outpatient services – CFDA #93.914
City of Phoenix	Noncompliance	Inadequate documentation to support rent reasonableness tests in the Housing Opportunities for Persons with AIDS program – CFDA #14.241
	Noncompliance	Inadequate documentation supporting third-party income verification in the Section 8 program – CFDA #14.856
	Noncompliance	Inadequate documentation evidencing a public housing applicant was placed on the waiting list – CFDA #14.850
	Noncompliance	Inadequate documentation to support that public housing participants were selected from the waiting list – CFDA #14.850
	Noncompliance	Inadequate documentation supporting secondary cost posting allocations for the public housing program – CFDA #14.850
	Noncompliance	HUD 52681 report was signed and submitted without being reviewed – CFDA #14.871

Subrecipient Findings for FY 2002-2003, Continued

Subrecipient	Finding Type		Description
City of Phoenix Continued	Noncompliance		Inadequate documentation supporting the significant history of procurement – CFDA # 20.500 & #20.507
	Noncompliance		Inadequate evidence of review over compliance requirements – CFDA # 20.500 & #20.507
	Noncompliance		Failure to obtain a subrecipient’s A-133 single audit reports – CFDA # 20.500 & #20.507
City of Tempe	Noncompliance		12/31/02 financial status report not timely filed – CFDA #16.592
	Noncompliance		12/31/02 financial status report for one of the grants reported expenditures for the wrong time period – CFDA #16.592
Community Legal Services	Noncompliance		Inadequate policies and procedures to ensure employees properly record their time into the LSC system – CFDA #09.703030
Community Services of Arizona	Material Weakness		Improper reporting of revenues & expenses related to inadequate controls over reporting new activities – CFDA N/A
Gilbert Unified School District	Reportable Condition	Noncompliance	Failure to ensure that SHAPE program expenditures reported agree to supporting documentation – CFDA #93.778
	Reportable Condition	Noncompliance	SHAPE program expenditures reported included salaries paid from another federal funding source – CFDA #93.778
Phoenix Children’s Hospital	Reportable Condition	Noncompliance	No formal policies and procedures to ensure compliance with OMB A-110 - Repeat Finding – applies to all CFDA #s
	Reportable Condition	Noncompliance	Inadequate tracking and inappropriate allocation of employee time spent on program activities - Repeat Finding – CFDA #93.994, 93.95 & 14.901
	Reportable Condition	Noncompliance	Report SF 269 not submitted (financial status report) - Repeat Finding – CFDA # 93.994
State of Arizona (included Arizona State University)	Material Weakness	Noncompliance	Failure to exercise internal control policies over activating Electronic Benefits Transfer (EBT) cards which allowed fraud to occur – CFDA #10.551 & 93.558
	Material Weakness	Noncompliance	Failure to maintain appropriate Temporary Assistance to Needy Families file documentation to determine eligibility – CDFA #93.558
	Reportable Condition	Immaterial Noncompliance	Inadequate reconciliation of authorized issuances of EBT cards reports from the contracted EBT company and report alleged instances of fraud – CDFA #10.551
	Material Weakness	Immaterial Noncompliance	Inadequate controls over changes to Food Stamp benefits – CFDA #10.551

Subrecipient Findings for FY 2002-2003, Continued

Subrecipient	Finding Type		Description
State of Arizona (included Arizona State University)	Material Weakness		Inadequate controls over payments to doctors – CFDA #96.001
	Reportable Condition	Immaterial Noncompliance	Failure to timely resolve employee v. contractor issues with the Internal Revenue Service (IRS) – CFDA #96.001
	Reportable Condition	Immaterial Noncompliance	Incorrect reporting of administrative and training costs related to the Trade Adjustment Assistance-Workers (TAAW) program – CFDA #17.245
	Reportable Condition	Immaterial Noncompliance	Inadequate supporting documentation related to subsistence payments in the TAAW program – CFDA #17.245
	Reportable Condition	Immaterial Noncompliance	Lack of policies and procedures to ensure compliance with the Workforce Development Administration program’s subrecipient monitoring requirements – CFDA #17.258, #17.259 & #17.260
	Material Weakness	Noncompliance	Inadequate controls over drawing Treasury State Assistance (TSA) monies for the Women, Infants & Children (WIC) program – CFDA #10.557
	Material Weakness	Noncompliance	Inadequate controls over drawing TSA monies for payroll and administrative costs of the WIC program – CFDA #10.557
	Reportable Condition	Immaterial Noncompliance	Failure to ensure that amount reported to the National Center for Educational Statistics agreed to supporting worksheets – CFDA #84.010
	Reportable Condition	Immaterial Noncompliance	Inadequate policies and procedures to ensure that Department of Education grant subrecipients complied with cash management requirements – CFDA # 84.010, #84.027, #84.048, #84.173 & # 84.367
	Material Weakness	Noncompliance	Inadequate controls over the Maintenance-of-Effort requirements for passing No Child Left Behind grant funds through to subrecipients - CFDA # 84.010, #84.027, #84.173 & # 84.367
	Reportable Condition	Immaterial Noncompliance	Failure to complete monthly reconciliations required by the Department of Education - CFDA # 84.010, #84.027, #84.048, #84.173 & # 84.367
	Reportable Condition	Immaterial Noncompliance	Failure to accurately perform interest calculations for Child and Adult Care Food Program grants – CFDA #10.558
	Reportable Condition	Immaterial Noncompliance	Failure to properly report administrative expenses incurred by the State, related to the Workforce Investment Act – CFDA # 17.258, #17.259 & #17.260

Appendix D

Subrecipient Findings for FY 2003-2004

Subrecipient	Finding Type	Description
City of Peoria	Material Weakness	No reconciliation was prepared between Municipal Court revenues recorded in the accounting system and actual cash receipts, which resulted in a \$300,000 shortage – CFDA N/A.
City of Avondale	Noncompliance	Time and attendance sheets for employees whose salaries are charged to grant funds are not consistently signed or approved – CFDA #16.710
	Noncompliance	Financial Status Reports (FSR's) were not submitted timely – CFDA #16.710
City of Tempe	3 Instances of Noncompliance	FSR's not submitted timely, reported interest & expenditures lower than what was recorded on the G/L and did not properly report interest earned – CFDA #16.592
	Noncompliance	2 of 36 weekly payroll certifications selected for testing were not available – CFDA #20.205
	Noncompliance	Both quarterly grant status reports selected for testing were submitted late – CFDA #20.507
City of Phoenix	Noncompliance	There was no properly authorized overtime request form for 1 of 11 selections – CFDA #16.710
	Noncompliance	Third party verification of assets was not performed for 1 of 6 selections – CFDA #14.856
	Noncompliance	Third party verification of assets was not performed for 1 of thirty selections – CFDA #14.871
	Noncompliance	Estimates were used to request grant reimbursements – CFDA #97.004
	Noncompliance	The Annual Progress Report was not submitted for 1 of 2 subrecipients selected – CFDA #14.235
	Reportable Condition	3 of 4 eligible departments did not review the expenditures submitted for reimbursement – CFDA #97.004

Subrecipient Findings for FY 2003-2004, Continued

Subrecipient	Finding Type		Description
City of Phoenix - Continued	Noncompliance		Reimbursements received were not reconciled to reimbursements requested, which resulted in the City receiving more money than requested – CFDA #97.004
	Noncompliance		Quarterly Financial Status Reports were not submitted timely – CFDA #97.004
Town of Buckeye	Reportable Condition		The Town’s General Ledger required numerous adjustments in order to prepare the financial statements – CFDA N/A
	Reportable Condition		Purchase orders and purchase requisitions were not always prepared, maintained or properly completed – CFDA N/A
	Reportable Condition		Proper bidding procedures were not always followed – CFDA N/A
	Reportable Condition		Receipts for credit card purchases were not always maintained – CFSA N/A
	Reportable Condition		Invoices were not always maintained – CFDA N/A
	Reportable Condition		Updated employee personnel action forms were not always maintained – CFDA N/A
Catholic Healthcare West	Reportable Condition		Inadequate documentation of employee’s time charged to grants – CFDA #93.918
State of Arizona (included Arizona State University)	Reportable Condition	Immaterial Noncompliance	Inadequate internal controls over ensuring that vendors paid as mediators were qualified – CFDA #84.027 & #84.173
	Material Weakness	Noncompliance	Inadequate policies & monitoring over compliance with the maintenance-of-effort calculation requirements – CFDA #84.027 & #84.173
	Reportable Condition	Immaterial Noncompliance	Inadequate internal controls over ensuring compliance with the Treasury State Agreement when drawing monies to redeem food vouchers – CFDA #10.557
	Reportable Condition	Immaterial Noncompliance	Did not provide grant subrecipient with adequate grant identification information or ensure they had single audit or program specific audits when required – CFDA #39.011
	Material Weakness	Noncompliance	Failure to enforce internal controls to ensure that food stamps and cash assistance benefits were issued only to eligible recipients – CFDA #10.551, #10.561, #93.558

Subrecipient Findings for FY 2003-2004, Continued

Subrecipient	Finding Type		Description
State of Arizona (included Arizona State University) - Continued	Material Weakness	Noncompliance	Failure to enforce internal controls to ensure eligibility validation of medical benefit recipients – CFDA #93.558
	Material Weakness	Noncompliance	Lack of adequate internal controls over ensuring that changes made to recipient’s cash benefits assistance were recorded within the recipient’s case file in the eligibility computer system – CFDA #10.551 & #10.561
	Reportable Condition	Immaterial Noncompliance	Failure to reconcile emergency issued EBT cards and cancellations – CFDA #10.551 & #10.561
	Reportable Condition	Immaterial Noncompliance	Lack of adequate internal controls over ensuring that changes made to recipient’s cash benefits assistance were recorded within the recipient’s case file in the eligibility computer system – CFDA #10.551 & #10.561
	Reportable Condition	Immaterial Noncompliance	Incorrectly reported administrative costs as training expenditures on the SF-269 Financial Status Report – CFDA #17.245
	Reportable Condition	Immaterial Noncompliance	Incorrectly reported administrative expenditures as program expenditures on the ETA 9076-A Financial Status Report – CFDA #17.259, #17.259, #17.260
	Material Weakness	Noncompliance	Inadequate internal controls over compliance with procurement regulations – CFDA #84.126
	Reportable Condition	Immaterial Noncompliance	Inadequate internal controls over ensuring that unemployment benefits were issued only to eligible claimants – CFDA #17.225
	Reportable Condition	Immaterial Noncompliance	Failure to enforce internal controls over ensuring that payroll expenditures for employees on educational leave were properly charged– CFDA #93.558, #93.658, #93.667
	Material Weakness	Noncompliance	Failure to enforce internal controls over ensuring compliance with the program’s special tests and provisions requirements – CFDA #93.563
	Reportable Condition	Immaterial Noncompliance	Inadequate internal controls over preparation of the National Public Education Financial Survey form – CFDA #84.010
Pinal County	Reportable Condition	Immaterial Noncompliance	Failure to capitalize 6 assets that met the County’s capitalization criteria – CFDA N/A