

Maricopa County

Single Audit Report

Year Ended June 30, 2017



A Report to the Arizona Legislature





The Arizona Office of the Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, state agencies, and the programs they administer.

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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 the Uniform Guidance**

Members of the Arizona State Legislature

The Board of Supervisors
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) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017, except for the Section 8 Housing Choice Vouchers (14.871) major federal program administered by the Housing Authority of Maricopa County. That major federal program was audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to that major federal program's compliance with the types of compliance requirements described in the *OMB 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 \$999,490 in federal awards that are not included in the County's Schedule of Expenditures of Federal Awards for the year ended June 30, 2017. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of the Uniform Guidance. Those standards and the Uniform

Guidance 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the County’s compliance.

Basis for qualified opinion on Teacher and School Leader Incentive Grants and Child Support Enforcement programs

As described in the accompanying schedule of findings and questioned costs, the County did not comply with certain compliance requirements that are applicable to the major federal programs listed below. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

Program name	CFDA number	Compliance requirements	Finding number
Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)	84.374	Matching and reporting	2017-103, 2017-105
Child Support Enforcement	93.563	Allowable costs/cost principles	2017-106

Qualified opinion on Teacher and School Leader Incentive Grants and Child Support Enforcement programs

In our opinion, 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 the Teacher and School Leader Incentive Grants (84.374) and Child Support Enforcement (93.563) programs for the year ended June 30, 2017.

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, 2017.

Other matters

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items 2017-101, 2017-102, 2017-104, and 2017-108. Our opinion on each major federal program is not modified with respect to these matters.

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 the Uniform Guidance, 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 have not been 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 2017-101, 2017-103, 2017-104, 2017-105, 2017-106, 2017-107, and 2017-108 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 2017-102 and 2017-109 to be significant deficiencies.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maricopa County's response to findings

Maricopa County's responses to the findings identified in our audit are presented in its corrective action plan at the end of this report. 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 schedule of expenditures of federal awards required by the Uniform Guidance

We have audited the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Maricopa County as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated December 21, 2017, 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 the Uniform Guidance 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
Director, Financial Audit Division

March 28, 2018



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of auditors' results

Financial statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles Unmodified

Internal control over financial reporting

Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Noncompliance material to the financial statements noted? No

Federal awards

Internal control over major programs

Material weaknesses identified? Yes

Significant deficiencies identified? Yes

Type of auditors' report issued on compliance for major programs

Unmodified for all major programs except for the Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund) (84.374) and Child Support Enforcement (93.563) programs which were qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)? Yes

Identification of major programs

CFDA number	Name of federal program or cluster
10.904	Watershed Protection and Flood Prevention
10.916	Watershed Rehabilitation Program
14.239	HOME Investment Partnerships Program
14.871	Section 8 Housing Choice Vouchers
15.226	Payments in Lieu of Taxes
17.258/17.259/17.278	WIOA Cluster

CFDA number	Name of federal program or cluster
84.374	Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)
93.563	Child Support Enforcement
93.568	Low-Income Home Energy Assistance
93.600	Head Start

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

Auditee qualified as low-risk auditee? **No**

Other matters

Auditee’s summary schedule of prior audit findings required to be reported in accordance with 2 CFR §200.511(b)? **Yes**

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

2017-101

CFDA number and name:	10.904 Watershed Protection and Flood Prevention
Award numbers and years:	68-9457-15-537, December 1, 2009 through December 1, 2020; 68-9457-12-509, October 18, 2012 through September 30, 2017
Federal agency:	U.S. Department of Agriculture
Compliance requirement:	Reporting
Questioned costs:	None

Criteria—To comply with 7 Code of Federal Regulations (CFR) §3016.20(b)(1), internal controls should be maintained over reporting to provide reasonable assurance that federal program reports are accurate and reliable. Failure to accurately compile and report information could result in noncompliance with a program’s reporting and matching requirements.

Condition and context—The County’s Flood Control District (District) did not adequately compile and review the SF-425, *Federal Financial Reports (FFR)*, submitted to the federal agency. Specifically, the District incorrectly reported the recipient’s share of expenditures that accounts for the County’s matching contribution on two reports and on a third report overreported the federal cash disbursements. The District corrected the errors on subsequent reports it filed. Further, the District submitted three of its reports after the reports’ required deadline.

Effect—Three of the District’s FFRs submitted to the federal agency during the period July 1, 2016 through June 30, 2017, were not accurate. The District misstated the federal cash disbursements, recipient share of expenditures, and remaining recipient share to be provided.

Cause—The District did not follow its policies and procedures to ensure data used to prepare the FFRs was accurate prior to submission. In addition, the District submitted the reports late because it was waiting on approval of expenditures from the federal grantor.

Recommendation—To help ensure the accuracy of the FFRs, the District should follow its policies and procedures by requiring that a responsible employee performs a detailed review of the FFRs and reconciles them to supporting data. In addition, the reports should be submitted to the federal agency on time.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2016-102.

2017-102

CFDA number and name:	84.374 Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)
Award numbers and years:	S374A100025, October 1, 2010 through September 30, 2016; S374A120089, October 1, 2012 through September 30, 2017; U374A160041, October 1, 2016 through September 30, 2021
Federal agency:	U.S. Department of Education
Compliance requirement:	Subrecipient monitoring
Questioned costs:	None

Criteria—In accordance with 34 CFR §80.20(b)(3), the County’s Maricopa Education Service Agency (Agency) must maintain effective control and accountability over its grant programs. To comply with 34 CFR §80.23(a), the Agency should only reimburse expenditures for the specified funding period outlined in its contract.

Condition and context—The Agency was awarded the Teacher and School Leader Incentive Grants program in 2010 along with its subrecipient school districts. The Agency entered into contracts with subrecipients that expired on December 30, 2015. However, the Agency did not extend grant contracts for subawards that were still being funded. As a result, the Agency allowed three subrecipients to continue to request reimbursement and reimbursed them for \$212,229 in program expenditures after the subrecipients’ contracts expired.

Effect—The Agency did not comply with subrecipient monitoring requirements and ensure that its subrecipients requested reimbursement for allowable expenditures incurred only during the contract period. The expenditures subrecipients incurred were valid and within the grants’ period of availability; therefore, there were no questioned costs.

Cause—The Agency did not have procedures in place to ensure its subrecipients were reimbursed for allowable expenditures incurred only during the subrecipients’ contract period.

Recommendation—To help ensure the Agency complies with subrecipient monitoring requirements, it should evaluate and update, as appropriate, its existing policies and procedures to ensure they are aligned with the federal agency’s regulations. This must include ensuring its subrecipients are reimbursed for allowable expenditures incurred only during the subrecipient’s contract period.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2016-107.

2017-103

CFDA number and name:	84.374 Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)
Award numbers and years:	S374A100025, October 1, 2010 through September 30, 2016; S374A120089, October 1, 2012 through September 30, 2017; U374A160041, October 1, 2016 through September 30, 2021
Federal agency:	U.S. Department of Education
Compliance requirement:	Matching
Questioned costs:	Unknown

Criteria—In accordance with 34 CFR §80.20(b)(3), the County’s Maricopa Education Service Agency (Agency) must maintain effective control and accountability over its grant programs. This includes ensuring the grantee complies with applicable statutes, regulations, and approved applications as outlined in 34 CFR §75.700.

Condition and context—The Agency agreed to match a total of \$7,516,860 of program expenditures over the 2012 grant award’s (grant #S374A120089) 5-year term. The Agency planned to meet the match with the administrative salaries of the school districts participating in the program. However, for the final two grant years, the Agency did not meet the required match because two school districts were no longer participating in the grant and one school district had a reduction in administrative staff. As of June 30, 2017, the Agency did not meet the matching requirement by \$505,965 for the full grant award. Although the Agency had until September 30, 2017, to finalize the grant award’s match, no additional matching funds were contributed as of that date.

Effect—The Agency did not comply with matching requirements, resulting in potential questioned costs of \$505,965. The Agency informed the grantor of the changes to its participating schools and lack of matching funds in its annual performance report; however, the Agency did not obtain a waiver to reduce the required match. Auditors were unable to determine if acceptance of the performance report by the grantor waived the County’s additional matching requirement.

Cause—The Agency was aware that it did not meet the matching requirement because of changes to its subrecipients but did not request a waiver from the U.S. Department of Education.

Recommendation—To help ensure the Agency complies with the matching requirements, the Agency should monitor the match and determine if there is available funding to help match the program requirements from other subrecipients or county funds. If the Agency is unable to meet the match, they should communicate with the federal agency and determine if the grantor will waive the remaining unmatched program dollars.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

2017-104

CFDA number and name:	84.374 Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)
Award numbers and years:	S374A100025, October 1, 2010 through September 30, 2016; S374A120089, October 1, 2012 through September 30, 2017; U374A160041, October 1, 2016 through September 30, 2021
Federal agency:	U.S. Department of Education
Compliance requirement:	Procurement
Questioned costs:	None

Criteria—In accordance with 34 CFR §80.20(b)(3), the County’s Maricopa Education Service Agency (Agency) must maintain effective control and accountability over its grant programs. Additionally, to comply with 2 CFR §80.36(b), a nonfederal entity must use its documented procurement procedures, which reflect the applicable state and local laws and regulations. This includes ensuring competition impracticable procurements exceeding an aggregate amount of \$100,000 comply with the Maricopa County Procurement Code MC1-351 and MC1-352.

Condition and context—The Agency did not always follow the County’s procurement rules and regulations. Specifically, the Agency paid a vendor \$94,000 for services received prior to documenting or submitting the competition impracticable form to the County’s Office of Procurement Services and an additional \$100,000 prior to obtaining the Board of Supervisors’ approval. Additionally, the Agency did not provide a written explanation supporting the procurement. The original expenditures occurred approximately 4 months before the Agency completed the competition impracticable form and 1 year before board approval.

Effect—The Agency did not comply with procurement requirements. The Agency documented later that the vendor was the sole provider, and therefore, there are no questioned costs.

Cause—The Agency did not follow the County’s Procurement Code because of insufficient oversight.

Recommendation—The Agency should follow the County’s internal control policies and procedures to ensure that all vendors being paid more than \$100,000 are competitively procured and that the County’s Procurement Code is followed. If services are unavailable from another vendor, the Agency should document that competition is impractical prior to obtaining services and entering into a contract. The Board of Supervisors should approve the procurement.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

2017-105

CFDA number and name:	84.374 Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)
Award numbers and years:	S374A100025, October 1, 2010 through September 30, 2016; S374A120089, October 1, 2012 through September 30, 2017; U374A160041, October 1, 2016 through September 30, 2021
Federal agency:	U.S. Department of Education
Compliance requirement:	Reporting
Questioned costs:	None

Criteria—To comply with 34 CFR §§75.702 and 75.730, internal controls should be maintained over reporting to provide reasonable assurance that federal program reports are accurate and reliable. Failure to accurately compile and report information could result in noncompliance with the program’s reporting requirements.

Condition and context—The County’s Maricopa Education Service Agency (Agency) did not adequately compile and review its final performance report (FPR) for grant #S374A100025. Specifically, the Agency incorrectly reported its non-TIF, performance-based compensation costs, matching contributions, and reimbursements to subrecipients in the financial section of the report. The Agency was unable to locate all of the documentation to support the amounts reported in the report. Although matching dollars were reported incorrectly for grant #S374A100025, the Agency did meet its federal matching requirement for this grant award.

Effect—The FPR submitted to the federal grantor agency was not accurate. The Agency overstated its reimbursements to subrecipients and matching contributions by approximately \$680,000 and \$820,000, respectively, and understated the increasing share of non-TIF, performance-based compensation by approximately \$6.5 million on the report.

Cause—The Agency did not have adequate policies and procedures to help ensure supporting documentation used to prepare the FPR was maintained and that the report was reviewed for accuracy and completeness prior to submission.

Recommendation—To help ensure reports are accurately compiled, the Agency should further develop its policies and procedures by requiring that a responsible employee performs a detailed review of the reports and reconciles the reports to supporting documentation. All documentation used to compile the report should be retained by the Agency.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2016-106.

2017-106

CFDA number and name:	93.563 Child Support Enforcement
Award numbers and years:	DI16-002158, October 1, 2015 through September 30, 2020; G1604AZ4004, October 1, 2015 through September 30, 2020
Federal agency:	U.S. Department of Health and Human Services
Pass-through grantor:	Arizona Department of Economic Security
Compliance requirement:	Allowable costs/cost principles
Questioned costs:	Unknown

Criteria—In accordance with 2 CFR §200.430(i), the County's Superior Court (Court) should ensure that employee payroll costs charged to the Child Support Enforcement program are supported by personnel activity reports or equivalent documentation that supports distribution of each employee's activity during the period. In addition, in accordance with 45 CFR §75.303, the Court must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the awards' terms and conditions.

Condition and context—During the fiscal year, the Court spent \$1,263,678 in salaries and wages for its Child Support Enforcement program. The Court charged salaries and wages to the program based on spreadsheets used to track each employee's hours devoted to the program, but it did not retain this documentation. Although county employees charging to the grant prepared a time sheet each pay period, the time sheets did not specify the actual activity, and no periodic certifications were prepared. As a result, auditors could not confirm the payroll amounts charged to the program were appropriate.

Effect—The Court may have charged inappropriate payroll costs to the program. As there was a lack of documentation, auditors were unable to determine questioned costs, if any, that may have resulted from this finding.

Cause—The Court did not have policies and procedures to maintain documentation to support its allocation of payroll costs to the federal program.

Recommendation—The Court should develop and implement policies and procedures to ensure its distribution of employees' payroll costs charged to the program is supported by items such as the employees' time sheets or a time-study analysis.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2016-109.

2017-107

CFDA number and name:	93.600 Head Start
Award numbers and years:	09CH010385/01, July 1, 2016 through June 30, 2017; 09HP0004/02, July 1, 2016 through June 30, 2017; 09HP000105/01, March 1, 2017 through August 31, 2018
Federal agency:	U.S. Department of Health and Human Services
Compliance requirement:	Matching
Questioned costs:	None

Criteria—In accordance with 45 CFR §1303.4, the County’s Human Services Department (Department) is required to match at least 20 percent of the total cost of the Head Start program, which can include cash and in-kind matching contributions. Further, in accordance with 45 CFR §75.303, the Department must establish and maintain effective internal control over the federal award that provides reasonable assurance that the Department is managing the federal award in compliance with federal statutes, regulations, and the award terms and conditions.

Condition and context—The Department records in-kind contributions in its Child Plus database system using data from approved in-kind contribution forms. However, for 10 of 60 in-kind contributions tested, the Department did not have proper controls to ensure the amounts recorded in the system were accurate, supported, or approved by an authorized employee. Specifically, for 9 contributions, the information recorded in the Child Plus database system did not agree to the approved in-kind contribution forms, and the Department did not retain documentation to support 1 contribution. Based on these sample items, the Department both understated and overstated in-kind contributions. Auditors projected the total error in the population to be approximately \$118,000 and determined that the County met the matching requirement by more than \$1.5 million despite the instances of under- and overreported donated time identified.

Effect—Failure to properly enter information into the Child Plus database system could result in future noncompliance with the program’s matching requirements. It could also result in inaccurate data being submitted to the federal grantor.

Cause—The Department does not have policies and procedures to perform reviews or audits to correct errors in data entered into the Child Plus system. Further, the Department did not follow its policies and procedures to ensure that all supporting documentation was maintained.

Recommendation—To help ensure that only allowable in-kind contributions are used to match federal expenditures and the program’s matching requirements are met, the County should strengthen its policies and procedures for reviewing, approving, and documenting its in-kind match in the Child Plus database system. Someone who is not responsible for entering the data into the system should perform this review.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2016-111.

2017-108

CFDA number and name:	93.600 Head Start
Award numbers and years:	09CH010385/01, July 1, 2016 through June 30, 2017; 09HP0004/02, July 1, 2016 through June 30, 2017; 09HP000105/01, March 1, 2017 through August 31, 2018
Federal agency:	U.S. Department of Health and Human Services
Compliance requirement:	Reporting
Questioned costs:	None

Criteria—In accordance with 45 CFR §75.341, the County’s Human Services Department (Department) should complete the SF-425, *Federal Financial Report* (FFR), to report federal expenditures. The Department should prepare the report using the designated accounting basis and accurately report in-kind contributions and the federal share of expenditures. Further, in accordance with 45 CFR §75.303, the Department must establish and maintain effective internal control over the federal award that provides reasonable assurance that the Department is managing the federal award in compliance with federal statutes, regulations, and the award terms and conditions.

Condition and context—The Department did not adequately prepare and review the FFRs resulting in various errors in five of six reports tested. Specifically, for four reports, the Department did not retain documentation supporting its in-kind contributions for the Head Start/Early Head Start and Early Head Start Child Care Partnership programs. In addition, the Department indicated it prepared all its reports on the cash basis of accounting but prepared them under the accrual basis of accounting. As a result, the Department reported the total federal share of expenditures incorrectly on four of the reports. Finally, four of the reports were submitted after the due date.

Effect—The Department underreported the in-kind contributions on the FFRs for the Head Start/Early Head Start and Early Head Start Child Care Partnership programs by \$493,629 and \$36,449, respectively. In addition, the Department overstated the total federal share of expenditures on the annual FFRs for the Head Start/Early Head Start and Early Head Start Child Care Partnership programs by \$435,522 and \$213,740, respectively.

Cause—The Department did not retain documentation for all amounts reported at the time the FFRs were compiled and submitted. In addition, the Department’s review of the FFRs failed to identify the errors because of employee turnover resulting in new employees compiling and reviewing the reports.

Recommendation—The Department should further develop its policies and procedures over its review process to ensure the FFRs are compared to supporting records and any errors noted are corrected prior to submitting them. In addition, the Department should retain documentation that supports the amounts included in the FFRs at the time the reports are compiled. Further, the Department should improve its policies and procedures to ensure that FFRs are properly reviewed and approved for accuracy by a second employee and submitted to the federal agency in a timely manner.

The County’s responsible officials’ views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior year finding 2016-112.

Other auditors' findings

The other auditors who audited the Section 8 Housing Choice Vouchers program administered by the County's Housing Authority reported the following significant deficiency.

2017-109

Cluster name:	Housing Voucher Cluster
CFDA number and name:	14.871 Section 8 Housing Choice Vouchers
Award number and year:	AZ20P009501-10, July 1, 2016 through June 30, 2017
Federal agency:	U.S. Department of Housing and Urban Development
Compliance requirement:	Reporting
Questioned costs:	None

Criteria—Agencies are required to report leasing and other programmatic activity to the Voucher Management System (VMS) on a monthly basis in accordance with the accrual method of accounting.

Condition and context—Financial data reported to HUD through the VMS was not reported in accordance with program requirements as data contained errors or was otherwise incomplete. Missing data included reporting monthly FSS escrow payments and FSS forfeitures. In addition, it is unclear if other activity such as ACH returns and landlord repayments are effectively considered in reported amounts.

Effect—The Authority reported program expenditures in excess of actual amounts resulting in inaccurate program funding totaling approximately \$100,000 due to error and potentially another \$73,663 due to differences in annualized amounts versus amounts reported in the financial statements.

Cause—Employee oversight in reporting certain line items of VMS and lack of reconciliation and/or assessment of completeness of data reported.

Recommendation—We recommend the Authority update VMS to adjust for items identified during the audit to ensure that program funding is reconciled appropriately prior to closeout of the calendar year funding period. In addition, reported amounts should be reconciled to bank activity and/or the Authority's general ledger for appropriateness, accuracy, and completeness. Further, financial activity reported in VMS should include all areas required by program requirements such as reporting of FSS Escrow Deposits and FSS forfeitures in the appropriate reporting fields.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

COUNTY SECTION

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
Department of Agriculture						
10 553	School Breakfast Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	\$ 119,242	
10 553	School Breakfast Program (Non cash)	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	<u>20,537</u>	
	<i>Total 10.553</i>				<u>139,779</u>	
10 555	National School Lunch Program	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	188,095	
10 555	National School Lunch Program (Non Cash)	Child Nutrition Cluster	Arizona Department of Education	ED09-0001	<u>32,396</u>	
	<i>Total 10.555</i>				<u>220,491</u>	
	<i>Total Child Nutrition Cluster</i>				<u>360,270</u>	
10 557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children		Arizona Department of Health Services	ADHS14-053007, ADHS15-084210	11,204,424	
10 558	Child and Adult Care Food Program		Arizona Department of Education	KR02-1170-ALS	409,599	
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SNAP Cluster	Arizona Department of Health Services	ADHS16-106547	2,187,767	\$ 556,414
10 578	WIC Grants To States (WGS)		Arizona Department of Health Services	ADHS14-053007	2,093	
10 665	Schools and Roads—Grants to States	Forest Service Schools and Roads Cluster			103,573	
10 904	Watershed Protection and Flood Prevention				17,935,723	
10 916	Watershed Rehabilitation Program				9,404,486	
10 16-LE-11031200-005	Cooperative Law Enforcement Agreement				<u>126,167</u>	
	Total Department of Agriculture				<u>41,734,102</u>	<u>556,414</u>
Department of Housing and Urban Development						
14 218	Community Development Block Grants/Entitlement Grants	CDBG - Entitlement Grants Cluster			1,954,829	1,420,459
14 231	Emergency Solutions Grant Program				180,346	180,346
14 239	HOME Investment Partnerships Program				3,433,547	2,851,271
14 850	Public and Indian Housing				2,741,683	
14 870	Resident Opportunity and Supportive Services - Service Coordinators				89,446	
14 871	Section 8 Housing Choice Vouchers	Housing Voucher Cluster			13,901,932	
14 872	Public Housing Capital Fund Program				1,397,057	
14 896	Family Self-Sufficiency Program				59,445	
14 900	Lead-Based Paint Hazard Control in Privately-Owned Housing		City of Phoenix	141175-0	<u>127,742</u>	
	Total Department of Housing and Urban Development				<u>23,886,027</u>	<u>4,452,076</u>
Department of the Interior						
15 226	Payments in Lieu of Taxes				3,153,762	
15 227	Distribution of Receipts to State and Local Governments				8,446	
15 228	BLM Wildland Urban Interface Community Fire Assistance				<u>20,336</u>	<u>20,336</u>
	Total Department of the Interior				<u>3,182,544</u>	<u>20,336</u>
Department of Justice						
16 554	National Criminal History Improvement Program (NCHIP)		Arizona Criminal Justice Commission	NCP15-16-003, NCP 16-17-004	233,730	
16 575	Crime Victim Assistance		Arizona Department of Public Safety	2015-VA-GX-0032	674,314	
16 576	Crime Victim Compensation		Arizona Criminal Justice Commission	VC-17-056	832,307	

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
16 593	Residential Substance Abuse Treatment for State Prisoners		Arizona Criminal Justice Commission	RSAT-16-005	32,361	
16 606	State Criminal Alien Assistance Program				1,529,773	
16 609	Project Safe Neighborhoods		Arizona Criminal Justice Commission	PSN-15-002	1,208	
16 735	PREA Program: Demonstration Projects to Establish "Zero Tolerance" Cultures for Sexual Assault in Correctional Facilities				80,809	
16 738	Edward Byrne Memorial Justice Assistance Grant Program				1,089,167	810,000
16 738	Edward Byrne Memorial Justice Assistance Grant Program		Arizona Criminal Justice Commission	DC-16-027, DC-17-027	822,111	
	<i>Total 16.738</i>				<u>1,911,278</u>	<u>810,000</u>
16 742	Paul Coverdell Forensic Sciences Improvement Grant Program		Arizona Criminal Justice Commission	CV16-17-002	9,488	
16 754	Harold Rogers Prescription Drug Monitoring Program		Arizona Criminal Justice Commission	PDMP-15-001	32,265	
16 755	Southwest Border Prosecution Initiative				99,867	
16 756	Court Appointed Special Advocates		Administrative Office of the Courts, Arizona Supreme Court	AZ10765-16-1016-G1	30,626	
16 812	Second Chance Act Reentry Initiative				292,710	70,018
16 833	National Sexual Assault Kit Initiative				59,622	
16 88A-PX-46088	Desert Hawk Violent Crime Task Force				33,478	
16 SWAZP0734	Organized Crime Drug Enforcement Task Forces				480,994	
16 unknown	DEA Task Force				49,718	
	Total Department of Justice				<u>6,384,548</u>	<u>880,018</u>
Department of Labor						
17 258	WIOA Adult Program	WIOA Cluster	Arizona Department of Economic Security	DI16-002124	3,754,850	
17 259	WIOA Youth Activities	WIOA Cluster	Arizona Department of Economic Security	DI16-002124	3,632,232	
17 278	WIOA Dislocated Worker Formula Grants	WIOA Cluster	Arizona Department of Economic Security	DI16-002124	6,380,969	
	<i>Total WIOA Cluster</i>				<u>13,768,051</u>	
	Total Department of Labor				<u>13,768,051</u>	
Department of Transportation						
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Arizona Department of Transportation	AC STP-MMA-0(0239), AC STP-MMA-0(248), AC STP-MMA-0(0249), CM-MMA-0(235), CM-MMA-0(242), CM-MMA-0(246), CM-MMA-0(246)D, CMAQ MMA-0(245), CMAQ MMA-0(255), CMAQ MMA-0(256), JPA-14-0004849-1, MMA-0(257)F, STP MMA-0(224)	2,687,538	

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
20 205	Highway Planning and Construction	Highway Planning and Construction Cluster	Maricopa Association of Governments	656	952,948	390,576
	<i>Total Highway Planning and Construction Cluster</i>				<u>3,640,486</u>	<u>390,576</u>
20 237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements		Arizona Department of Transportation	FM-CVN-0124-16-01-00	33,294	
20 600	State and Community Highway Safety	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2016-AI-001, 2016-AL-014, 2016-PT-018, 2017-AI-003, 2017-AL-024, 2017-AL-025, 2017-CIOT-013, 2017-PT-016	317,183	
20 616	National Priority Safety Programs	Highway Safety Cluster	Arizona Governor's Office of Highway Safety	2017-405D-018	9,482	
	<i>Total Highway Safety Cluster</i>				<u>326,665</u>	
	Total Department of Transportation				<u>4,000,445</u>	<u>390,576</u>
Institute of Museum and Library Services						
45 310	Grants to States		Arizona State Library, Archives and Public Records	2016-36026-15	5,453	
Environmental Protection Agency						
66 001	Air Pollution Control Program Support				1,489,982	
66 034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act				34,463	
66 040	State Clean Diesel Grant Program				4,080	
	Total Environmental Protection Agency				<u>1,528,525</u>	
Department of Energy						
81 042	Weatherization Assistance for Low-Income Persons		Arizona Department of Administration Office of Grants and Federal Resources	204-16, EW-ESA-14-4181-03	305,932	
Department of Education						
84 002	Adult Education—Basic Grants to States		Arizona Department of Education	16FAEAPL-613237-16B, 17FAEABE-713237-16B, 17FAEAPL-713237-16B, 17FAEIEL-713237-16B, 17FEDWIO-713237-16B	221,074	
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth		Arizona Department of Education	16FLCCCL-613245-02A	521	
84 027	Special Education—Grants to States	Special Education Cluster (IDEA)	Arizona Department of Education	16FESSCB-613229-55B, 17FESCBG-613229-09A, 17FESSCG-713229-55B	185,174	
84 206	Javits Gifted and Talented Students Education		Arizona Department of Education	17-03-EDSG	50,000	
84 365	English Language Acquisition State Grants		Arizona Department of Education	16FELENG-613245-66A, 17FELENG-713245-66A	52,854	52,854
84 374	Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)				19,755,551	9,319,272

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
84 411	Education Innovation and Research (formerly Investing in Innovation (i3) Fund)				496,307	19,037
	Total Department of Education				<u>20,761,481</u>	<u>9,391,163</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	2017-28-MCH	403,585	
93 069	Public Health Emergency Preparedness		Arizona Department of Health Services	ADHS12-007891, ADHS17-133194	2,276,719	
93 074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		Arizona Department of Health Services	ADHS12-007891, ADHS17-133194	1,608,916	
93 103	Food and Drug Administration— Research				61,423	
93 116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		Arizona Department of Health Services	ADHS13-042100	307,006	
93 136	Injury Prevention and Control Research and State and Community Based Programs		Arizona Department of Health Services	ADHS16-109742	137,912	
93 224	Health Center Program (Health Care for the Homeless)	Health Center Program Cluster			3,768,578	188,480
93 236	Grants to States to Support Oral Health Workforce Activities		Arizona Department of Health Services	ADHS13-037845	3,202	
93 268	Immunization Cooperative Agreements		Arizona Department of Health Services	ADHS13-041805	648,764	
93 297	Teenage Pregnancy Prevention Program				962,873	246,087
93 323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		Arizona Department of Health Services	ADHS16-130023	29,002	
93 505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	Maternal, Infant, and Early Childhood Home Visiting Cluster	Arizona Department of Health Services	ADHS12-023419, ADHS17-155910	1,210,420	371,604
93 870	Maternal, Infant and Early Childhood Home Visiting Grant Program	Maternal, Infant, and Early Childhood Home Visiting Cluster	Arizona Department of Health Services	ADHS12-023419, ADHS17-155910	770,627	236,586
	<i>Total Maternal, Infant and Early Childhood Home Visiting Cluster</i>				<u>1,981,047</u>	<u>608,190</u>
93 539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		Arizona Department of Health Services	ADHS13-041805	733,939	
93 558	Temporary Assistance for Needy Families	TANF Cluster	Arizona Department of Economic Security	ADES15-089115	564,228	
93 563	Child Support Enforcement		Arizona Department of Economic Security	DI16-002158, G1604AZ4004	2,797,700	
93 568	Low-Income Home Energy Assistance		Arizona Department of Housing	204-16, LW-ESA-12-2182-03	822,621	
93 568	Low-Income Home Energy Assistance		Arizona Department of Economic Security	ADES15-089115	2,928,456	
	<i>Total 93.568</i>				<u>3,751,077</u>	
93 569	Community Services Block Grant		Arizona Department of Economic Security	ADES 15-089115	610,104	12,610
93 576	Refugee and Entrant Assistance—Discretionary Grants		Arizona Department of Economic Security	DE101038-001	696,122	
93 597	Grants to States for Access and Visitation Programs		Arizona Department of Economic Security	DI16-002145	39,739	
93 600	Head Start				15,587,141	
93 667	Social Services Block Grant		Area Agency on Aging	2017-28-MCH	187,379	

Maricopa County
Schedule of expenditures of federal awards
Year ended June 30, 2017

Federal agency/CFDA number	Federal program name	Cluster title	Pass-through grantor	Pass-through grantor's numbers	Program expenditures	Amount provided to subrecipients
93 667	Social Services Block Grant		Arizona Department of Economic Security	ADES15-089115	315,971	315,934
	<i>Total 93.667</i>				<u>503,350</u>	<u>315,934</u>
93 758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		Arizona Department of Health Services	ADHS15-078134, ADHS16-102232	390,139	
93 914	HIV Emergency Relief Project Grants				9,064,690	6,043,924
93 917	HIV Care Formula Grants		Arizona Department of Health Service	ADHS14-059037, ADHS17-155496	478,096	118,340
93 926	Healthy Start Initiative				1,695,865	242,384
93 940	HIV Prevention Activities—Health Department Based		Arizona Department of Health Services	ADHS13-034910, ADHS16-113997	793,351	
93 944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		Arizona Department of Health Services	ADHS12-016584	33,830	
93 945	Assistance Programs for Chronic Disease Prevention and Control		Arizona Department of Health Services	ADHS14-061877, ADHS16-113997, ADHS16-114422	168,943	
93 959	Block Grants for Prevention and Treatment of Substance Abuse		Governor's Office of Youth, Faith and Family	IGA-SABG-GR-16-040116-08, IGA-SABG-GR-17-070116-08	48,148	
93 977	Sexually Transmitted Diseases (STD) Prevention and Control Grants		Arizona Department of Health Services	ADHS16-116340, ADHS14-071224	548,697	
93 994	Maternal and Child Health Services Block Grant to the States		Arizona Department of Health Services	ADHS13-037845, ADHS14-074958, ADHS16-102232	977,180	
	Total Department of Health and Human Services				<u>51,671,366</u>	<u>7,775,949</u>
Corporation for National Community Service						
94 006	AmeriCorps		Arizona Governor's Office for Children, Youth and Families	AC-VSG-15-090115-07, AC-VSG-15-090115-07Y2	168,027	
Executive Office of the President of the United States						
95 001	High Intensity Drug Trafficking Areas Program				525,802	
Department of Homeland Security						
97 042	Emergency Management Performance Grants		Arizona Department of Emergency and Military Affairs	DHS-16-GPD-042-09-01, EMW-2015-EP-00048, EMW-2017-EP-000008-S01	763,979	
97 067	Homeland Security Grant Program		Arizona Department of Homeland Security	140805-05, 150811-01, 150811-02, 150811-03, 160204-01, 160204-02, 160205-01, 160205-02, 160812-01, 160812-02, 160812-03	787,908	
97 091	Homeland Security Biowatch Program				593,865	
	Total Department of Homeland Security				<u>2,145,752</u>	
	Total expenditures of federal awards				<u>\$ 170,068,055</u>	<u>\$ 23,466,532</u>

Maricopa County
Notes to schedule of expenditures of federal awards
Year ended June 30, 2017

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (schedule) includes Maricopa County's federal grant activity for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of significant accounting policies

Expenditures reported on the schedule are reported 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. All remaining expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2017 *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.

Note 4 - Indirect cost rate

The County did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

COUNTY RESPONSE



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 23, 2018

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

Dear Ms. Davenport:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Regulations. Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Shelby L. Scharbach
Assistant County Manager — Chief Financial Officer

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2017**

Federal award findings and questioned costs

2017-101

CFDA No.: 10.904 Watershed Protection and Flood Prevention

Department: Maricopa County Flood Control District

Contact person(s): David Turner, Finance Support Supervisor Flood Control District,
(602) 506-861

Anticipated completion date: March 31, 2018

County Response: Concur

County Corrective Action Plan: The Maricopa County Flood Control District has policies and procedures to accurately report and submit timely quarterly Federal Financial Reports (FFR). However, as these federal program grants are construction related, events occur that affect who may be responsible for certain construction expenditures which can delay the accurate reporting of federal and recipients share of expenditures. These events also delayed the timeliness of the same quarterly reports. In addition, clerical errors were made on other occasions that were detected with subsequent reviews per district procedures. These errors were corrected, and amended quarterly FFR's filed with the grantor.

2017-102

CFDA No.: 84.374 Teacher and School Leader Incentive Grants

Department: Maricopa County Education Service Agency

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

Anticipated completion date: June 30, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency (MCESA) has policies and procedures to ensure that its subrecipients are reimbursed for only allowable expenditures incurred during the award period of availability. The Teacher Incentive Fund grant is a five year award and MCESA received a one year no cost extension from the U.S. Department of Education. However, the intergovernmental agreements with the subrecipients were not extended. These allowable expenditures did occur within the grant award period of availability.

2017-103

CFDA No.: 84.374 Teacher and School Leader Incentive Grants

Department: Maricopa County Education Service Agency

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

Anticipated completion date: September 30, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency (MCESA) notified the U.S. Department of Education (USDOE) of a reduction in matching funds through the Annual Performance Report (APR) and Interim Performance Report

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2017**

(IPR) process by submitting both budget and match adjustments. MCESA believes USDOE approved the adjustments through the APR/IPR process. MCESA is updating its procedures to ensure a formal waiver is requested from the grantor if the required match amount may not be met.

2017-104

CFDA No.: 84.374 Teacher and School Leader Incentive Grants

Department: Maricopa County Education Service Agency

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

Anticipated completion date: June 30, 2017

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency (MCESA) will comply with the County's Procurement Code (MC1-351 and MC1-352) for any purchases over \$100,000. This includes Board approval for sole-source contracts prior to obtaining services. In addition, MCESA will also improve documentation for the rationale for any competition impracticable contracting decisions.

2017-105

CFDA No.: 84.374 Teacher and School Leader Incentive Grants

Department: Maricopa County Education Service Agency

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

Anticipated completion date: March 31, 2018

County Response: Concur

County Corrective Action Plan: The Maricopa County Education Service Agency (MCESA) updated its policies and procedures to ensure that reports are completed accurately. However, procedures and policies were not always followed due to new personnel and role changes. Further training will ensure that supporting documentation is maintained and reviews by knowledgeable staff are completed prior to submission.

2017-106

CFDA No.: 93.563 Child Support Enforcement

Department: Maricopa County Superior Court

Contact person(s): Cheri Clark, Family Court Administrator/Director Conciliation Services,
(602) 506-2109

Anticipated completion date: June 30, 2018

County Response: Concur

County Corrective Action Plan: Maricopa County Superior Court implemented an application to create a time study analysis. Although timesheets were completed last year, to address ongoing concerns, Maricopa County Superior Court is using data from a software application to create a time study analysis. This will capture a representative sample of staff and time spent on Child Support Enforcement eligible activities for a

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2017**

representative sample of months. The time study analysis is anticipated to be completed by March 31, 2018 and will be applied retroactively for reporting employee payroll costs charged to the program in Federal Fiscal Year 2018. The Court has enlisted the Court's Grant Manager to provide a review and audit of the policies and procedures regarding this funding source to ensure they meet the funding requirements.

2017-107

CFDA No.: 93.600 Head Start

Department: Maricopa County Human Services Department

Contact person(s): Jacqueline Edwards, Deputy Director, 602-506-4812

Anticipated completion date: March 31, 2018

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department has developed a new electronic database system that permits real-time entry of volunteer time contributions. This system will store the required support documentation for the volunteer time contributions and calculate the volunteer hours. This will ensure accurate information is recorded and the total amount of in-kind contributions is accurately reported to the grantor. The Department has revised policies and procedures related to in-kind match documentation and entry in conjunction with the implementation of this new database system, which ensures compliance with program requirements. A secondary review and approval of match documentation will also be completed by program staff not responsible for in-kind forms.

2017-108

CFDA No.: 93.600 Head Start

Department: Maricopa County Human Services Department

Contact person(s): Jacqueline Edwards, Deputy Director, 602-506-4812

Anticipated completion date: March 10, 2018

County Response: Concur

County Corrective Action Plan: The Maricopa County Human Services Department has updated policies and procedures to ensure reports include adequate documentation and are retained. Additionally, processes have been strengthened to ensure that supporting documentation is included with each financial report prior to processing. The Department has implemented a tracking system that documents report due dates, the person responsible for report completion, and the staff member responsible for review. The review includes the Finance Manager, Program Staff, and the Deputy Director. Finally, processes have been strengthened to ensure that reports are submitted on time.

**Maricopa County
Corrective Action Plan
Year Ended June 30, 2017**

2017-109

Department: Housing Authority of Maricopa County

Contact person(s): Mario Aniles, Director of Finance and Portfolio Management, (602) 744-4517

Anticipated completion date: December 2017

County Response: Concur

County Corrective Action Plan: The Housing Authority of Maricopa County (HAMC) will be reconciling VMS data with bank activity as part of the bank reconciliation and month end process to include proper classification on financial statements, sub ledgers, and external reports along with timely resolution of unreconciled or outstanding balances. Complete, corrective action has been taken with full implementation by December 2017, which includes audit adjustments to VMS reports and reconciliation and transfer of FSS balances.



Maricopa County

Office of Assistant County Manager and Department of Finance

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March 23, 2018

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of 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, 2017

Status of financial statement findings

The County should follow its policies and procedures when preparing financial statements and note disclosures

Finding No. 2015-01

Status: Fully corrected.

The County should improve access controls over its information technology resources

Finding No. 2015-02

Status: Partially corrected.

Access control procedures for Treasurer IT systems have been updated to ensure users with multiple IDs are identified and approvals are fully documented. Access controls related to new employees have been revised to prevent access prior to management approval. The Treasurer's Office is currently implementing a new financial system that will be implemented in fiscal year 2018. It is anticipated that controls for this system will adhere to current National Institute of Standards and Technology (NIST) guidelines and help correct the remaining deficiencies. Contact person is Phil Van Kley, Information Systems Manager, Maricopa County Treasurer, (602) 506-4635.

Housing Authority of Maricopa County (HAMC): General Ledger Maintenance

Finding No. 2015-05

Status: Not corrected.

The Housing Authority of Maricopa County (HAMC) will be updating the bank reconciliation process to include timely resolution for "unreconciled" or "need more research" items along with separate reconciliations for non-cash items. Additionally trainings and technical assistance has been obtained to accelerate and address the agency's learning curve for new staff. Corrective action is anticipated to be implemented by December 2017. Contact person is Mario L. Aniles, HAMC Director of Finance and Portfolio Management, (602) 744-4517.

The County should follow its policies and procedures when preparing financial statements and note disclosures

Finding No. 2016-01

Status: Fully corrected.

The County should improve access controls over its information systems

Finding No. 2016-02

Status: Partially corrected.

Maricopa County takes all IT audit findings seriously and will make efforts to resolve any deficiencies. The County improved access controls over its IT resources by resolving account concerns and implementing policy. The Treasurer's Office updated its access

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

controls. A new system should be fully implemented in March 2018 that will comply with NIST guidelines and completely correct the deficiency. Contact persons are Kevin Westover, Business Integration Specialist, Office of Enterprise Technology (602) 506-1667 and Phil Van Kley, Information Systems Manager, Maricopa County Treasurer, (602) 506-4635.

The County should establish internal controls over temporary employees' payroll

Finding No. 2016-03

Status: Fully corrected.

Justice Courts Administration needs to improve controls over purchasing cards

Finding No. 2016-04

Status: Fully corrected.

The County should improve controls over purchasing controls

Finding No. 2016-05

Status: Fully corrected.

Housing Authority of Maricopa County (HAMC): General Ledger Maintenance

Finding No. 2016-06

Status: Not corrected.

The Housing Authority of Maricopa County (HAMC) will be updating the bank reconciliation process to include timely resolution for "unreconciled" or "need more research" items along with separate reconciliations for non-cash items. Additionally trainings and technical assistance has been obtained to accelerate and address the agency's learning curve for new staff. Corrective action is anticipated to be implemented by December 2017. Contact person is Mario L. Aniles, HAMC Director of Finance and Portfolio Management, (602) 744-4517.

Status of federal award findings and questioned costs

CFDA No.: 84.374 Teacher Incentive Fund

Finding No. 2014-108

Status: Fully corrected.

CFDA No.: 10.904 Watershed Protection and Flood Prevention

Finding No. 2015-101

Status: Partially corrected.

The Maricopa County Flood Control District understood this item was fully corrected as of September 30, 2016. The District understood that the only in kind match expenses that were to be reported on Federal Financial Reports (FFR) were those that were 'certified'. The District now understands that if certified match amounts do not meet the District's 35% match requirement, otherwise reimbursement eligible costs are paid by the District and included on the applicable quarterly FFR. A written concurrence has been requested

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

with the grantor (National Resource Conservation Service - NRCS). Contact person is David Turner, Finance Support Supervisor Flood Control District, (602) 506-8617

CFDA No.: 84.374 Teacher Incentive Fund
Finding No. 2015-102
Status: Fully corrected.

CFDA No.: 84.374 Teacher Incentive Fund
Finding No. 2015-105
Status: Fully corrected.

CFDA No.: 93.563 Child Support Enforcement
Finding No. 2015-108
Status: Not corrected.

Maricopa County Superior Court implemented an application to create a time study analysis. Although timesheets were completed last year, to address ongoing concerns, Maricopa County Superior Court is using data from a software application to create a time study analysis. This will capture a representative sample of staff and time spent on Child Support Enforcement eligible activities for a representative sample of months. The time study analysis is anticipated to be completed by March 31, 2018 and will be applied retroactively for reporting employee payroll costs charged to the program in Federal Fiscal Year 2018. The Court has enlisted the Court's Grant Manager to provide a review and audit of the policies and procedures regarding this funding source to ensure they meet the funding requirements. Contact person is Cheri Clark, Family Court Administrator/Director of Conciliation Services, (602) 506-2109.

CFDA No.: 93.568 Low-Income Home Energy Assistance
Finding No. 2015-109
Status: Fully corrected.

CFDA No.: 10.904 Watershed Protection and Flood Prevention
Finding No. 2016-101
Status: Fully corrected.

CFDA No.: 10.904 Watershed Protection and Flood Prevention
10.916 Watershed Rehabilitation Program
Finding No. 2016-102
Status: Partially corrected.

The Maricopa County Flood Control District understood this item was fully corrected as of September 30, 2016. The District understood that the only in kind match expenses that were to be reported on Federal Financial Reports (FFR) were those that were 'certified'. The District now understands that if certified match amounts do not meet the District's 35% match requirement, otherwise reimbursement eligible costs are paid by the District and included on the applicable quarterly FFR. A written concurrence has been requested

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

with the grantor (National Resource Conservation Service - NRCS). This item is fully corrected for CFDA 10.916. Contact person is David Turner, Finance Support Supervisor Flood Control District, (602) 506-8617

CFDA No.: 14.239 HOME Investment Partnership Program
Finding No. 2016-103
Status: Fully corrected.

CFDA No.: 17.258 WIA/WIOA Adult Program
17.259 WIA/WIOA Youth Activities
17.278 WIA/WIOA Dislocated Work Formula Grants
Finding No. 2016-104
Status: Fully corrected.

CFDA No.: 84.374 Teacher Incentive Fund
Finding No. 2016-105
Status: Fully corrected.

CFDA No.: 84.374 Teacher Incentive Fund
Finding No. 2016-106
Status: Partially corrected.

The Maricopa County Education Service Agency (MCESA) updated its policies and procedures to ensure that reports are completed accurately. However procedures and policies were not always followed due to new personnel and role changes. Further training will ensure that supporting documentation is maintained and reviews by knowledgeable staff are completed prior to submission. Contact person is Marc Kuffner, Assistant Superintendent for Economic Management & Consulting, (602) 506-8617.

CFDA No.: 84.374 Teacher Incentive Fund
Finding No. 2016-107
Status: Partially corrected.

The Maricopa County Education Service Agency (MCESA) has policies and procedures to ensure that before the award monitoring including obtaining DUNS numbers is completed for new subrecipients. DUNS numbers were verified for all current subrecipients by March 2017 and MCESA considers this portion of the finding fully corrected. The Teacher Incentive Fund grant is a five year award and MCESA received a one year no cost extension from the U.S. Department of Education. However, the intergovernmental agreement with the subrecipients was not extended. These allowable expenditures did occur within the grant awards period of availability. Contact person is Marc Kuffner, Assistant Superintendent for Economic Management & Consulting, (602) 506-8617.

Maricopa County
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

CFDA No.: 93.224 Health Center Program (Health Care for the Homeless)
Finding No. 2016-108
Status: Fully corrected.

CFDA No.: 93.563 Child Support Enforcement
Finding No. 2016-109
Status: Not corrected.

Maricopa County Superior Court implemented an application to create a time study analysis. Although timesheets were completed last year, to address ongoing concerns, Maricopa County Superior Court is using data from a software application to create a time study analysis. This will capture a representative sample of staff and time spent on Child Support Enforcement eligible activities for a representative sample of months. The time study analysis is anticipated to be completed by March 31, 2018 and will be applied retroactively for reporting employee payroll costs charged to the program in Federal Fiscal Year 2018. The Court has enlisted the Court's Grant Manager to provide a review and audit of the policies and procedures regarding this funding source to ensure they meet the funding requirements. Contact person is Cheri Clark, Family Court Administrator/Director of Conciliation Services, (602) 506-2109.

CFDA No.: 93.568 Low-Income Home Energy Assistance
Finding No. 2016-110
Status: Fully corrected.

CFDA No.: 93.600 Head Start
Finding No. 2016-111
Status: Partially corrected.

The Maricopa County Human Services Department updated its policies and procedures for in kind reporting. A new electronic tracking application was partially implemented in February 2017. Full implementation of the application is anticipated by July 2018. Contact person is Jaqueline Edwards, Deputy Director, (602) 506-4812.

CFDA No.: 93.600 Head Start
Finding No. 2016-112
Status: Partially corrected.

The Maricopa County Human Services Department updated its policies to ensure required financial reports are completed accurately. The department is in the process of implementing additional processes to ensure that supporting documents are retained with copies of the financial reports in the document storage system. Additionally, reports are reviewed to supporting documentation by the program and finance managers for accuracy prior to submission. Corrective action is anticipated to be fully implemented by June 30, 2018. Contact person is Jaqueline Edwards, Deputy Director, (602) 506-4812.

