



# Flood Control District Audit of Intergovernmental Agreements Maricopa County Internal Audit July 2019

## Why This Audit Is Important

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The Flood Control District (FCD) partners with municipalities and other governmental agencies to build and maintain structures that mitigate flooding risks within Maricopa County. Intergovernmental Agreements (IGAs) are used to define the roles of the partnering agencies and address the construction, inspection, and maintenance of the structures. Many of the IGAs span decades to maintain hundreds of flood control facilities. New construction projects are identified and selected through the FCD's Capital Improvement and Small Projects Assistance Programs, which collectively have 48 scheduled projects totaling \$363 million over the next 5 years.

We performed this audit to help ensure that flood mitigation projects and agreements provide County residents with safe and reliable flood protection services.

## Key Findings

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- FCD properly inspected and maintained facilities that were assigned to FCD for oversight.
- Where facility management was the responsibility of partnering agencies, FCD did not systematically ensure that inspections and maintenance activities were completed.
- FCD should implement an asset management program to more efficiently catalog and track flood control facilities, maintenance requirements, and IGA compliance.
- IGA revenues and expenditures were properly authorized and had adequate supporting documentation.
- IGA reimbursable costs from partnering agencies were not adequately tracked to ensure that cost-share terms were met.

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

## What We Audited

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Below is a summary of work performed and findings. Corresponding recommendations and responses are on page 3. The responses were approved by Michael Fulton, FCD Director, on June 22, 2019. More detailed observations and recommendations were communicated to management throughout the audit process.

### **Structure Inspection & Maintenance**

**Background** – Inspections and maintenance of flood control facilities are typically governed by IGAs with partnering agencies. Some structures within FCD's jurisdiction are operated and maintained by the partnering agencies.

**Observations** – We reviewed a sample of active projects operated and maintained by FCD and found annual inspections and yearly maintenance work had been performed as required for each project. Conversely, in cases where facility management was the responsibility of partnering agencies, there was no process in place to ensure that inspections and maintenance activities were completed (**Recommendation 1**).

During the review, we learned FCD does not have a centralized asset management program tracking mechanism to catalog and track flood control facilities, maintenance requirements, and IGA compliance (e.g., inspection dates, maintenance performed). Instead, FCD refers to stored hard copy documents, electronic file storage, and/or files maintained by project managers to retrieve information about each structure. The decentralized method of information management makes identifying roles and responsibilities for operations, inspections, and maintenance on the numerous active flood control structures around the County difficult and inefficient (**Recommendation 2**).

### **IGA Revenues & Expenditures**

**Background** – IGAs outline expected FCD project expenditures and reimbursements from project partners. FCD enters the expenditures and reimbursements into the County’s financial system.

**Observations** – We reviewed a sample of FY2016-FY2018 expenditure and revenue invoices and found that all had the proper authorization, documentation, and were reconciled with transactions recorded in the County’s financial system.

### **Cost Sharing with Project Partners**

**Background** – The IGAs typically require a cost-share contribution from partnering agencies to FCD.

**Observations** – We reviewed a sample of FY2016-FY2018 projects to determine if the ratio of IGA project costs to revenues received matched the cost-share terms and conditions of the IGA. We found that project financials are not consistently tracked to identify reimbursable versus non-reimbursable costs, making cost-share verification difficult and time consuming (**Recommendation 3**). Proper cost-share tracking helps ensure FCD is only paying its required portion of project expenses and helps avoid unexpected fees or cost overruns.

### **Additional Information**

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This audit was approved by the Board of Supervisors and was conducted in conformance with International Standards for the Professional Practice of Internal Auditing. This report is intended primarily for the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a public record and its distribution is not limited.

If you have any questions about this report, please contact Mike McGee, County Auditor, at 602-506-1585.

## Recommendations and FCD's Responses

Recommendations	Responses
<p><b>1</b> Implement procedures to verify that all flood control facilities, regardless of ownership, are inspected in compliance with IGA requirements and receive any maintenance needed.</p>	<p>Concur – in progress</p> <p>FCD currently inspects all district owned and maintained structures (facilities). FCD will finalize a process to obtain verification regarding non-FCD owned and/or maintained flood control structures that those structures are being properly maintained.</p> <p>Target Date: 12/1/2019</p>
<p><b>2</b> Consider implementing a formal asset management program to more efficiently catalog and track flood control facilities, maintenance requirements, and IGA compliance requirements; and/or partner with the County's Continuous Improvement Team to identify ideal solutions.</p>	<p>Concur – in progress</p> <p>FCD is currently developing an Asset Management Program (AMP) which will provide a mechanism for FCD to clearly see and articulate land, projects/structures, maintenance, and IGA locations, status, dates, and responsibilities. This will be achieved in such a way to provide visual (GI-based) and classical reporting for analysis and action. The AMP project is currently focused on land assets as phase 1.</p> <p>Target Date: 12/1/2020 for solution selection</p>
<p><b>3</b> Implement a process to verify that project costs and revenues received match the cost-share terms and conditions of each IGA.</p>	<p>Concur – in progress</p> <p>FCD will update project financial closeout procedures and documentation to include a summary of the break out of costs (and corresponding revenue) that are part of cost-sharing ratios and those that are not.</p> <p>Target Date: 10/1/2019</p>