



Special Request – Expenditure Limitation Involuntary Court Judgments Maricopa County Internal Audit November 2021

Why This Audit Is Important

Approved in 1980 by Arizona voters, expenditure limitations were established for each city, town, and county. The limitations were designed to control expenditures and limit future spending increases as adjusted for inflation and population growth.

The law allows Maricopa County (County) to subtract certain expenditures when determining if spending is below the limitation. Eligible expenditures may include involuntary costs resulting from court judgments or other settlements.

It is important for the County to identify and subtract all eligible involuntary costs to help it remain below the expenditure limitation. We selected certain court judgments and engaged an independent outside firm to help determine if the County identified all eligible costs to be subtracted for fiscal year 2018. Our work involved the cooperation of the Sheriff's Office, Correctional Health Services, and the Office of Budget and Finance.

Key Findings

- While not legally required, the County may have been able to capture and subtract additional involuntary judgment-related expenditures.
- For one involuntary court judgment, documented procedures were not in place to help identify all eligible expenditures. In addition, the methodology for capturing eligible expenditures was incomplete and ineffective.

All key findings requiring corrective action were addressed through agreed-upon management action plans with the applicable County agencies.

What We Audited

Following is a summary of work performed and recommendations. Tania Lynch, Correctional Health Services Director, approved the response on November 1, 2021. Russ Skinner, Sheriff's Office Chief Deputy, approved the response on November 4, 2021. We also communicated detailed observations and recommendations to management throughout the audit process.

Expenditures Reported by the County

Background – Involuntary judgments sometimes mandate the County to perform certain activities as specified in court orders or settlement agreements. In turn, expenditures related to the court-ordered activities are eligible to be subtracted from the County's overall expenditures when determining compliance with the County's annual expenditure limitation.

Observations – We obtained listings of mandated activities from select judgments to serve as criteria for our testing. We then selected a sample of expenditures reported as subtractions by the County for fiscal year 2018 and reviewed the supporting documentation to ensure that only eligible subtractions were reported.

- For payroll expenditures, we verified the employees worked in an assigned area and position that were required by the selected judgments. The County appears to have a comprehensive system of internal controls in place to ensure payroll records are reflective of actual work performed by individuals involved in court judgment activities.
- For non-payroll expenditures, we compared the reported expenditure types to the mandated activities and concluded that they were largely eligible as exclusions.

Expenditures Not Reported by the County

Background – Maricopa County reports known eligible expenditures to be subtracted when determining compliance with the expenditure limitation, but there is a risk the County does not identify and account for all of them. While not legally required to do so, failure to identify and subtract all eligible expenditures is not in the County’s best interest.

Observations – We reviewed the methodology for capturing and tracking judgment-related expenditures. We found that the County tracks eligible expenditures using separate appropriation codes. However, there were certain eligible expenditures that were not captured and reported for fiscal year 2018.

- For one judgment reviewed, Correctional Health Services used an incomplete methodology and not all eligible expenditures were identified and subtracted. In addition, documented policies and procedures were not in place to help identify all eligible expenditures. As a result, the County may have been able to capture and subtract additional involuntary judgment-related expenditures.
- For a different judgment reviewed, the Sheriff’s Office had vacant positions designated for judgment-related duties. Concurrently, staffed positions were performing judgment-related duties but were not designated as such. Some existing staff could be reassigned to the vacant positions with no changes to operations or patrol coverage, resulting in additional expenditures to subtract with no net impact on the Office’s overall budget.

Recommendation to Correctional Health Services	Response
Update methodologies and written policies and procedures to properly identify, categorize, and track all expenditures eligible to be subtracted from the County’s expenditure limitation.	Concur – In progress Correctional Health Services is finalizing the methodologies and written policies/procedures. Target Date: 6/30/2022

Recommendation to Sheriff's Office	Response
<p>Consider reassigning existing staff to vacant positions that can be subtracted from the County's expenditure limitation.</p>	<p>Concur – Completed</p> <p>Effective July 1, 2019, the Sheriff's Office moved 10 General Fund staff positions (8 Sworn Sergeants and 2 Sworn Deputies) to vacant positions existing under the Compliance Fund, commensurate with associated duties with agency compliance efforts and requirements.</p> <p>Completed: 10/7/2019</p>

Additional Information

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. 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.