

Do the Right Things Right!

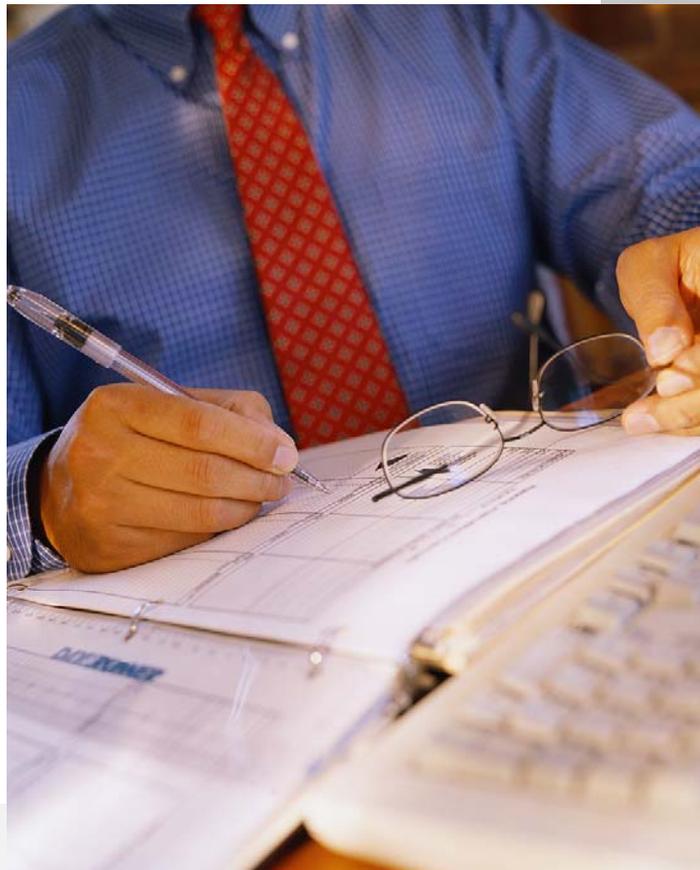


**Internal Audit
Annual Performance Report**

Fiscal Year 2006

Maricopa County, Arizona

Executive Summary



Executive Summary

Fiscal Year 2006

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

From: Ross L. Tate, County Auditor

Date: October 18, 2006



Fiscal Year (FY) 2006 was a year of significant challenges and accomplishments. Most notably, Internal Audit reports the following achievements:

- Completed a comprehensive, special-request audit of the Maricopa County Regional School District
- Completed 100% of the Board-approved, annual audit plan
- Earned a positive quality control review for the three-year period ending 12/31/2005
- Received very high satisfaction ratings from customers and internal staff

Our work has consistently provided significant value to County operations and programs. Whether through intangible improvements such as fraud deterrence, promotion of strong internal controls, or through measurable benefits, such as cost savings and recoveries, Internal Audit strives to facilitate positive change throughout the County.

In many cases, we have demonstrated how our work has had significant measurable benefits to our customers. The Board of Supervisors' investment in Internal Audit has resulted in \$29 million in savings over the past eleven years, averaging \$2.7 million per year. Within the last ten years, we are proud to have received numerous awards from professional organizations around the country, including three new awards in FY 2006.

These accomplishments, and many others, are displayed in the following pages. Throughout this report, you will see how our work constructively supports Maricopa County's strategic goals and how our staff is committed to the highest professional standards and ethics.

Three National Awards in FY 2006

Over the years, Internal Audit has received frequent recognition from professional organizations, including: The Institute of Internal Auditors (IIA), Association of Local Government Auditors (ALGA), Association of Government Accountants (AGA), Government Finance Officers Association (GFOA), and the National Association of Counties (NACO). In FY 2006, we were extremely proud to receive the following recognition:

- Institute of Internal Auditors - *Recognition of Commitment*
- Association of Government Accountants - *Service Efforts and Accomplishments Report Certificate of Excellence*
- National Association of Counties - *Achievement Award for Internet Usage Risk Management*

Millions in Cost Savings

In the last eleven years, Internal Audit has produced over \$29 million in savings to the County. During the same period, our department budgets totaled \$12 million, resulting in a net saving to the County of \$17 million. Our savings averaged \$2.7 million per year compared with an average budget of \$1 million. These figures do not include the tens of millions of potential cost-savings identified that cannot be easily quantified. One example of potential cost savings is our regular monitoring of Internet usage, which has the effect of reducing non-productive Internet usage.

100% Completion of Approved Audit Plan

The Board of Supervisors modified the audit plan, in order to accommodate a special examination of the Maricopa County Regional School District (MCRSD). Significant internal and external resources were engaged to complete the MCRSD review. Although five audits and several countywide activities were deferred due to MCRSD work, Internal Audit completed 100% of the revised, Board-approved audit plan.

100% Compliance—Quality Control Review of Internal Audit

The consulting firm of Jefferson Wells International completed its external quality control review of Maricopa County Internal Audit. Their report concluded we were in compliance with government auditing standards during the three-year period of January 1, 2003 through December 31, 2005.

Over the past nine years, Internal Audit has received three external quality control reviews, all of which reported we comply with government audit standards.

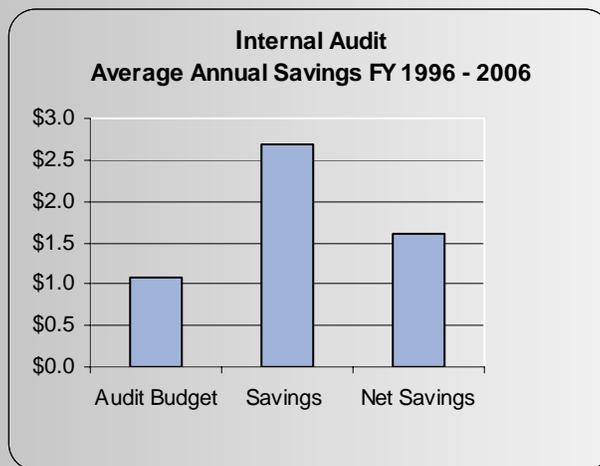
Performance Measures—Auditing for Results

We are proud to report the results of our FY 2006 department goals:

- 100 % of our Audit Plan completed by September 30, 2006
- 100 % satisfaction rating from the Board of Supervisors and County Management
- 96 % of our audit recommendations have been implemented within three years
- 100 % of our goal was met by participating in regional leadership activities

Return on Investment

Over the past 11 years, Internal Audit has produced over \$29 million in savings to the County. During the same period, our department budget totaled \$12 million, resulting in a net savings to the County of \$17 million. Our savings averaged \$2.7 million per year compared with an average budget of \$1 million. Although identified savings for FY 06 totaled less than \$50 thousand, our on-going audit plan provides a significant net benefit to the County.



In addition to identified cost savings, potential savings to the County occur through fraud deterrence and identification of control weaknesses. For example, Internal Audit's Internet Usage monitoring has made a significant source of waste and abuse visible to County management.

In FY 2007, we will continue to build on past successes, as we increase our capacity for service to the County through a larger staff and increasingly ambitious goals.

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Introducing –

The Department of
Maricopa County
Internal Audit



Internal Audit Department Profile



What is Internal Auditing?

Internal auditing is an independent, objective assurance, and consulting activity that adds value and improves operations. Internal auditing helps an organization reach objectives by bringing a systematic and disciplined approach to improve the effectiveness of risk management, control, and governance processes.

Our Values

Do the Right Things Right!

Our Mission

The mission of the Internal Audit Department is to provide objective, accurate, and meaningful information about County operations, so the Board of Supervisors can make informed decisions to better serve County citizens.

Our Vision

To facilitate positive change throughout County operations, while ensuring public resources are used for their intended purpose.

Resources

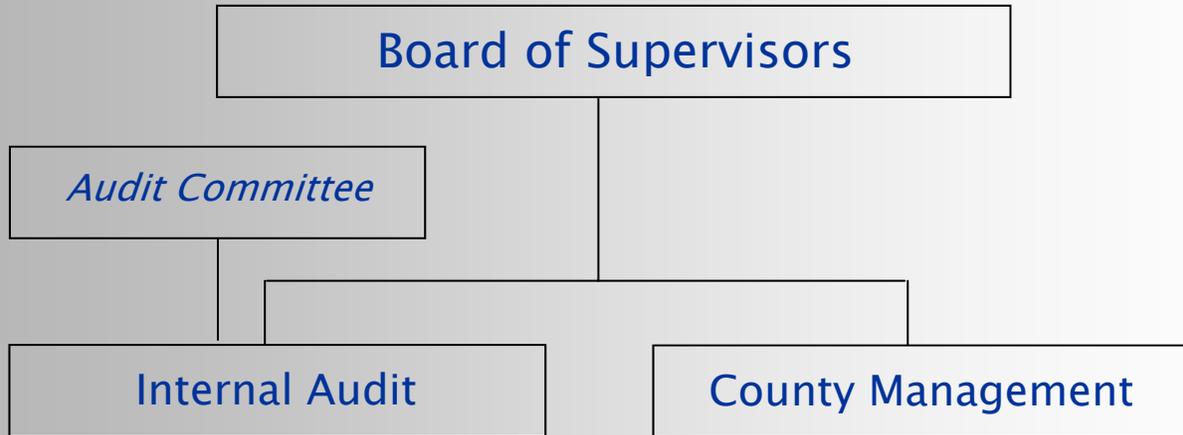
A fully staffed, professional internal audit department provides value-added services to the County. Each year, Internal Audit analyzes and adapts its resources to meet upcoming County auditing and consulting needs. To provide diversified strength, the audit staff has broad-range education and experience in various audit areas: accounting, finance, performance evaluation, and information systems. Each audit is performed by a team that collectively possesses the necessary knowledge and skills to fit the assignment.

Government operations are inherently complex; certain functions cannot be properly reviewed without specialized expertise. Hiring a wide variety of staff specialists, however, would not be cost-beneficial. While we have invested in qualified internal staff, we have also reserved resources for specialized contractors; \$400,000 was budgeted for this purpose in FY 2005-2006. This partnership (called “co-sourcing”) provides the County with the collective expertise required by Government Auditing Standards at an affordable price.



Reporting Structure

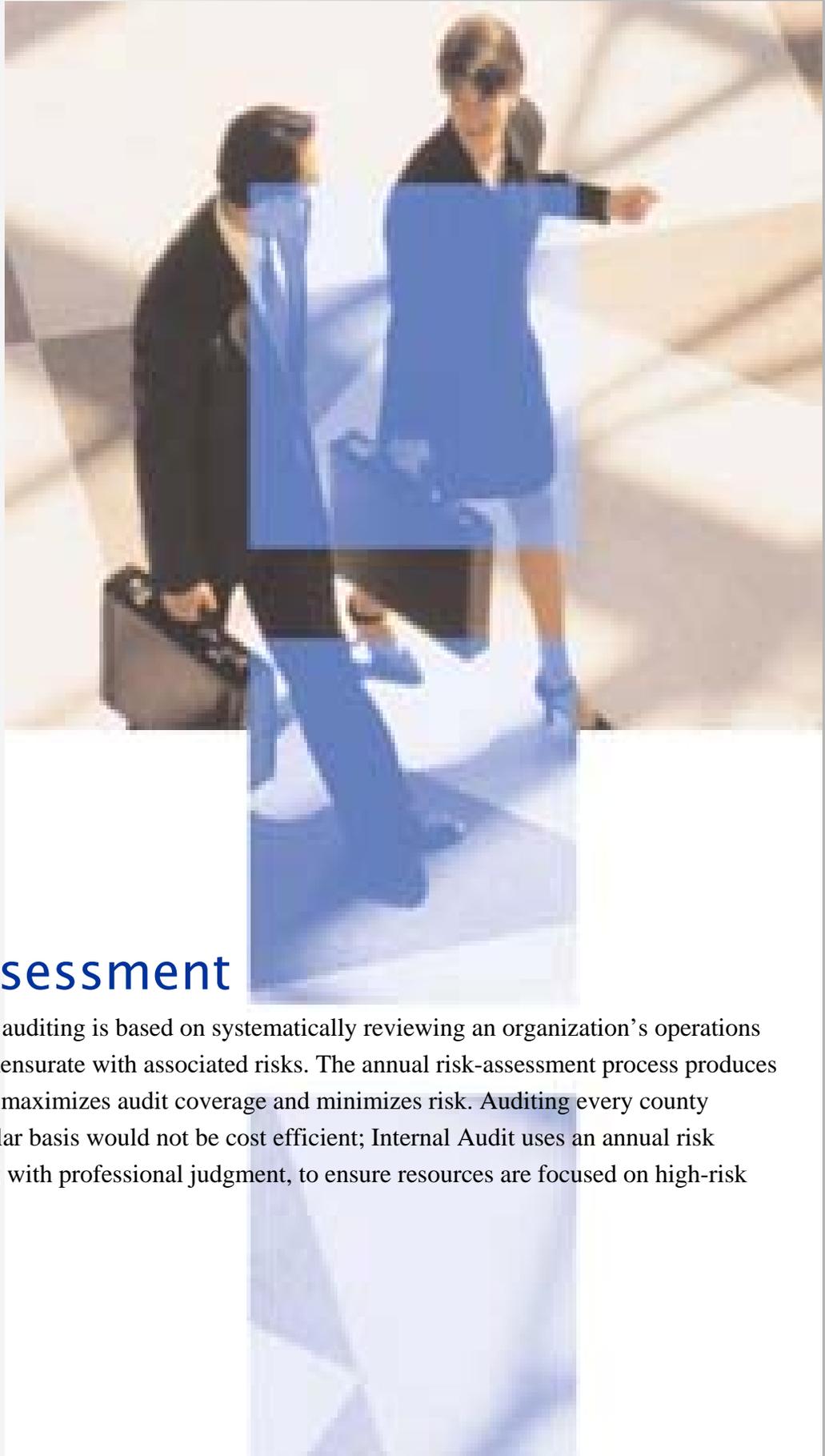
Of the Internal Audit Department



Organizational Independence

Auditors should be removed from organizational and political pressures to ensure objectivity. As our charter designates, the Maricopa County Internal Audit Department reports directly to an elected Board of Supervisors, thereby, establishing an effective level of independence from management. This reporting structure provides the Board of Supervisors with a direct line of communication to Internal Audit and provides assurance that County officials cannot influence the nature or scope of audit work performed.

Government Auditing Standards support locating internal audit departments outside the management function, in order to encourage independence. Routine meetings, with an independent audit committee, further enhances independence. The County Auditor, also, meets with an oversight committee comprised of the County Administrative Officer and two Board members, further enhancing our independence.



Risk Assessment

Effective internal auditing is based on systematically reviewing an organization's operations at intervals commensurate with associated risks. The annual risk-assessment process produces an audit plan that maximizes audit coverage and minimizes risk. Auditing every county activity on a regular basis would not be cost efficient; Internal Audit uses an annual risk assessment, along with professional judgment, to ensure resources are focused on high-risk areas.

Internal Audit Professional Staff



Internal Audit Professional Staff 2005-2006



Ross L. Tate, *County Auditor*

Mr. Tate is a Certified Internal Auditor, Certified Management Accountant, and Certified Government Financial Manager. He has a bachelor's degree from Brigham Young University, in business operations & systems analysis, with 20 years of professional internal auditing experience. Mr. Tate joined the Maricopa County Internal Audit Department in 1989 and has been County Auditor since 1994. He serves as a Board Member of the Association of Local Government Auditors and as a National Board Member of the Institute of Internal Auditor's Phoenix Chapter. Mr. Tate is a member and past President of Arizona Local Government Auditor's Association, a member of the Association of Government Accountants, the Institute of Management Accountants, and of Toastmasters International.



D. Eve Murillo, *Deputy County Auditor*

Ms. Murillo is a Certified Public Accountant and a Certified Fraud Examiner. She has a bachelor's degree in liberal arts from the University of Illinois, a masters, in business administration, from Florida Institute of Technology. Ms. Murillo has 16 years of accounting and internal auditing experience. She is a member of the Association of Certified Fraud Examiners, the Institute of Internal Auditors, in addition to, the Information Systems Audit and Control Association.



Richard L. Chard, *Deputy County Auditor*

Mr. Chard is a Certified Public Accountant and has a history degree from the University of Redlands with postgraduate work in accounting and public administration through Arizona State University, as well as from Western International University. Before joining Internal Audit eight years ago, he worked five years in Maricopa County's Department of Finance and Health Systems Finance.



Joe M. Seratte, *Audit Manager*

Mr. Seratte is a Certified Public Accountant, Certified Internal Auditor, and has a certification in control self-assessment. He holds an accounting degree from Oklahoma State University and a master's degree from the American Graduate School of International Management (Thunderbird) in Glendale, Arizona. He has 23 years experience in auditing, finance, and accounting. He is a member of the American Institute of Certified Public Accountants and former President of the Arizona Local Government Auditors Association. Mr. Seratte is, currently, employed with Wells Fargo.



John Schulz, *Senior Auditor*

Mr. Schulz has 25 years of experience in program evaluation, budgeting, and financial administration within healthcare, law enforcement, and government. He holds a degree in government from University of Maryland and a masters of public administration from Arizona State University. He is a Certified Fraud Examiner, a member of the Association of Certified Fraud Examiners, and of the Arizona Local Government Auditors Association.



Patra E. Carroll, *Senior Auditor*

Ms. Carroll is a Certified Public Accountant with over 12 years of financial, compliance, and tax auditing experience within the public sector. She has a bachelor's degree in accounting and postgraduate work in public administration from Arizona State University. Ms. Carroll is a member of The Internal Auditor's Phoenix Chapter, Arizona Society of Certified Public Accountants, and the Local Government Auditors Association, where she serves on the Advocacy Committee.



Carla Harris, *Audit Supervisor*

Ms. Harris is a Certified Public Accountant, Certified Internal Auditor, and Certified Fraud Examiner. She has a bachelor's degree in business administration from the University of Phoenix, with 13 years of professional experience in internal auditing and accounting. She is a board member of the Arizona Chapter of the Association of Certified Fraud Examiners and a member of the National Chapter of the Association of Certified Fraud Examiners.

Cathleen L. Galassi, *Audit Supervisor*

Ms. Galassi has a bachelor's degree in philosophy from Loyola Marymount University, California, and post-graduate work in organizational psychology. She has extensive experience, including audit management at financial institutions, along with accounting and budgeting at healthcare and non-profit institutions. Ms. Galassi's experience includes participation on merger and acquisition teams, as well as system conversion projects. Ms. Galassi is a member of The Institute of Internal Auditors.



Kimmie Wong, *Senior Auditor*

Ms. Wong has a bachelor's degree in business administrative services from Arizona State University and a masters in public administration from Western International University. She has over ten years of experience reviewing grant audits and nine years of professional internal auditing experience. Ms. Wong is a member of the Arizona Local Government Auditors Association and the Association of Certified Fraud Examiners' Arizona Chapter.



Susan Adams, *Senior Information Technology Auditor*

Ms. Adams is a Certified Information Systems Auditor. She has a bachelor's degree in accounting from Utah State University and a masters of business administration degree from the University of Utah. She has 13 years professional experience in accounting and audit with seven years as an Information Systems auditor. Ms. Adams, as a current member, served formerly as Vice President of the Information Systems Audit and Control Association's Phoenix Chapter. She is, also, a member of the Arizona Local Government Auditors Association, as well as of the Institute of Internal Auditors.



Thomas L. Fraser, *Information Technology Auditor*

Mr. Fraser is a Certified Fraud Examiner who holds degrees in business administration and business management. He has 12 years of accounting and professional internal audit experience. Mr. Fraser is a member of the Institute of Internal Auditors, Arizona Chapter of the Association of Certified Fraud Examiners, Information Systems Audit and Control Association, and former President of the Arizona Local Government Auditors Association. This last year, Mr. Fraser left Internal Audit and Maricopa County Government for a position now held with Wells Fargo.



Christina Black, *Senior Auditor*

Ms. Black is a Certified Government Audit Professional with over ten years of professional internal audit experience and ten years of accounting and revenue auditing experience. She has a bachelor's degree in accounting from Missouri Western State College. Ms. Black is a member of the Arizona Chapter of the Association of Certified Fraud Examiners, Arizona Local Government Auditors Association, and of the Institute of Internal Auditor's Phoenix Chapter, where she serves as Chair on the Meetings Committee.



Toni Sage, *Information Technology Audit Supervisor*

Ms. Sage has a bachelor's degree in psychology from Brooklyn College, at City University of New York, a masters in business administration from Fairleigh Dickinson University, and postgraduate work in public administration at Arizona State University. Before joining Maricopa County Internal Audit in 2005, Ms. Sage served as consultant for the development of the Maricopa County Citizens' Report and had 12 years experience as an information technology manager for a fortune 500 company. She is a member of the Arizona Local Government Auditors Association, Institute of Internal Auditors, and Information Systems Audit and Control Association.



Trisa Cole, *Associate Auditor*

Ms. Cole graduated from Arizona State University West / Barrett Honors College with a bachelor's degree in global business / finance and a post baccalaureate certificate in accountancy. She is a member of the Arizona Local Government Auditors Association, Arizona Chapter of the Association of Certified Fraud Examiners, and of the Information Systems Audit & Control Association.



Lisa Scott, *Associate Auditor*

Ms. Scott graduated with a bachelor's degree in computer science from Jacksonville State University and a post baccalaureate certificate in accountancy from Arizona State University. She has ten years of professional experience in accounting, having worked three years, specifically, with accounting systems. Ms. Scott is a member of the Arizona Local Government Auditors Association, Institute of Internal Auditors Phoenix Chapter, the Association of Certified Fraud Examiners, as well as a member of Information Systems Audit and Control Association's Phoenix Chapter.



Ronda Jamieson, *Associate Auditor*

Ms. Jamieson is a Certified Public Accountant with five years governmental auditing experience, in both the public and governmental sector, and eight years accounting experience. She has a bachelor's degree in accounting from Rocky Mountain College, Montana and is a member of the Arizona Society of Certified Public Accountants.



Lisa Cave, *Associate Auditor*

Ms. Cave has a bachelor's degree in accounting from Arizona State University West. She has over six years of professional experience in accounting and business. Ms. Cave is, currently, working towards her masters in business administration. Ms. Cave is a member of the Arizona Local Government Auditors Association, Certified Fraud Examiners, and the Institute of Internal Auditors. She left employment with Internal Audit during the FY 2006 for another position.



Louise Wild, *Associate Auditor*

Ms. Wild is a Certified Internal Auditor and a Certified Public Accountant with three years of combined internal auditing and public accounting experience. She is a member of the Institute of Internal Auditors and the Arizona Local Government Auditor's Association. Ms. Wild graduated Summa cum laude from Arizona State University West/Barrett Honors College with a bachelor's degree in Accounting. Ms. Wild is currently employed with Pinnacle West.



Scott Jarrett, *Staff Auditor*

Mr. Jarrett graduated from Arizona State University West, with a bachelor's degree in accountancy. He served four years for the United States Coast Guard and has six months professional experience in auditing.



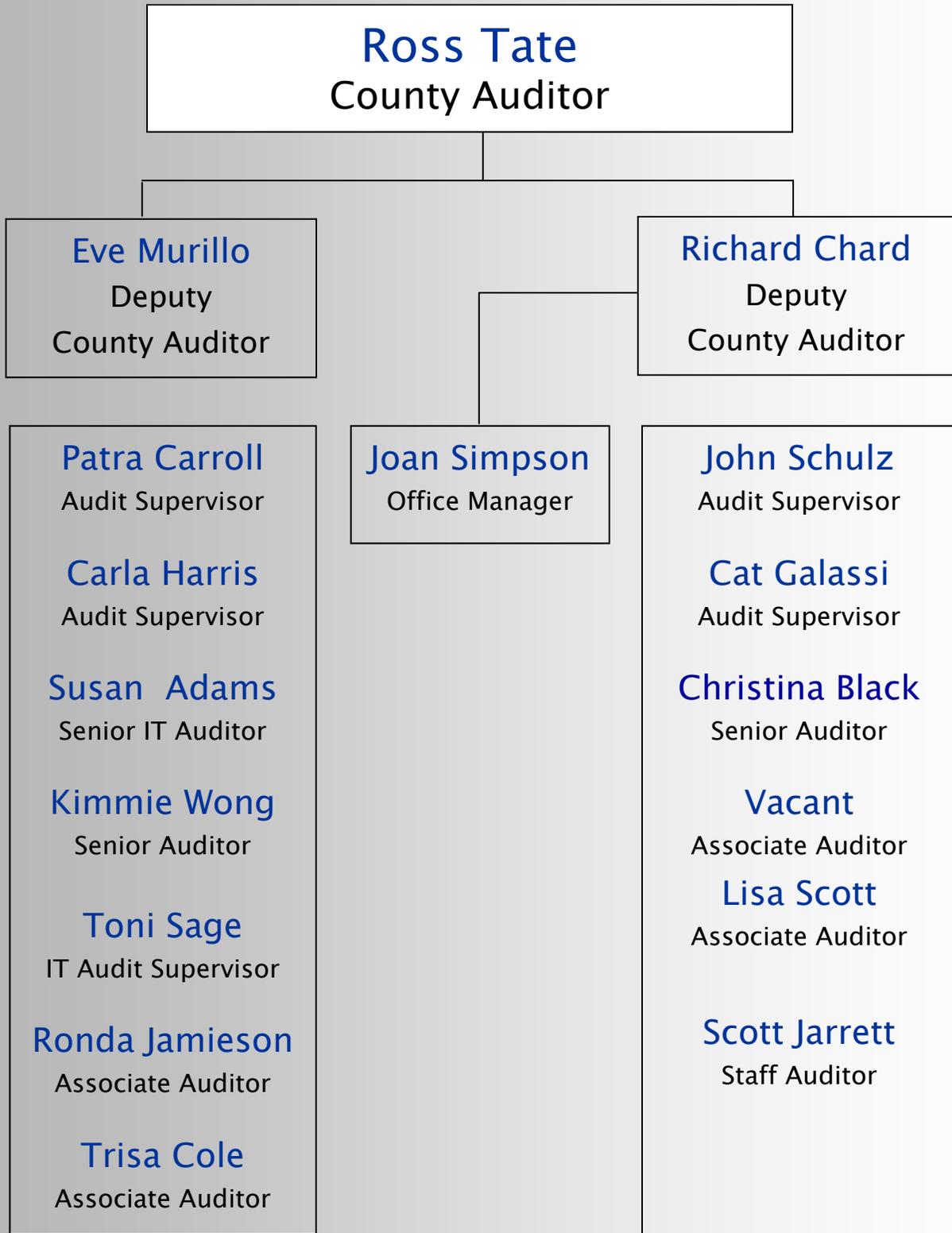
Joan Simpson, *Office Manager*

Ms. Simpson has a bachelor's degree in social science with a minor in political science from Milton Keynes University in the United Kingdom. She has professional experience in both the private sector and in government. Ms. Simpson recently transferred from Internal Audit to another department within Maricopa County.

Internal Audit staff members participate in a variety of professional and service organizations, as shown below, for Internal Audit's educational requirements.

-  American Institute of Certified Public Accountants (AICPA)
-  Arizona Local Government Auditor's Association (ALGAA)
-  Arizona Society of Certified Public Accountants (ASCPA)
-  Association of Certified Fraud Examiners
(ACFE - National and Phoenix Chapter)
-  Association of Local Government Auditors (ALGA)
-  Association of Government Accountants (AGA)
-  Information Systems Audit and Control Association
(ISACA)
-  Institute of Internal Auditors (IIA - National and Phoenix
Chapter)
-  Institute of Management Accountants (IMA)
-  Maricopa County Adjunct Faculty
-  Maricopa County Blood Drive
-  Toastmasters International

Internal Audit Organization



Internal Audit Charter

Purpose

The Maricopa County Board of Supervisors, hereby, establishes the Maricopa County Internal Audit Department. The mission of the Internal Audit Department is to provide objective, accurate, and meaningful information about County operations so the Board can make informed decisions to better serve County citizens.

Responsibility

County management has primary responsibility for establishing and maintaining an effective system of internal controls. Internal Audit evaluates the adequacy of the internal control environment, the operating environment, related accounting, financial, as well as operating policies, and reports the results accordingly.

Authority and Access

Internal Audit is established by the powers granted to the Board in A.R.S. § 11-251. The Board is authorized to supervise the official conduct of all County officers, to see that such officers faithfully perform their duties, and present their books and accounts for inspection (A.R.S. § 11-251.1). The Board is also authorized to perform all other acts and things necessary to fully discharge its duties (A.R.S. § 11-251.30). Internal Audit will report directly to the Board, with an advisory reporting relationship to the Board-Appointed Citizen's Audit Advisory Committee. In addition, the County Auditor will meet, as needed, with an oversight committee comprised of the County Administrative Officer and two Board members appointed by the Board Chairman. While conducting approved audit work, Internal Audit will have complete access (except where restricted by legal privilege) to all County property, records, information, and personnel.

Premise and Objectives

Internal Audit's basic premise is that County resources are to be applied efficiently, economically, and effectively to achieve the purposes for which the resources were furnished. This premise is incorporated in the following four objectives:

A. Compliance with Laws and Regulations

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure identification of and compliance with applicable laws and regulations.

B. Effective Program Operations

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure that programs meet their goals and objectives.

C. Validity and Reliability of Data

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure that valid and reliable data are obtained, maintained, and fairly disclosed.

D. Safeguarding of Resources

Those entrusted with County resources are responsible for establishing and maintaining effective controls to ensure that resources are safeguarded against waste, loss, and misuse.

Independence

The Internal Audit Department will remain outside the control of management. Internal Audit employees will have no direct responsibility for, or authority over, any of the activities, functions, or tasks reviewed by the department. Accordingly, Internal Audit staff should not develop or write policies and procedures that they may later be called upon to evaluate. They may review draft materials developed by management for propriety and completeness. However, ownership of and responsibility for these materials will remain with management.

Audit Standards and Ethics

Internal Audit will adhere to applicable industry standards and codes of ethics issued by authoritative sources (such as those issued by the Institute of Internal Auditors and the U.S. General Accounting Office). Each member of the department is expected to consistently demonstrate high standards of conduct and ethics as well as appropriate judgment and discretion.

Audit Planning

The County Auditor will prepare an annual audit plan that will be reviewed by the Citizen's Audit Advisory Committee and approved by the Board. Additions, deletions, or deferrals to the annual audit plan will also be approved by the Board.

Follow-Up

Internal Audit will follow-up on the status of its report recommendations on a regular basis.

Adopted by the Board of Supervisors — 6/11/97

Last Amended — 12/18/02

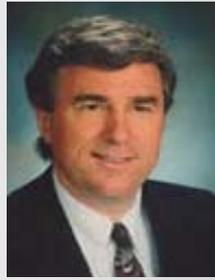
The Board of Supervisors



Fulton Brock
District I



Andrew Kunasek
District III



Don Stapley
District II
Chairman

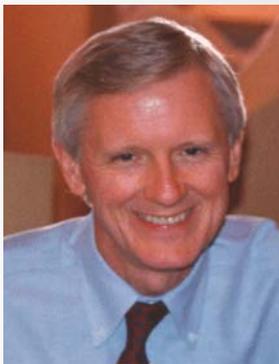
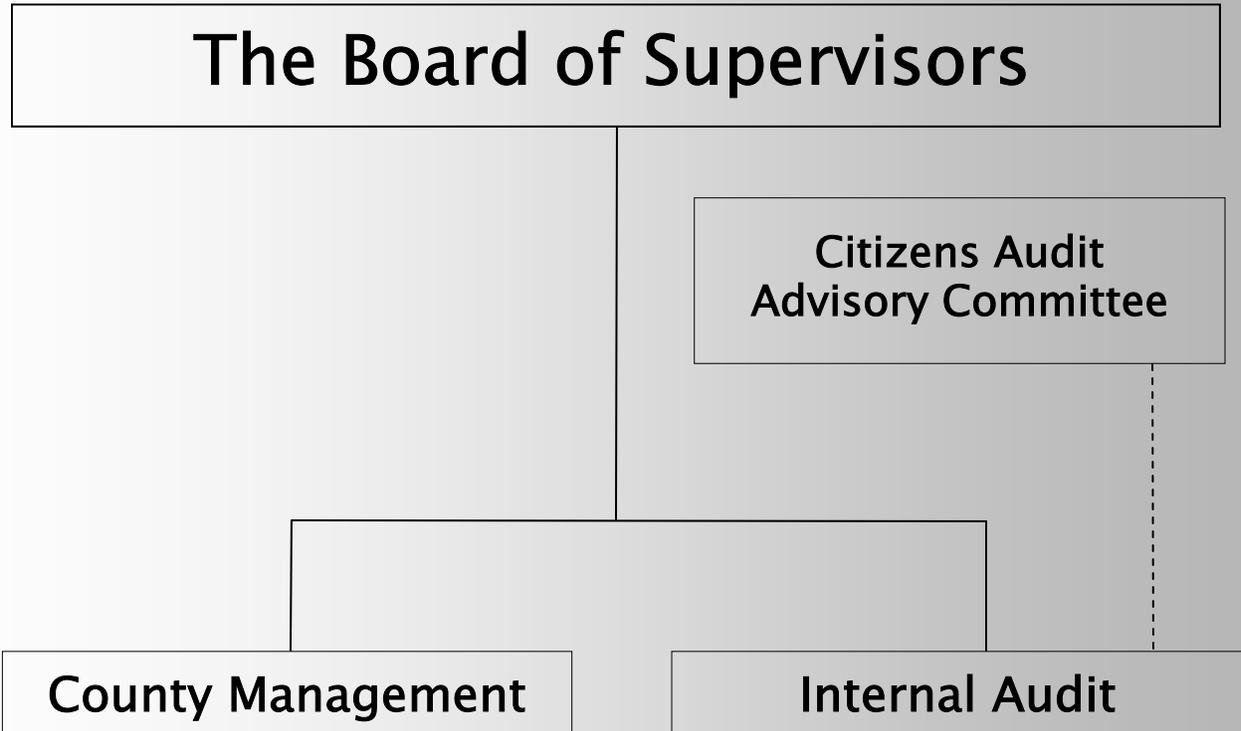


Max W. Wilson
District IV



Mary Rose
Wilcox
District V

Accountability Structure



David Smith



Ross Tate

Accountability

Professional Internal Audit Staff

Our auditors have extensive knowledge of auditing methods and techniques, as well as specialized training in computers and accounting. Each auditor is responsible for maintaining Government Auditing Standard's requirement of 80 continuing education hours every two years; 24 which must be directly related to government operations.

In order to help meet this education requirement and share knowledge, Internal Audit staff members conduct in-house training classes.

Who Audits the Auditors? (Peer Review)

An independent audit firm conducts a peer review of Internal Audit every 3 years, as required by Government Auditing standards. The Maricopa County Citizens Audit Advisory Committee oversees these reviews. The FY 2000 and FY 2003 review by a local firm showed no findings. This year's FY 2006 review was positive as well.

Citizens Audit Advisory Committee

(Audit Committee)

Routine meetings with the Board Appointed Citizens Audit Advisory Committee further strengthens the County's Internal Audit Department. This committee, comprised of accounting and business professionals, actively engages in analyzing risk throughout the County and making recommendations. This committee is an important link between the Board of Supervisors and the County's auditors, both internal and external. The Maricopa County Citizens Audit Advisory Committee meets regularly to review and comment on audit reports, County financial statements, and other audit information (audit plan, special requests, etc.).



Citizens Audit Advisory Committee

Ross Tate, County Auditor (Left)

Ross is a Certified Internal Auditor, Certified Management Accountant, and Certified Government Financial Manager. He has a bachelor's degree from Brigham Young University in business operations and systems analysis, as well as 20 years of professional internal auditing experience. Mr. Tate joined the Maricopa County Internal Audit Department in 1989 and has been County Auditor since 1994.

Richard Lozar, District V (Second from left)

Richard has extensive experience in accounting and management. He worked as a Controller and General Manager, in the hospitality industry, and as an Accounting and Financial Consultant. Currently, he is the Director of Business Affairs for Cook College & Theological School in Tempe, a school for Native Americans.

Ryan Brownsberger, District IV (Third from left)

Ryan is a CPA with an Iowa State University accounting degree and an MBA from ASU. He has eight years experience in auditing, accounting, budgeting, and business management. Ryan is, also, an independent contractor for Citigroup through Primerica Financial Services.

Matthew Breecher, District III (Middle)

Matthew is a CPA and CISA, in addition to an accounting and information systems specialist, with nearly 15 years professional experience. He has provided audit and advisory services to many local Arizona governments. Currently, Mr. Breecher is the managing partner of Breecher & Company P.C., a local CPA firm.

Jill Rissi, Chairperson, District II (Fourth from right)

Jill is a researcher and policy analyst with an MPA from ASU and undergraduate degrees in psychology and nursing. With over 20 years of experience in health services research, program and policy development, auditing, budgeting, as well as clinical and financial management, Ms. Rissi is the Associate Director for Research and Policy at St. Luke's Health Initiatives.

Ralph Lamoreaux, District I (Third from right)

Ralph is a CPA with a BA degree, with an accounting emphasis, from Southern Utah University and an MBA from the University of Utah. He worked 33 years with the U.S. General Accounting Office, five years at the Denver regional office, and 28 years at Washington D.C. headquarters. He retired in July 2000.

Bruce White, Office of County Counsel (Second from right)

Bruce has been an attorney with the Maricopa County Attorney's Office since January 2001.

Dennis Levine, Office of the Auditor General (Right)

Dennis is a CPA and a Certified Government Financial Manager. He has degrees in accounting and psychology from ASU and has been with the State of Arizona, Office of the Auditor General since 1979. He has been a Financial Audit Manager with the Office's Financial Audit Division since 1986 and has overseen audits of state agencies, universities, counties, community colleges, and school districts. Mr. Levine has been the audit manager on the Maricopa County audit since 1998.

Tom Manos, County Chief Financial Officer (Not pictured)

Tom has been the Maricopa County CFO since 1997.



Citizen's Audit Advisory Committee Charter

The committee's primary function is to assist the board of supervisors in fulfilling its oversight responsibilities. The committee accomplishes this function by reviewing the county's financial information, the established systems of internal controls, and the audit process.

In meeting its responsibilities, the committee shall perform the duties outlined below:

1. Provide an open avenue of communication between the county auditor, the auditor general, and the board of supervisors.
2. Review the committee's charter annually and seek board approval on any recommended changes.
3. Inquire of management, the county auditor, and the auditor general about significant risks or exposures and assess the steps management has taken to minimize such risks to the county.
4. Consider and review the audit scope and plan of the county auditor, and receive regular updates on the auditor general's county audit activities.
5. Review with the county auditor and the auditor general the coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources including external auditors and consulting activities.

6. Consider and review with the county auditor and the auditor general:
 - a. The adequacy of the county's internal controls including computerized information system controls and security.
 - b. Any related significant findings and recommendations of the auditor general and the county auditor together with management's responses thereto.
7. At the completion of the auditor general's annual examination, the committee shall review the following:
 - a. The county's annual financial statements and related footnotes.
 - b. The auditor general's audit of the financial statements and report thereon.
 - c. Any serious difficulties or other matters related to the conduct of the audit that need to be communicated to the committee.
8. Consider and review with management and the county auditor:
 - a. Significant audit findings during the year and management's responses thereto.
 - b. Any difficulties encountered during their audits, including any restrictions on the scope of their work or access to required information.
 - c. Any changes required in the planned scope of their audit plan.
 - d. The internal audit department's budget and staffing.
 - e. The internal audit department's charter.
 - f. The internal audit department's overall performance and its compliance with accepted standards for the professional practice of internal auditing.
9. Report committee actions to the board of supervisors with such recommendations as the committee may deem appropriate.
10. Prepare a letter for inclusion in the annual report that describes the committee's composition and responsibilities, and how they were discharged.

11. The committee shall meet at least four times per year or more frequently as circumstances require. The committee may ask members of management or others to attend the meetings and provide pertinent information as necessary. Committee meetings are subject to the Open Meeting Law.

(A.R.S. § 38-431).

12. The committee shall perform such other functions as assigned by the board of supervisors.

Committee Composition and Terms

The membership of the committee shall consist of five voting members and three non-voting members. The voting members shall be board of supervisor appointees from the public and shall serve two-year terms. The non-voting members shall be the county's chief financial officer, the county attorney, the auditor general, or their designees. The chairman of the board of supervisors shall appoint a committee chairman from the voting members. The committee chairman shall serve a one-year term.

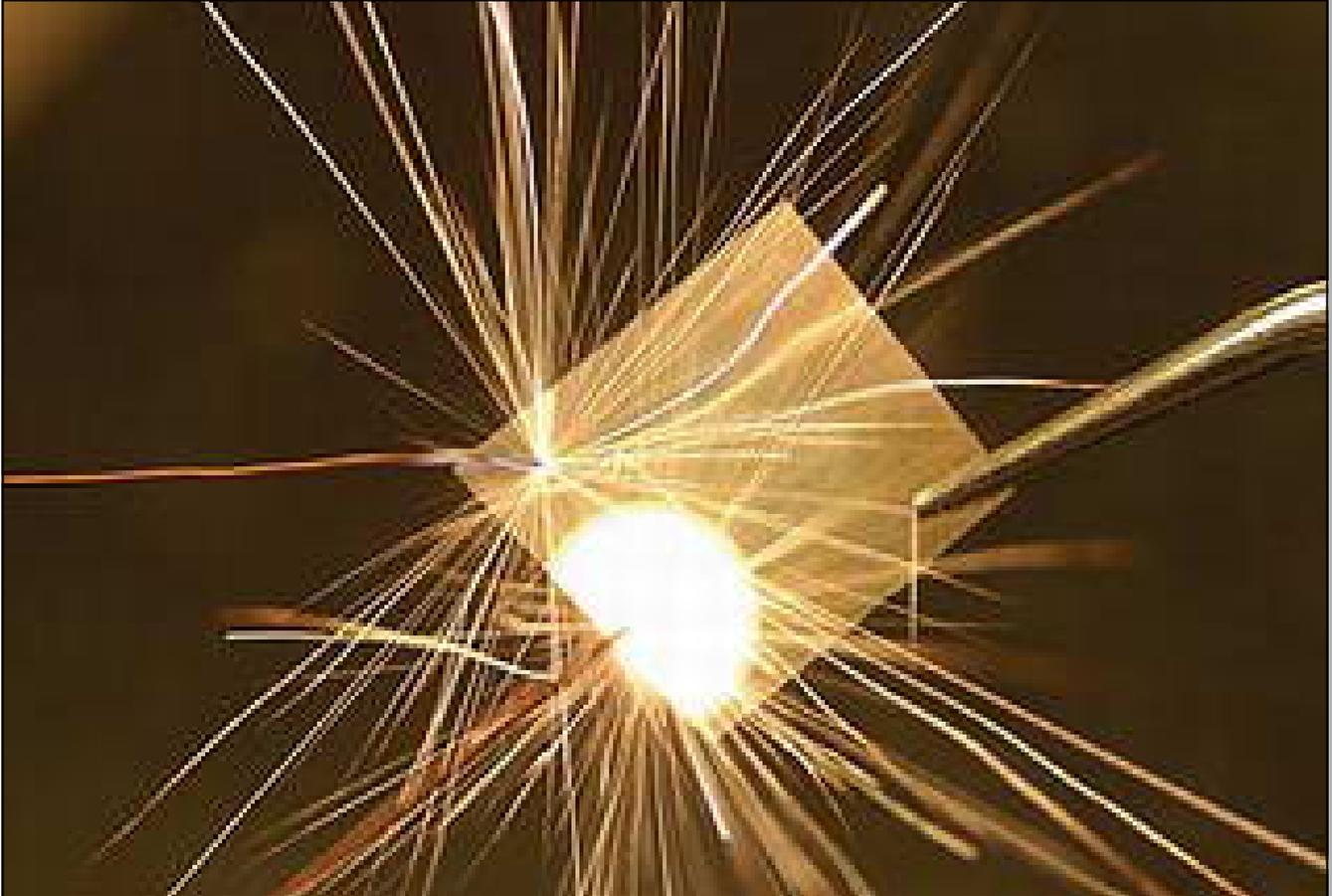
Member Qualifications

Committee members must have an understanding of financial reporting, accounting, or auditing. This understanding can be demonstrated through educational degrees (BS, MBA, PhD) and professional certifications (CPA, CMA, CIA), or through experience in managing an organization of more than 25 employees or \$20M in revenues. Committee members should be familiar with local government operations and should have sufficient time to effectively perform the duties listed herein.

Adopted by the Board of Supervisors — 3/26/97

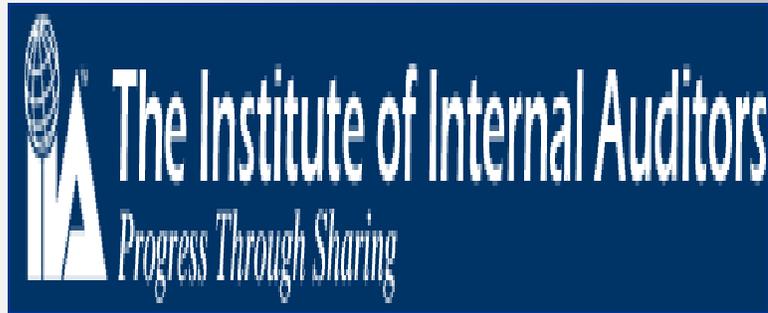
Last Amended — 6/26/02

Internal Audit



*Awards
&
Award Winning Products*

National Awards Received



The Institute of Internal Auditors

2006

Recognition of Commitment *to Professional Excellence, Professional Quality, and Professional Outreach*

The Recognition of Commitment (ROC) Award is the upper-most recognition for an internal audit department confirming its commitment to best practices and standards.

The Recognition of Commitment Award is designed to recognize internal audit departments, worldwide, that demonstrate achievements and dedication to continued improvement in their internal audit activities.



Association of
Government Accountants (AGA)

2006

Certificate of Excellence
in Service Efforts and Accomplishments

*Given in recognition for exceptional
accountability reports annually expanded to
effectively communicate the County's
performance to the public, as
"The Citizens' Report".*

The 2005 Citizens' Report was a County-wide effort with participation from Air Quality, Environmental Services, Public Health, and Trial Courts.

National Awards Received

Awards Presentation

ROC & AGA Awards



NACo Award



Award Presentation

National Awards Received



National Association of Counties 2006 Achievement Award *Internet Usage Risk Management*

*Internal Audit implemented
an Internet Usage Risk Management program
to detect County Internet abuse.*

Personal Internet use during working hours can result in lost productivity, misused taxpayer monies, and potential legal problems. The program focuses on high-risk users and applies innovative computer-assisted auditing techniques. The results have raised management awareness, promoted acceptable use, and curtailed internet abuse. With 9,000 County Internet users, limiting inappropriate Internet usage may save millions of dollars in personnel costs.

NACo conferred this award in recognition of the hard work given to promote responsible, responsive, and effective county government.



Association of Government Accountants

2004 Certificate of Recognition
*Service Efforts & Accomplishments Program
Charter Participant*

2003 Distinguished Local Government
Leadership Award
Ross Tate, County Auditor



2002—2005

Institute of Internal Auditors

*Commitment to
Quality Improvement Award*

Previous Awards

Previous Awards



2002 Award of Excellence

Government Finance Officers Association

*Performance Measure Certification
Program*



National Association of
Local Government Auditors

2003 Honorable Mention Knighton Award

Countywide Fixed Assets

2002 Special Project Award

Performance Measure Certification

2001 Special Project Award

Financial Condition Report

2000 Special Project Award

Cash Handling Workshop

Previous Awards

Previous Awards



National Association of Counties

2005 Achievement Award

*Jurors Helping Jurors –
The Juror Improvement Fund*

2004 Achievement Award

Performance Reporting for Citizens

2004 Achievement Award

Continuous Monitoring

2002 Achievement Award

Performance Measure Certification

2001 Achievement Award

Financial Condition Report

2001 Achievement Award

“Got Controls” Management Bulletin

2000 Achievement Award

Cash Handling Workshop

Award Winning Products



Financial Condition Report

We annually assess and report on Maricopa County's financial condition in a highly visual, user-friendly, annual Financial Condition Report. This report displays key financial trends and compares Maricopa's performance with those of 10 western US counties.

- 🏆 APEX (Awards for Publication Excellence) Award of Excellence (2004)
- 🏆 National Association of Local Government Auditors Special Project Award (2001)
- 🏆 National Association of Counties Achievement Award (2001)



Performance Measure Certification

Managing for Results was created as a new management performance system for Maricopa County. It provides review of inputs, outputs, efficiency, and progress toward outcome goals. Certification ratings to County leaders and top management are assigned and reported.

- 🏆 National Association of Counties Achievement Award (2002)
- 🏆 Government Finance Officers Association Award for Excellence (2002)
- 🏆 National Association of Local Government Auditors Special Project Award (2002)

Award Winning Products



Citizens' Report

The Citizens' Report provides citizens, the Board of Supervisors, and County administration with a new tool for evaluating public policy and reporting government accountability.

- ☛ Association of Government Accountants Certificate of Excellence in Service Efforts and Achievements (2006)
- ☛ National Association of Counties Achievement Award (2004)
- ☛ Association of Government Accountants Certificate of Recognition (2004)
- ☛ National Center for Civic Innovation \$30,000 Grant (Alfred P. Sloan Foundation) (2004)



Control Self Assessment

These workshops help employees determine their department's control weaknesses and risks. Entertaining videos feature County management and elected officials demonstrating the right and wrong way to handle cash, monitor contracts, and process payables.

- ☛ National Association of Local Government Auditors Special Project Award (2000)
- ☛ National Association of Counties Achievement Award (2000)

Project Summaries



Project Summaries

Report Title	Page
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Special Request

Maricopa County Regional School District Audit

Maricopa County Regional School District (MCRSD) is unique among school districts operating in Maricopa County because of the geographical spread of its campuses, small enrollment, its mission of serving primarily underserved students, and its lack of property taxes levied to support programs.



In FY 2006, MCRSD requested the Board of Supervisors to fund a significant deficit. This in turn, prompted the Board to determine whether the County was obligated to provide the additional funding. Accordingly, the Board requested that Internal Audit conduct a special investigation audit of MCRSD.

Significant Issues

- ◆ MCRSD failed to comply with procurement requirements due to numerous apparent improprieties and did not maintain adequate documentation concerning this process
- ◆ Responses to Requests for Proposals (RFPs) were not based upon pre-determined criteria, nor was the information provided independently; thus, contracts were not properly authorized
- ◆ Due to ineffective contract monitoring, \$72,000 in questionable telecommunication purchases were made and the invoices were paid with borrowed money
- ◆ The cost of student bus transportation increased nearly 62% from FY 2000-FY 2005, while the number of student riders continued to decrease
- ◆ There was a lack of segregation of duties concerning Accounts Payable and Payroll, which increased the likelihood of overpayments, unsupported costs, and abuse
- ◆ A 1.6 million dollar school site was purchased with State Facility Board funds before confirming that the municipal government would permit such use, which resulted in the abandonment of the plan
- ◆ There was ineffective Human Resource management, including inconsistent hiring guidelines, lack of specific criteria and validation for incentive payments, as well as inadequate documentation for salary increases, which are not consistently tied to performance
- ◆ Payroll was not adequately maintained, time sheets were not adequately or consistently completed and approved, nor was employee leave timely posted or effectively monitored
- ◆ Over \$364,000 in funds were distributed to related parties, which did not appear to comply with statutes and policies relating to conflict of interest

Constables

April 2006

Constables are elected officials who serve the County Justice Courts. The County has 23 Justice Courts, with a Constable serving each court. Constables are elected to four-year terms and their salaries are set by statute based on the number of registered voters in their precincts. Constable responsibilities include attending to the Justice Courts within their precincts, as well as executing, serving, and returning all processes and notices delivered to them by a Justice of the Peace or other authority.



Significant Issues

- ◆ Four constables who carry firearms have not completed Sheriff's firearm training and have not completed AZ certification, exposing themselves to personal civil liability and increasing County's liability
- ◆ Only 8 out of 23 Constables completed and filed required activity logs with the Clerk of the Board of Supervisors, which results in noncompliance with a statutory requirement

Contract Audit—Change of Venue

December 2005

Contract #99109 was executed between Eurest Dining Group and Maricopa County. The contract is for food and beverage service operations in the Superior Court Complex. The purpose was to ensure the County received all revenue entitled under the contract, did not incur unnecessary expenditures, as well as managed risk through maintenance of performance bonds and certificates of insurance.



Significant Issues

- ◆ No identified trends related to the errors, as they appeared to be both in the County and Change of Venue's favor. Errors netted less than 1%, which is immaterial to the total overall daily business
- ◆ No unusual annual revenue trends, as Change of Venue revenue has remained fairly consistent over the past four years

Construction Contracts

June 2006

The County has recently completed construction on a new Public Health/ Environmental Services facility located at 1645 East Roosevelt Street in Phoenix. The scope, used to conduct this audit, was to determine if the method used to establish the Guaranteed Maximum Price was valid and to determine if the work was performed in accordance with contract specifications and to validate payments to subcontractors.



Significant Issues

- ◆ The contract's "right to audit" clause was weakly expressed when compared to industry standards
- ◆ The construction company may have invoiced the County for items that did not appear to be billable according to contract provisions

Fraud Prevention Assessment

September 2006

In connection with our Board-approved audit plan of FY 2006, we conducted a Fraud Prevention Review of Maricopa County. Although it appears that Maricopa County clearly communicates that fraud and abuse are not tolerated, the County can take additional steps to strengthen its defenses against fraud and minimize opportunities for theft.



Significant Issues

- ◆ Implement Countywide fraud prevention policies
- ◆ Supplement a fraud prevention policy with appropriate training
- ◆ Require County employees, as well as elected and appointed officials, to annually acknowledge, in writing, their understanding of the County's fraud prevention policy
- ◆ Implement a fraud hotline to screen and process internal and external fraud tips
- ◆ Establish reporting and enforcement procedures to help individuals know whom to contact and what action should be taken if they detect fraud in their organization
- ◆ Create a resolution process to ensure that internal control weaknesses contributing to fraud incidents are identified and corrected

Human Resources Application Review

December 2005

The procurement for a new Human Resource (HR) Management System was approved by the Board of Supervisors in October 2002. PeopleSoft was the application chosen for the implementation of the human resources project. All phases of the project were completed as of July 2005. The PeopleSoft HR system is currently in production.



Significant Issues

- ◆ Access to sensitive IT administrative and end-user functionality in the PeopleSoft system is not appropriately restricted to authorized users
- ◆ User authentication to the PeopleSoft program is inconsistent and may result in unauthorized access. Controls over PeopleSoft implementation appear adequate with no significant exceptions or control weaknesses

Justice Courts Minimum Accounting Standards July 2006

Limited Scope audits of the following Justice courts as a mandated Compliance review:

Agua Fria	Kyrene	Moon Valley
Estrella Mountain	McDowell Mountain	San Marcos
Dreamy Draw	Northeast Regional	San Tan
University Lakes	West McDowell	South Mountain



Significant Issues

- ◆ The eleven Justice Courts and one Regional Court reviewed comply with most requirements of Minimum Accounting Standards, Compliance Checklist, and the Guide for External Reviews by Auditors for Arizona Courts
- ◆ Although some exceptions were found, none presented a significant risk to the courts
- ◆ Exceptions found were generally clerical or procedural in nature and of low risk

Managed Care System Cash Trend

September 29, 2006

Managed Care Health Plan cash balances for FY 2006 and the subsequent period through August 31, 2006 were reviewed after the closure and transfer to the Special Care District. These included the Maricopa Health Plan, the Maricopa Long Term Care Plan, and Senior Select.



Significant Issues

- ◆ General Fund cash transfers in FY 2006, totaling \$39 million, provided cash for settling claims liabilities
- ◆ The current \$6 million cash deficit will be eliminated through reinsurance collections and recovery of previous overpayments and duplicate payments

Maricopa Managed Care Administrator Transition Review

November 2005

In June 2004, Maricopa Managed Care Systems (MMCS) initiated a transition from an outdated claims processing system to a new technology solution provided by a Third-Party Administrator (TPA). To manage the changeover process, MMCS created a transition leadership team. Internal Audit contracted with KPMG LLP to begin meeting with this transition team on a weekly basis, starting in mid-February 2005. The purpose of attending these meetings was to monitor the TPA transition process and to identify areas of potential risk.



Significant Issues

- ◆ The county will be responsible for more than 30,000 claims to adjudicate after October 1st
- ◆ Eligibility validation will be required for all claims for dates of service prior to September 30th and relatively new enrollees may be difficult to determine, as well as qualify
- ◆ Pre-payment credits will be tracked on a weekly basis. Although the two major payments will be made by November 30, 2005, the balance of almost \$2 million may be difficult to collect from over 600 providers
- ◆ Transition personnel will be looking for permanent jobs versus continuing temporarily with the County
- ◆ More than 15,000 accounts are over 60 days old; follow-up efforts will be required to close these out
- ◆ With new claims, error rates are down 95%, duplication of claims remain stable at 1.7%, and monthly processing increased 25%

Materials Management

September 2006

The primary objective of Materials Management is to procure real and personal property per Article 3 procurement standards. Materials Management procures County property in a fair and open competitive process complying with County policies.



Significant Issues

- ◆ Materials Management has not established effective oversight of Countywide contracts and is unable to validate the total number or dollar amount of outstanding contracts. Lacking this important data increases the likelihood of fraud, prevents accurate liability reporting, and diminishes the ability to achieve a savings economy through improved procurement
- ◆ Procurement Card (P-card) and contract monitoring do not have effective oversight controls established
- ◆ Materials Management does not have effective policies and procedures related to P-Card use, segregation of duties, account closures, or account reconciliations, increasing the likelihood of fraudulent use and inaccurate reporting

Performance Measure Certification

July 2006

The Managing for Results initiative provides that every department develops, tracks, and reports relevant performance measures each year. Of the 42 performance measures reviewed in seven County agencies (including Animal Care and Control, Constables, Human Services, Materials Management, Public Defender's Office, Research and Reporting, and the Sheriff's Office) 67% were certified, and 33% were not certified.



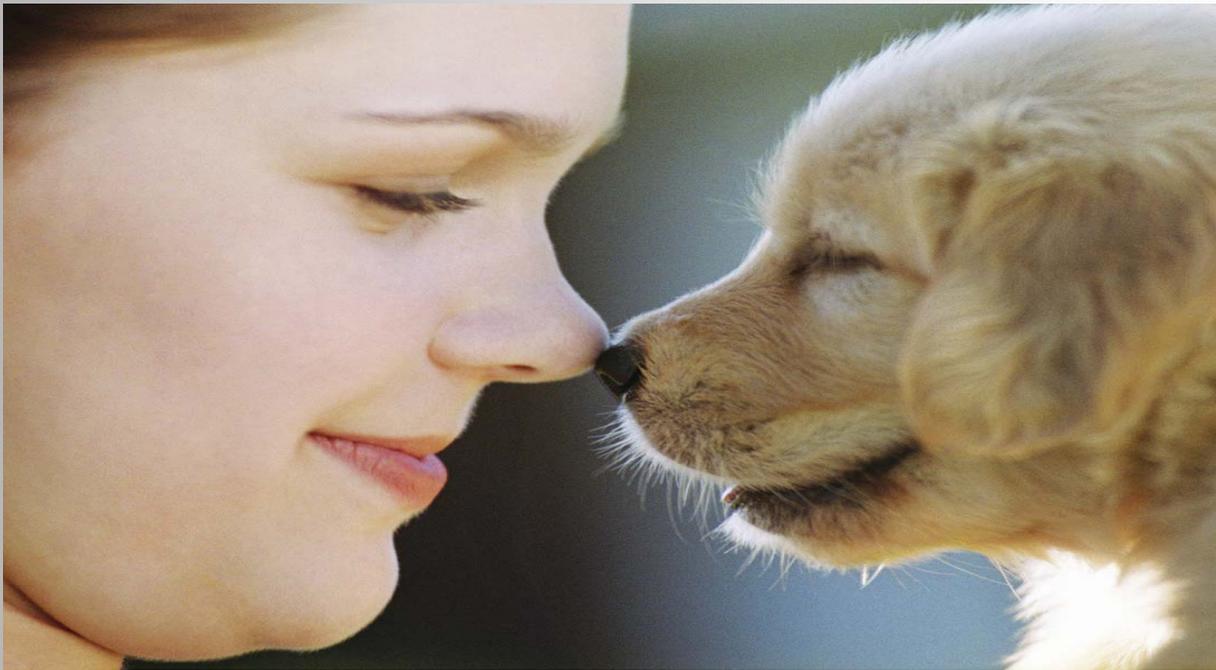
Significant Issues

- ◆ The large percentage of uncertified measures may indicate that agencies need to annually review their strategic plan and train department personnel on measure relevance
- ◆ Further training may be necessary to alleviate confusion related to results, outcomes, and outputs of departmental performance measures

Pet Licensing

July 2006

Animal Care and Control's (ACC) mission is "to promote the health, safety, and welfare of people and pets in Maricopa County." The vision of the department is to strive to "reduce the dangers and nuisances caused by irresponsible pet ownership and to protect pets from abuse, neglect, and homelessness." The purpose of dog and cat licensing activities is to provide licensing services to the people of Maricopa County, helping to control the spread of rabies and to assist citizens in the recovery of lost pets. ACC has five goals, one of which specifically relates to Pet Licensing. This goal was established in fiscal year 2005: "By June 2006, increase the compliance rate for issuance of dog licenses by 2.5 percent from the FY 2004 level."



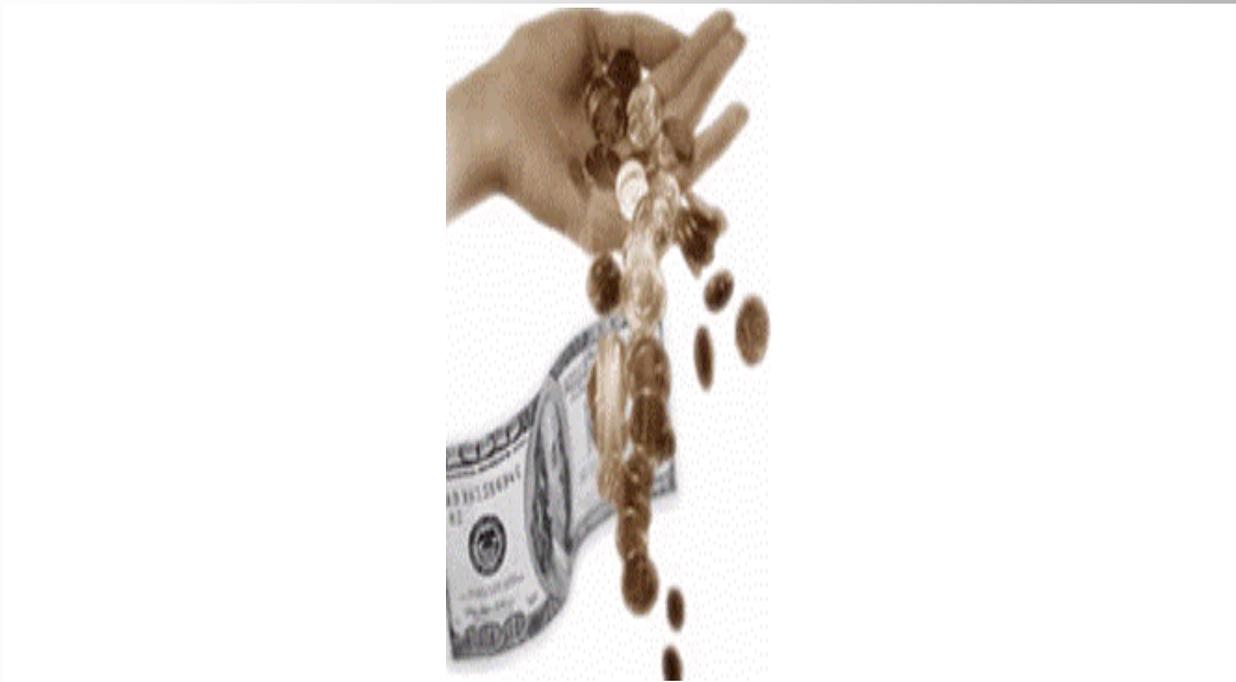
Significant Issues

- ◆ Pet Licensing has recently shown improvement in service quality and performance measures
- ◆ Recent license fee increases should increase revenue but may not result in full cost recovery
- ◆ ACC should consider raising public awareness of current cat-related rabies
- ◆ Nine of ten Managing for Results Performance Measures were certified as accurate

Random Cash Accounts — Petty Cash Funds

June 2006

The County's Petty Cash Policy allows various County departments to hold a limited Petty Cash Fund to facilitate daily operations. Among the departments in our review were Juvenile Probation, Human Services, Legal Defender, Office of the Chief Information Officer, Public Defender, Telecommunications and Superior Court.



Significant Issues

- ◆ Downtown Superior Court's Self-Service Center needs better physical security safeguards for employees and cash
- ◆ Departmental management should emphasize the importance of adherence to Department of Finance policy and procedure

Other Projects

- ◆ Board of Supervisors Monthly Progress Reports

These reports satisfy Internal Audit's charter requirements to monthly update Board Members.

- ◆ Control Bulletins

Internal Audit produces a monthly control bulletin to educate County Management on specifically identified internal control areas and how they can strengthen these controls within their departments.

- ◆ Performance Measurement Certification Class

Internal Audit conducted 4 Performance Measurement Certification (PMC) classes attended by a total of 65 County Employees. The classes improve employees' understanding of source documentation requirements and the certification rating system.

- ◆ Pitney Bowes Postage Reconciliation Follow-Up

Internal Audit conducted a review to verify the existence of effective controls and monitoring have been established concerning the County's postage meter fund.

- ◆ Travel Expense Review– Special Request

Internal Audit conducted a travel expense review concerning whether reimbursement for mileage and lodging should be granted for a specific training event.

Single Audit Reviews

In FY 2004-2005, Maricopa County passed through \$23.9 million of federal grant funds to 43 sub-recipients; 29 of which are required to undergo a Single Audit. In FY 2003-2004, Maricopa County passed through \$14.4 million to 48 sub recipients; 38 were required to undergo a Single Audit.

As mandated by Office of Management and Budget Circular A-133, we reviewed their Single Audit Reports and found a combined 29 reports contained a total of five material weakness findings, which were reported to the appropriate County department. Internal Audit will follow-up on seven overdue Single Audit Reports. The sub recipients are:

- Pass Through Agency ~ Maricopa County Adult Probation Department
Chicanos Por La Causa, Concepts for Change, Family Service Agency, FSAL Programs, Inc., and Northwest Organization for Voluntary Alternatives
- Pass Through Agency ~ Maricopa County Emergency Management Department
City of Avondale, City of Chandler, City of Glendale, City of Mesa, City of Phoenix, City of Surprise, Sun City West-FD, and the Town of Gilbert
- Pass Through Agency ~ Maricopa County Department of Environmental Services
Regional Public Transportation Authority
- Pass Through Agency ~ Maricopa County Department of Human Services
Arizona Call-A-Teen Youth Resources, Arizona Women's Education and Employment, ASU, Catholic Social Services, City of Avondale, City of El Mirage, City of Glendale, City of Scottsdale, City of Tempe, City of Tolleson, Community Services of Arizona, Goodwill Industries of AZ, New Life Center, Save the Family, Tempe Community Action Agency, Town of Buckeye, Town of Gila Bend, and the Town of Guadalupe
- ◆ Pass Through Agency ~ Maricopa County Juvenile Probation
City of Glendale and City of Phoenix
- Pass Through Agency ~ Air Quality
AIDS Project Arizona, Area Agency on Aging, ASU-Community Health Services & Student Health HIV Program, Body Positive, Concilio Latin de Salud, Ebony House, and Phoenix Children's Hospital

- Pass Through Agency ~ Maricopa County Department of Public Health

AIDS Project Arizona, Area Agency on Aging, Arizona Opportunities Industrialization Center, Inc., Banner Health, Body Positive, Catholic Social Services, Central Arizona Shelter Services, Chicanos Por La Causa, Clinica Adelenata, Community Legal Services of Arizona, Inc., Good Samaritan Hospital, Jewish Family & Children's Services, Mountain Park Health Center, Northwest Organization for Voluntary Alternatives, Phoenix Children's Hospital, Phoenix Indian Medical Center, Phoenix Shanti Group, Pinal County, and St. Joseph's Hospital

Information Technology



Information Technology

The County's increasing reliance on Information Technology (IT) can increase productivity but can, also, increase the risk of unauthorized changes, errors, data destruction, unauthorized access to confidential data, downtime, and fraud.

Because of these risks, we developed an IT audit function staffed by dedicated and experienced IT auditors, who perform the following activities:

Continuous Monitoring

IT audit staff continuously monitors certain types of County transactions to ensure County resources are used appropriately. These monitoring efforts focus on high-risk areas, such as Internet usage and assessing Procurement Card (P-Card) payments. Utilizing Audit Command Language (ACL), a powerful audit software, enabling rapid analysis of transactional data in files of any size to ensure 100 percent coverage. The IT audit function, also, assists with ACL support for other Internal Audit projects.

Internal Audit was the recipient of two awards for this project:

- National Association of Counties Achievement Award (2006)
- National Association of Counties Achievement Award (2004)

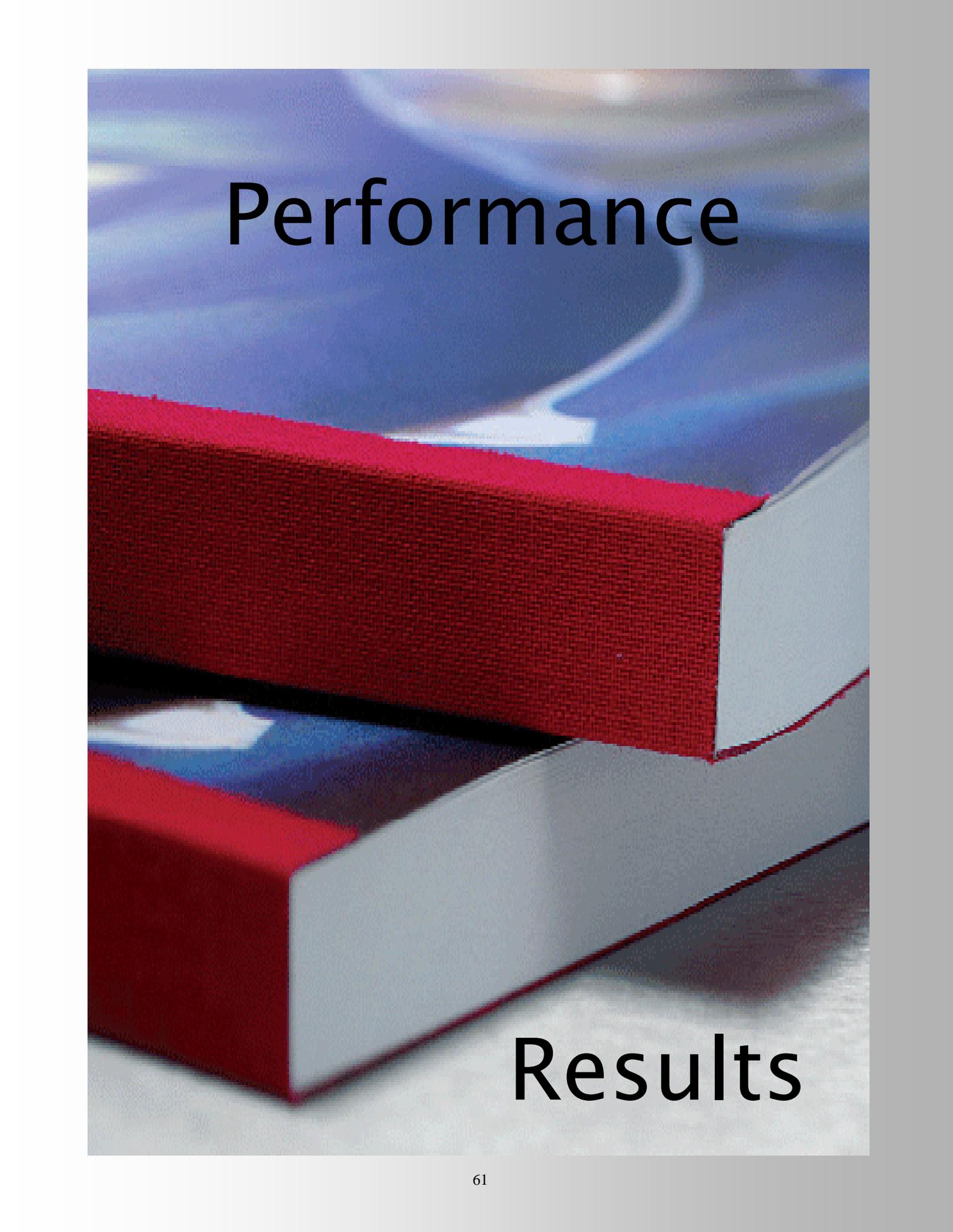
IT General Controls and Application Audits

IT General Controls and Application audits focus on reviewing the adequacy of each department's computer system controls to ensure County data integrity, confidentiality, and availability. Audit examples are: payroll application, financial application, and data center operations.

Wireless Security Assessment July 2006

Wireless technology has enabled County users to access online networks with ease and mobility. While wireless communication is a convenient product, it poses several risks. Network administrators and wireless users should be aware of the ease by which wireless communication can be intercepted by unauthorized users. Internal Audit performed assessments of wireless security and reported its findings to the Board of Supervisors.



The image features a 3D bar chart with two bars. The front bar is grey and the back bar is red. The background is a blue gradient with white light trails. The word 'Performance' is written in black at the top, and 'Results' is written in black at the bottom.

Performance

Results

Internal Audit's Four Primary Goals for FY 2006

Assist the County in its mission to provide fiscally responsible public services by:

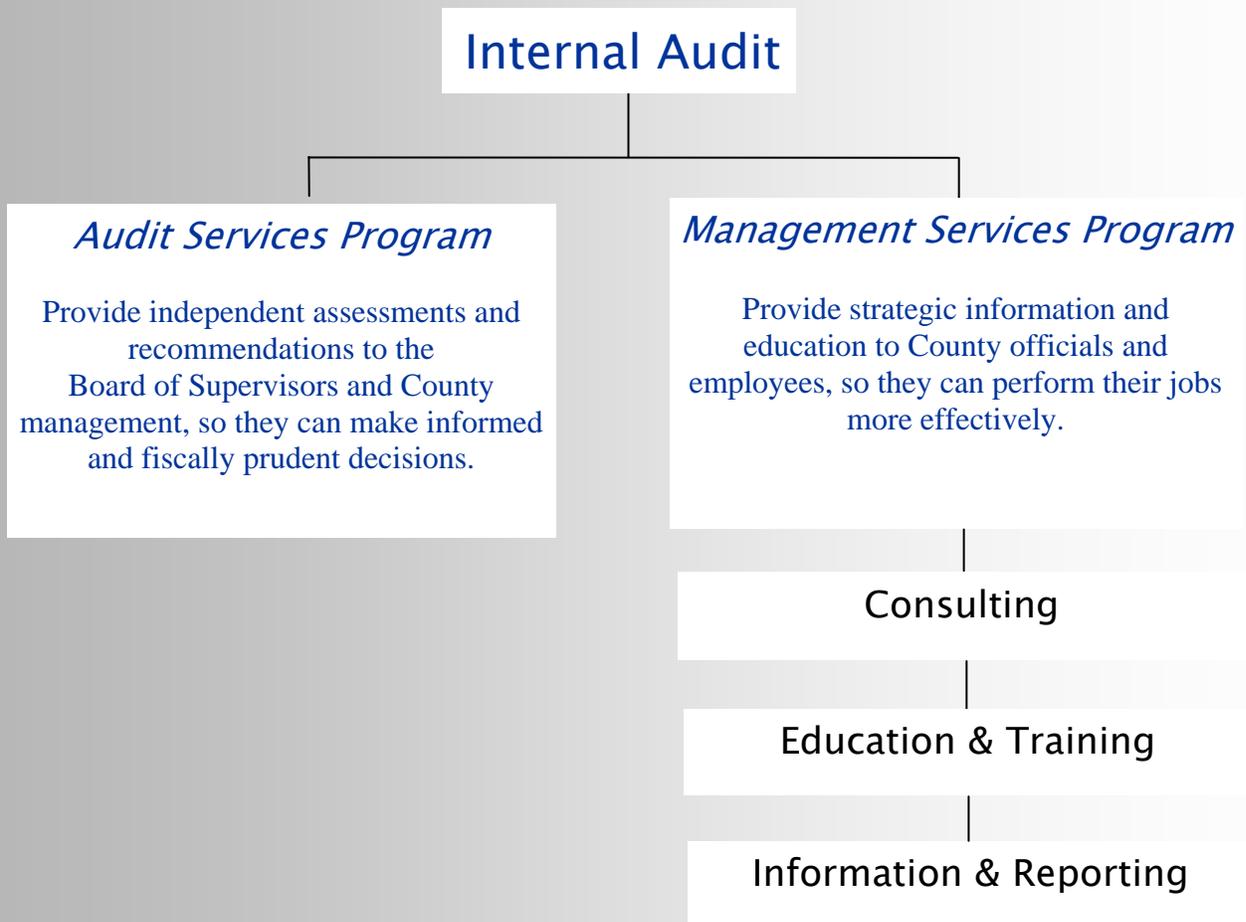
- ◆ Goal 1: Annually, Internal Audit will assist the County in its mission to provide fiscally responsible public services by completing 95% of the Board of Supervisors' approved annual Audit Plan and reporting this information to the Board within 90 days of the fiscal year-end.
- ◆ Goal 2: Annually, Internal Audit will assist the County in its mission to provide fiscally responsible public services by providing objective, accurate, and meaningful information in a way that earns a 95% customer satisfaction rating each year from our primary customer, namely, the Board of Supervisors.



- ◆ Goal 3: Annually, Internal Audit will assist the County in its mission to provide fiscally responsible public services by working with clients to ensure that 95% of audit report recommendations are implemented within three years of being reported. This goal will, also, assist Internal Audit in its vision to facilitate positive change throughout the County.
- ◆ Goal 4: Annually, Internal Audit will assist the County in its mission to become a regional leader by creating and producing at least two innovative, effective audit products and methodologies. These developed products and methodologies will be shared on a regional and national level through publications, presentations, and award programs. Having 25% or more of our audit staff holding regional or national positions within professional peer organizations, will contribute towards this measure.

Programs

Internal Audit is participating in Managing for Results (MfR) through two programs: Audit Services and Management Services.



Key Performance Measures

Internal Audit has seven key performance measures (with FY 2006 results):

Audit Services Program

- ◆ **98%** of Internal Audit recommendations were concurred with by clients
- ◆ **96%** of Internal Audit recommendations were implemented within three years
- ◆ **100%** satisfaction rating was received from Board and County Management for audit reports

Management Services Program

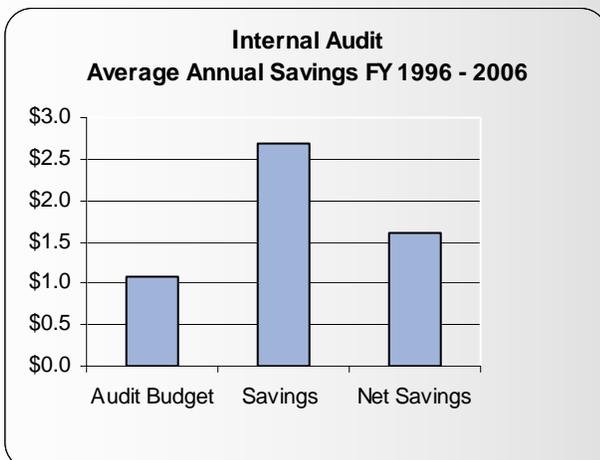
- ◆ **100%** satisfaction rating received from customers indicating consulting services delivered by Internal Audit helped them do their job
- ◆ **90%** satisfaction rating received from customers indicating educational efforts (newsletters, courses, etc.) helped them do their job more effectively
- ◆ **99%** overall approval rating achieved for Internal Audit's strategic information reports by Board of Supervisors and key County management

The following pages illustrate Internal Audit's results.

Economic Impact

Although the amounts vary each year, Internal Audit's economic impact (savings) continues to exceed its cost by a comfortable margin, as shown below. A well-run internal audit function is an investment that benefits County management and citizens.

Internal Audit has identified/recovered 3 times its budget, in cumulative savings, over the past 9 years. (Note: Budget shown in graph below includes co-source dollars.)



During FY 2005 and early FY 2006, Internal Audit deferred the Audit Plan to assist County management with issues affiliated with Maricopa Integrated Health System and the Maricopa County Regional School District.

Audit Dollar Recoveries

FY 2006 audit project recommendations resulted in recoveries, savings, cost avoidance, or other economic impact, totaling \$50,000.

Construction Contracts

Summary of uncollected Blue Cross premiums

Dollar Recovery Impact \$21,632



Justice Courts MAS

Summary of uncollected time payment fees and DUI fines

Dollar Recovery Impact \$3,138



Random Cash Accounts

Reducing inactive and infrequently used petty cash accounts

Dollar Recovery Impact \$1,200



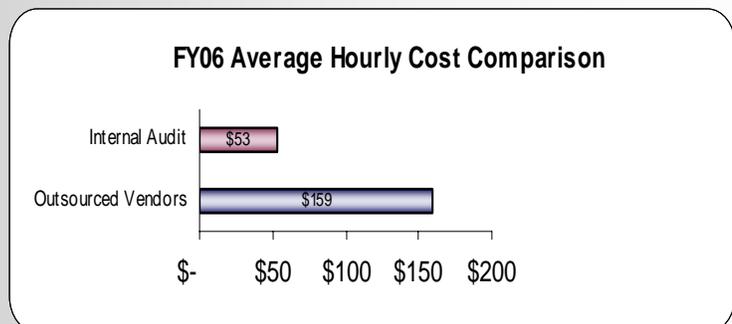
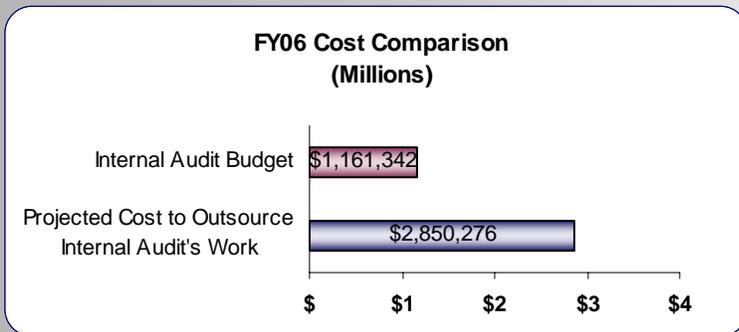
FY06 Audit with Estimated Cost Avoidance

Internal Audit's work is not always measurable; for example, improved internal controls may result in cost savings. The table below shows an audit project that resulted in potential cost avoidance.

Internet Usage Review	\$ 7,100,000	<p>If the County is able to reduce its non-productive Internet use by at least 10 minutes a day on average for each of the County's 9,000 Internet users, the County could save \$7.1 million per year in personnel costs.</p> <p><i>Non-productive use is defined as personal use believed to be conducted on "company" time. Internal Audit is now conducting continuous unannounced monitoring of internet use. This type of monitoring historically decreases the amount of non-productive Internet usage in organizations.</i></p>
Potential Cost Avoidance Total:	\$7,100,000	

Our Cost vs. The Cost to Outsource the Audit Function

FY 2006 audit work would have cost the County twice as much if external auditors had been used, instead of an internal audit staff. Internal Audit Budget bar includes co-source budget dollars.





What

Our Customers



Say

What Our Customers Say?

Quotes below are taken from FY 2006 customer surveys:

“Nice Job!”

“Thank you for the report, as it helps me see areas where I can improve.”

“They do an outstanding job.”

**“Doing a system vulnerability audit –
a great idea!”**

“ We appreciate the work put forth in this audit. It is exactly where we think it should go in providing a secure environment.”

“Run very professionally.”

“The staff was very professional and the report was fair and accurate.”



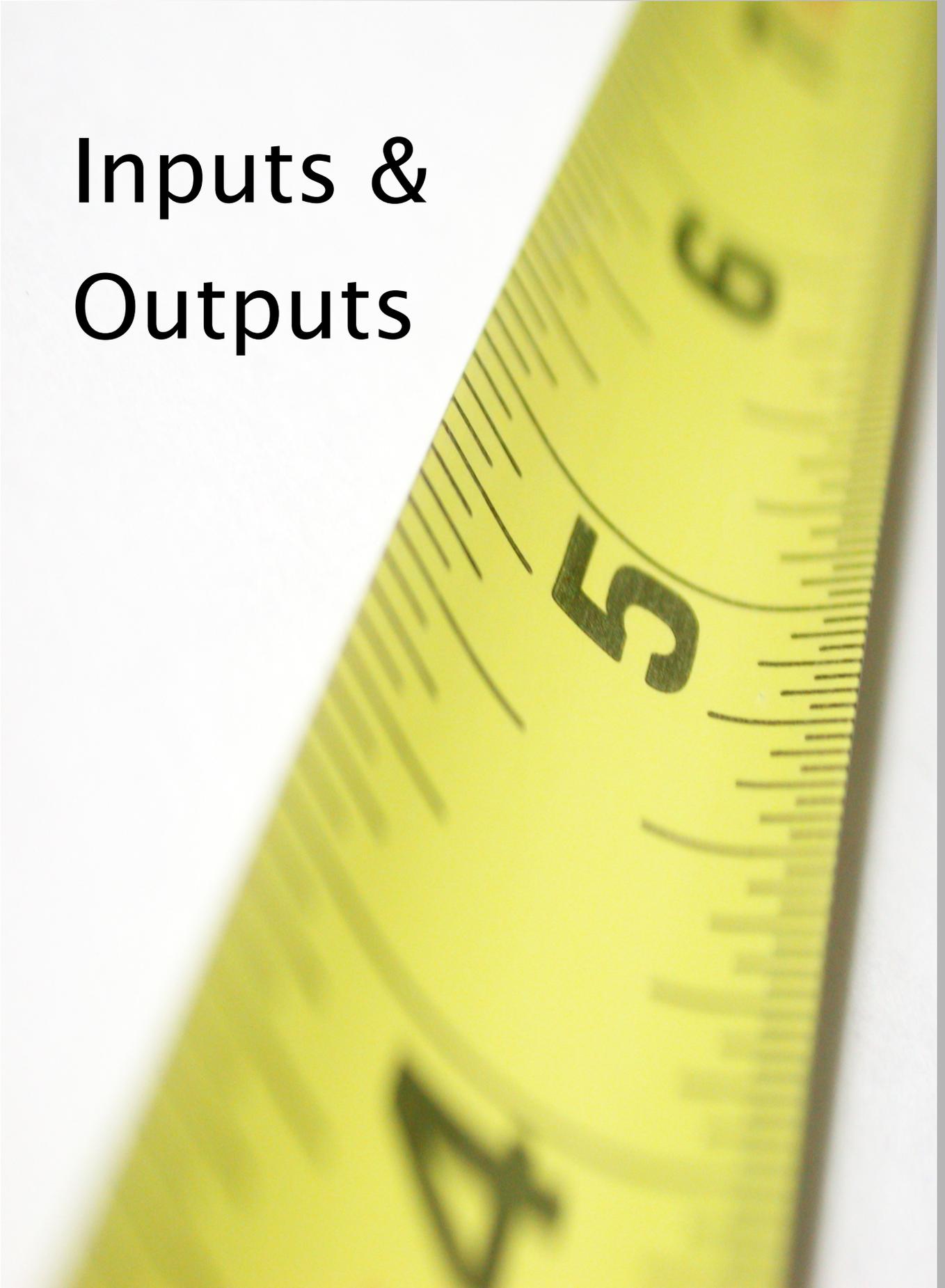
“They are very cooperative – provide valuable service to county and are helpful to this department.”



“This is a very nice report.”

“The report looks good. I think it provides an excellent report card and overview of county departments.”

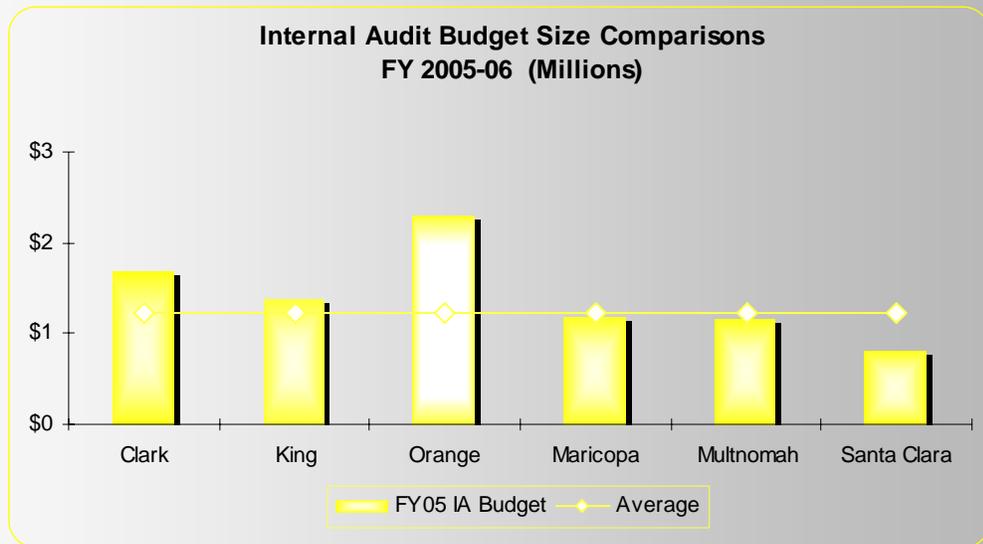
Inputs & Outputs



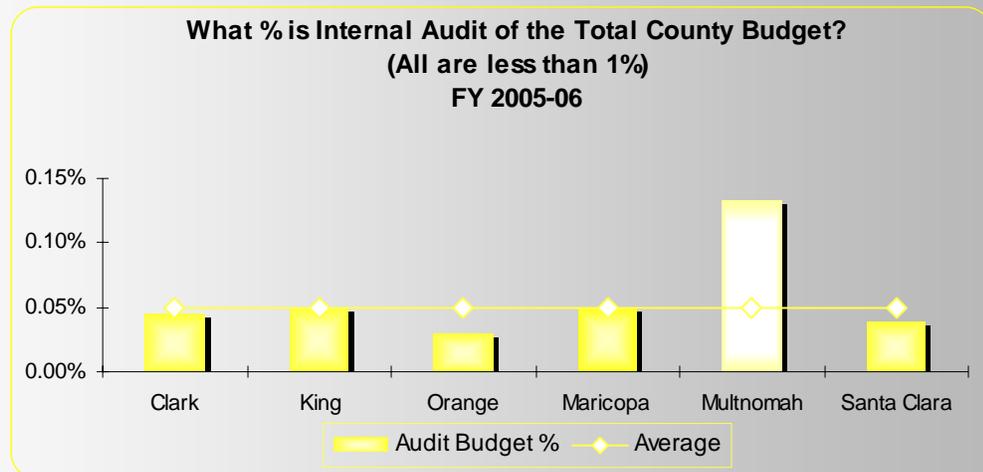
Inputs & Outputs

Department Budget

The County's internal audit costs remain very low compared to other counties, as shown below. The benchmark average annual cost for an audit department is \$1.4 million (comparing Maricopa with five benchmark counties).

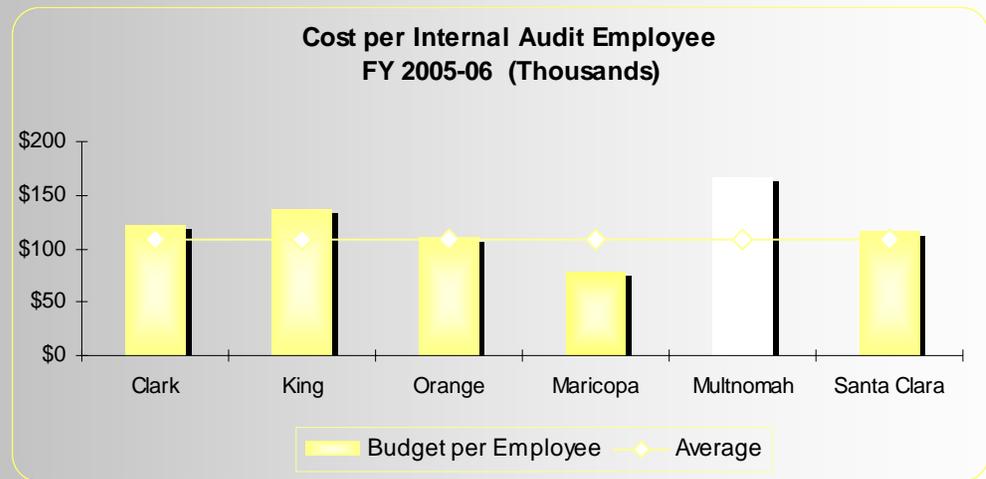


Internal Audit has produced good results with minimal resources.



Cost Per Audit Employee

Our investment cost of \$74,000 per audit staff member (includes auditors and administrative staff) is low, compared to our benchmark counties average of \$100,000.



Outputs

Internal Audit's FY 2006 outputs consist of the number of audit reports issued, consulting engagements conducted, educational classes taught, and strategic information reports issued.

Outputs Audit Services Program:	13
Management Services Program:	
• Consulting Activities	11
• Educational Activities	7
• Strategic Information & Reporting Activities	12
TOTAL:	43

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Visit our website@

http://www.maricopa.gov/internal_audit/



Annual Performance Report Project Members:



Colleen Moorefield & Jennifer Thompson