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# Maricopa County, Arizona

*Do the Right Things Right!*



## Internal Audit Performance Report

Fiscal Year 2007

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## From the County Auditor's Desk—FY 2007



To: Fulton Brock, Chairman, Board of Supervisors  
Don Stapley, Supervisor, District II  
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 31, 2007

Fiscal Year (FY) 2007 was a period of rapid growth and continued productivity for Internal Audit. The Board of Supervisors, the Citizen's Audit Advisory Committee, and County administration continued their strong support for the County audit function.

Throughout FY 2007 Internal Audit continued to provide responsive, objective information as Maricopa County extended programs and services to a community that is among the fastest growing in the US. (Almost 300 percent above the US average!)

As County leadership faces the challenges of slower growth in revenues and increasing service demands, Internal Audit will help achieve County goals by bringing a systematic and disciplined approach to improving the effectiveness of risk management, control, and governance processes. Through measurable benefits, such as promotion of strong internal controls, fraud deterrence, and cost savings and recoveries, Internal Audit strengthens Maricopa County.

Internal Audit, under Board direction, actively supports and strengthens the entire community by ensuring County resources are used for the purpose for which they were provided. By striving to facilitate positive change, Internal Audit adds value and improves County operations and programs. Over the past decade, Internal Audit has provided insight and recommendations on a broad range of County organizations and processes.

### 2,745 Recommendations for Improvement Made in Past 10 Years

Internal Audit strengthens the County's internal control environment. During the last ten fiscal years, from FY 1997 to FY 2006, the Internal audit made 2,745 recommendations to County officials. Over 95% of these recommendations were implemented within a three-year period. (See page 5)

### \$29 Million in Savings Identified in Past 10 Years

Internal Audit has a positive economic impact on the County. During the last ten fiscal years, Internal Audit work has resulted in \$29 million in savings to the County (and \$41 million in potential savings). As a result of our FY 2007 work, we identified over \$600,000 in savings and over \$4,000,000 in cost avoidance. (See pages 3 & 4)

### Internal Audit Receives Clean “Bill of Health” from Outside Auditors

Internal Audit continues to provide evidence of its effectiveness by receiving a clean opinion (no significant findings) from an outside audit firm, every three years as required: 2006, 2003, 2000. A positive peer review assures the Board of Supervisors, the Audit Committee, and the public, that Internal Audit complies with standards set forth by the U.S. Comptroller General (Generally Accepted Government Auditing Standards).

### Internal Audit Has Won 21 Awards in the Past 7 Years

During the past 7 years, Internal Audit staff was recognized by receiving 21 professional awards from 7 agencies. In Fiscal Year 2007, the National Center for Civic Innovation awarded Internal Audit the Trailblazer Award for its Government Performance Reporting Demonstration Project.

### Internal Audit Staff Make Presentations in Phoenix, New York, Memphis

Internal Audit staff were invited to speak at various conferences and seminars in FY 2007. County Auditor Ross Tate was invited to speak at the annual conference of the Association of Local Government Auditors in Memphis, Tennessee. Deputy County Auditor Richard Chard and IT Audit Supervisor Toni Sage were invited to the National Performance Management Annual Conference in Schaumburg, Illinois. In addition, the Phoenix Chapter of the Institute of Internal Auditors invited Ross Tate to discuss human resource and staffing challenges facing Internal Audit Departments. All Internal Audit staff members continue to participate and lead in professional societies.

### Internal Audit Staff Satisfaction Hits New Highs

The Internal Audit Department continues to provide exceptional services to our County colleagues and to foster an atmosphere of excellence for our staff. Ratings by the Office of Research and Reporting continue to show that the County’s Internal Audit Department is a great place to work. (Average score is 7.05 out of 8.00) Staff regularly report scores of high satisfaction. Surveys of the County’s Management Team also report Internal Audit’s scores related to work quality and professionalism exceed 90 percent.

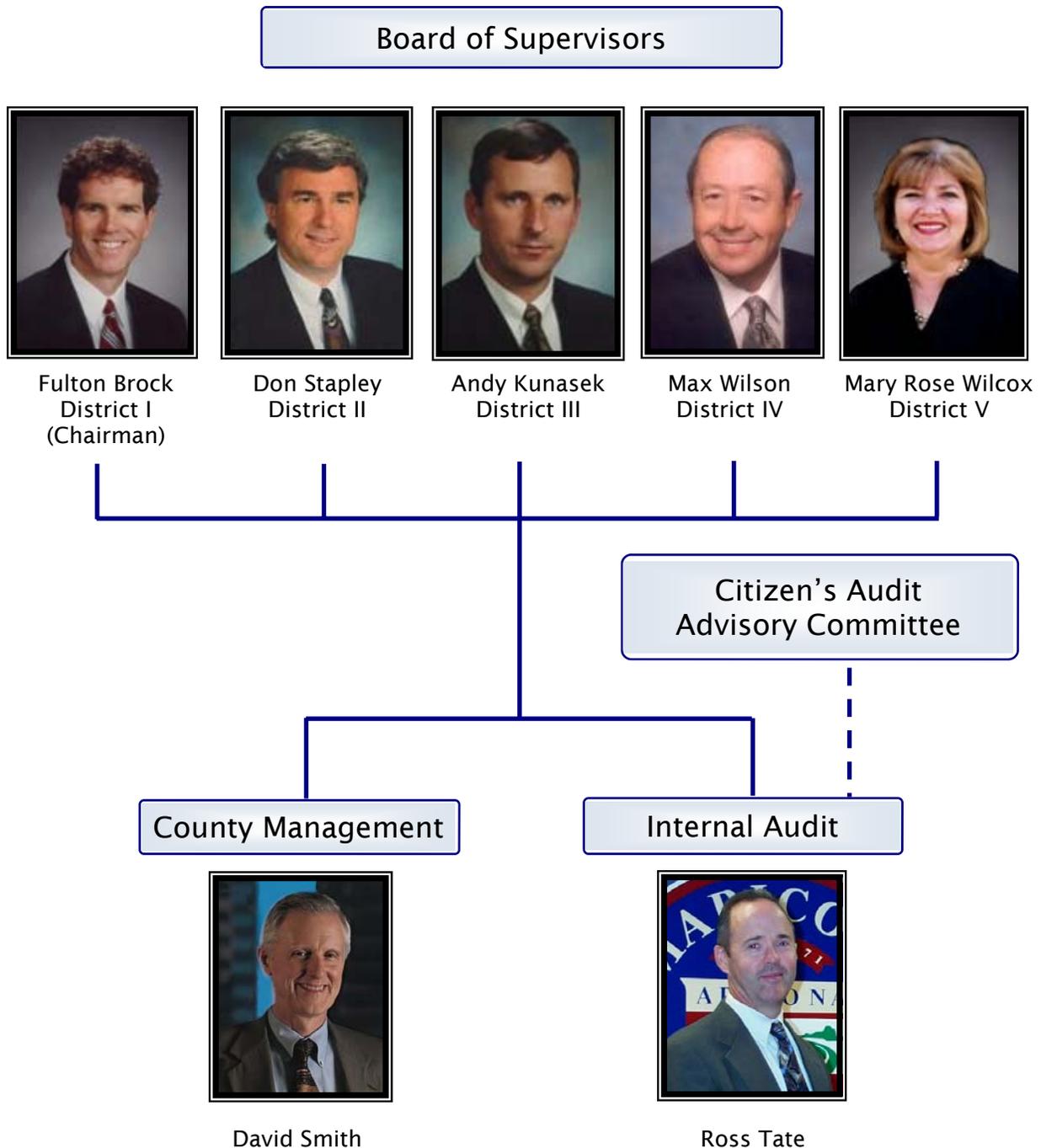
### Federal Law Emphasizes Need for Strong Internal Audit Function

The Sarbanes-Oxley Act of 2002 continues to heighten public awareness of the role of an effective internal audit function as an independent check and balance in private corporate governance. At Maricopa County, bond rating agencies Fitch and Moody’s consider the existence of an internal audit function as a key component of strong management practices. Moody’s uses the Financial Condition Report prepared by Internal Audit to evaluate trends, and considers the County’s audit function a deterrent to fraud.

Internal Audit strengthens Maricopa County by promoting strong internal controls, deterring fraud, and initiating cost recoveries

# Organizational Independence

The Maricopa County Internal Audit Department is effectively organized, reporting directly to the Board of Supervisors, with an advisory reporting relationship to a Citizen's Audit Advisory Committee.



# Citizen's Audit Advisory Committee

## **Ralph Lamoreaux, District I (Chairman)**

Ralph is a CPA with an MBA from the University of Utah and a BS degree in accounting from Southern Utah University. He worked 33 years with the US Government Accountability Office. Mr. Lamoreaux was involved in audits of many different federal departments and agencies. He retired from GAO in July 2000.



Kathleen Wood and Jay Zsorey, from Office of the Auditor General; Richard Lozar; Ryan Brownsberger; Ralph Lamoreaux; Ross Tate; and Shelby Sharbach, from Department of Finance.

## **Jill Rissi, Chairperson, District II**

Jill is a researcher and policy analyst with undergraduate degrees in psychology and nursing, and an MPA from Arizona State University, where she is currently a PhD candidate. 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.

Not Pictured: Jill Rissi, Matthew Breecher, Bruce White, and Tom Manos.

## **Matthew Breecher, District III**

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

## **Ryan Brownsberger, District IV**

Ryan is a CPA with an Iowa State University accounting degree and an MBA from Arizona State University. He has eight years experience in auditing, accounting, budgeting, and business management. Mr. Brownsberger is a Revenue Manager for Swift Transportation Co., Inc.

## **Richard Lozar, District V**

Richard has extensive experience in accounting and management. He worked as a Controller and General Manager in the hospitality industry, as an Accounting and Financial Consultant, and as a Director of Business Affairs. Mr. Lozar is the Chief Financial Officer for Sedona Patio and Leather, a custom furniture manufacturer of both indoor and outdoor furniture.

## **Ross Tate, County Auditor**

Ross is a CIA, CMA, and CGFM and has a bachelor's degree from Brigham Young University, in business operations & systems analysis. He joined the Maricopa County Internal Audit Department in 1989, and has been County Auditor since 1994. He serves on the Board of Directors for the Association of Local Government Auditors, an international audit organization. Mr. Tate also is an active member of several professional organizations.

## **Bruce White, Civil Division, County Attorney's Office**

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

## **Tom Manos, County Chief Financial Officer**

Tom has been the Maricopa County CFO since 1997.

## National Awards Received

### Government Performance Reporting Demonstration Grant Program 2007 Trailblazer Award



Internal Audit Department received the 2007 Government Performance Reporting Demonstration Grant Program Trailblazer Award from the National Center for Civic Innovation. Internal Audit was one of twenty-four government organizations to receive a \$30,000 demonstration grant for the Citizens' Performance Measurement Report. The award is given for successfully completing the work required as a grantee.



*Chairman Fulton Brock, Maricopa County Board of Supervisors, joins Internal Audit to celebrate the National Center for Civic Innovation's Trailblazer Award*

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### Awards for Publication Excellence (APEX) 2007 Award of Excellence



APEX is an annual awards program that recognizes excellence in publications work by professional communicators. APEX Awards are based on excellence in graphic design, editorial content, and overall communications effectiveness and excellence. Internal Audit received the APEX award for their annual performance report.

## Previous Awards Received



### National Association of Counties

2006 Achievement Award  
*Internet Usage Risk Management*

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*



### The Institute of Internal Auditors

2006 Recognition of Commitment  
*Professional Excellence, Professional Quality, and Professional Outreach*

2002 — 2005  
*Commitment to Quality Improvement Award*

Don Stapley,  
2006 Chairman,  
joins Internal Audit to  
celebrate three awards  
from the:

- ◆ National Association of Counties
- ◆ Association of Government Accountants
- ◆ Institute of Internal Auditors





## 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*



## Association of Government Accountants

2006 Certificate of Excellence  
*Service Efforts and Accomplishments*

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

2003 Distinguished Local Government  
Leadership Award  
*Ross Tate, County Auditor*



## Government Finance Officers Association

2002 Award of Excellence  
*Performance Measure  
Certification Program*



## Awards for Publication Excellence

2004 Award of Excellence  
*Investment & Financial  
Materials Category*

Financial Condition Report



Max Wilson,  
2005 Chairman,  
and Internal Audit  
celebrate national  
recognition:

A NACo award for  
a program Internal  
Audit recommended,  
“Jurors Helping  
Jurors.”

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## Internal Audit's Mission

To provide objective, accurate, and meaningful information about County operations so the Board of Supervisors can make informed decisions to better serve County citizens

*"Do The Right Things Right!"*

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# Performance Results

## Three Primary Goals for FY 2007

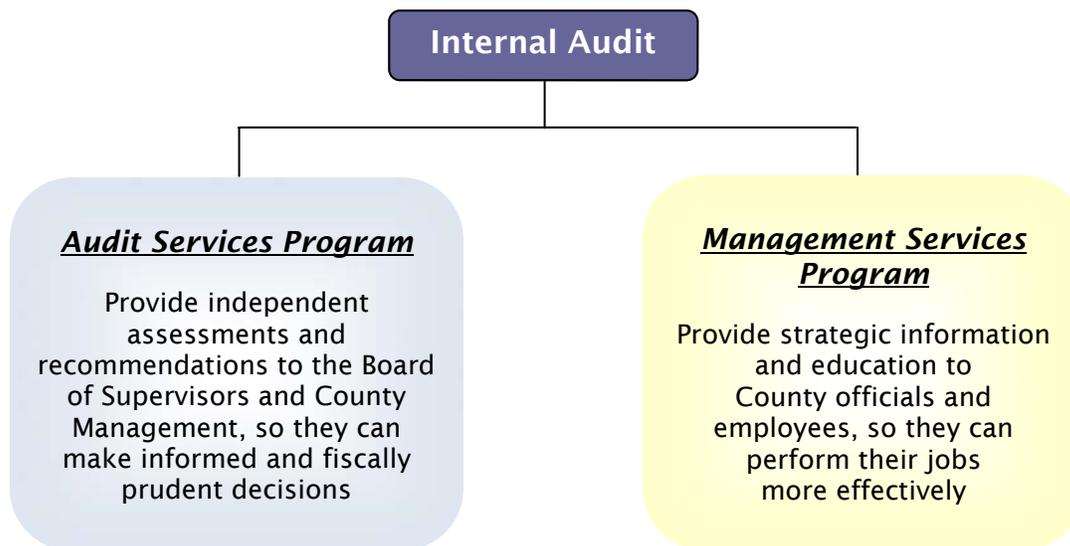
Assist the County in its mission to provide fiscally responsible public services by following these goals:

- ☆ **Goal 1:** By September 30, 2007, Internal Audit will complete 95% of the Board of Supervisors' approved Audit Plan and report this information to the Board so that they can make informed decisions and provide fiscally responsible public services.  
*Completed? Yes, 100%*
- ☆ **Goal 2:** By September 30, 2007, Internal Audit will ensure that a 95% customer satisfaction rating is earned from our primary customers, the Board of Supervisors, so they can make informed decisions on the issues they deem most important, and can provide fiscally responsible public services.  
*Completed? Yes, 100% from the Board of Supervisors*
- ☆ **Goal 3:** By September 30, 2007, Internal Audit will ensure that 95% of the agreed-upon audit recommendations are implemented within three years of being reported so the Board of Supervisors can provide fiscally responsible public services.  
*Completed? Yes, 96% completed as of January 2007*

## Managing for Results Programs

Internal Audit participates in Managing for Results (MfR) through two programs:

- ☆ Audit Services
- ☆ Management Services



## Key Performance Measures



### ***Audit Services Program***

- ☑ **100%** of the Board of Supervisors' survey responses show the Board is satisfied with Audit Services (High, Medium, and Low risk projects)
- ☑ **96%** of Audit Recommendations are implemented within three years
- ☑ **100%** of Audit Services are completed within 90 days after close of year

### ***Management Services Program***

- ☑ **100%** of the Board of Supervisors' survey responses show the Board is satisfied with Audit Management Services (High, Medium, and Low risk projects)
- ☑ **100%** of Audit Management Services projects are completed within 90 days after close of year



# Dollar Recoveries & Cost Avoidance

## Dollar Recoveries

The tables below and on the following page shows FY 2007 audit project recommendations that resulted in recoveries, savings, cost avoidance, or other economic impact, totaling \$5 million to \$6.9 million.

Audit	Impact	Description
Parks & Recreation	\$220,400	The approved new fee schedule will result in an additional \$200,000 in revenues; underpaid balloon payments & unassessed late fees will potentially result in \$20,400 (actual recovery-to-date: \$9,078).
Justice Court Minimum Accounting Standards	\$174,270	Dollars saved by not using outside consultants for this mandated review (\$174,270 is the variance between internal and external costs).
Countywide Revenues	\$146,650	Revenues and reimbursements not collected between FY04 and FY06 as specified by Intergovernmental Agreement (IGA) terms (MCDOT: \$107,658; Animal Control: \$27,516; Flood Control District: \$11,476).
Recorder's Office	\$51,208	Accounts receivables collected from inactive customer accounts; savings from 11 unused cell phones located in the Elections Department.
Countywide Accounts Payable	\$16,057	The County paid certain invoices prior to their due dates which resulted in an estimated loss of \$16,057 in interest revenue because the cash was not invested in short term securities prior to their due dates; the County should pay invoices, especially invoices for large dollar amounts, closer to their due date.
Construction Contracts	\$3,458	Potential construction contractor overcharges; deductive allowance calculated without consideration of mark-ups.
<b>Recovery &amp; Cost Avoidance Total:</b>		<b>\$612,043</b>

## Estimated Cost Avoidance

Internal Audit’s work is not always measurable and may not always result in quantifiable dollar recoveries or cost savings. However, audit recommendations may result in expenditure avoidance.

For example, our annual review of County employee Internet-use potentially reduces non-productive time, as shown below; when employees are aware that they are being monitored by Internal Audit on their Internet usage, they may change their behavior. Other audit recommendations may result in unquantifiable efficiencies or in more effective service delivery that improves program quality.

Audit	Impact	Description
Internet Usage Review	\$1,500,000	<p>Based on an Internal Audit review, if the County reduces non-productive Internet use for half of the 7,572 Internet users by 5 minutes a day, the County could save \$1.5 million in personnel costs each year.</p> <p><i>Non-productive use is defined as personal use believed to be conducted on “company” time. Internal Audit conducts recurring unannounced monitoring of internet use. This type of monitoring historically decreases the amount of non-productive Internet usage in organizations.</i></p>
Systems Development Review	\$1.3 – 3.2 million	Utilizing an Information Technology (IT) Project Portfolio Management program can realize an annual IT budget reduction of 2 to 5% according to industry research; for the FY06 budget this is equivalent to \$1.3 to \$3.2 million.
Treasurer’s Office	\$1,050,608	The auditors identified a Tax Information Fund (special revenue fund) that had never been included in the County budget or financial system and therefore had not been subject to expenditure controls; the \$1,050,608 represents the fund balance amount accumulated over 4 years.
Environmental Services	\$500,000	Outstanding revenue, unauthorized fee waivers, incorrect fee schedule used.
Countywide Review of Employee Reimbursements and Work Documentation	\$87,000	County’s potential federal fine exposure from inaccurately tracking temporary work permits.
<p><b>Cost Avoidance Total:     \$4.4 —\$6.3 million</b></p>		

# Audit Recommendations

Internal Audit provides independent analysis and assurance that operations are efficient, economical, and effective. We track implementation of audit report recommendations that identify efficiency gains, provide economical guidance, improve operational effectiveness, and ensure effective controls are in place to prevent fraud, waste, and abuse.

## Internal Audit Issued 2,745 Recommendations in 10 Years

During the last ten fiscal years, from FY 1997 to FY 2006, we made 2,745 recommendations in which 2,689 (98%) were agreed to by the audited departments. To date, the departments have implemented 2,443 (89%) of these recommendations. In FY 2007, we made 179 recommendations in which 169 were agreed to by the audited departments. We allow up to three years for a recommendation to be implemented.

## Internal Audit Exceeds Benchmarks for Implementation

The Association of Local Government Auditors (ALGA), an international association, offers benchmarking and best practices data for use by internal audit organizations. Compared to comparably sized audit shops, Maricopa County Internal Audit exceeds the ALGA benchmark.

In the last seven fiscal years, Internal Audit achieved 96% of “recommendations agreed to” by audited entities, compared to the ALGA benchmark of 92%. In four of the last seven fiscal years, with implementation still proceeding on more recent actions, Internal Audit exceeded the ALGA benchmark of 83%.

### Ten Years of Audit Recommendations and Implementations

Fiscal Year	# of Recommendations	Agreed		Implemented	
		#	%	#	%
FY 1997	237	230	97%	230	97%
FY 1998	177	172	97%	172	97%
FY 1999	190	184	97%	184	97%
FY 2000	186	173	93%	173	93%
FY 2001	388	383	99%	382	98%
FY 2002	205	200	98%	194	97%
FY 2003	755	750	99%	718	95%
FY 2004	108	108	100%	94	87% *
FY 2005	130	125	96%	93	72% *
FY 2006	369	364	99%	203	55% *
<b>FY1997-2006</b>	<b>2,745</b>	<b>2,689</b>	<b>98%</b>	<b>2,443</b>	<b>89%</b>

\* Note: Recommendations are in the process of being completed.

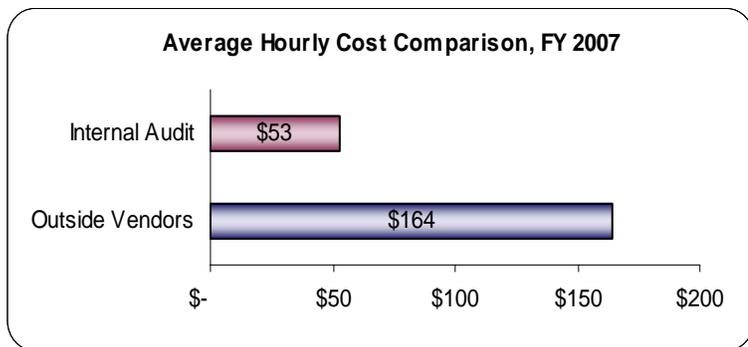
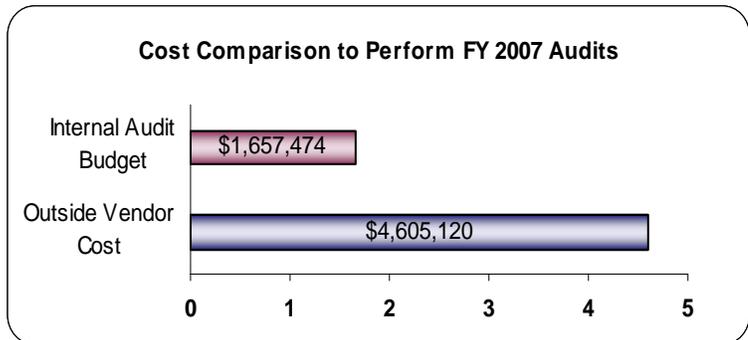
# Internal Auditors — A Good Investment

## Our Cost vs. the Cost to Outsource the Audit Function

FY 2007 audit work would have cost the County almost three times as much if external auditors had been used instead of internal audit staff.

The consultants' (outside vendors) average hourly rate is \$164 compared to the Internal Audit department's \$53 rate (based upon a review of external contracted rates and averaged invoices).

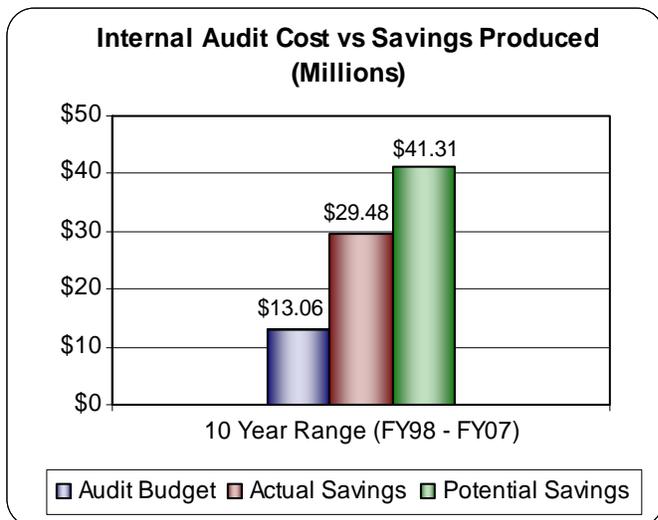
One indicator of Internal Audit efficiency is the evaluation of whether or not it is more cost effective to provide the County function in-house or contract it to external consultants.



## Our Cost vs. Cost Savings to the County

Over the past 10 years, Internal Audit has produced \$29 million in savings (and \$41 million in potential savings) to the County. During the same period, our department budget totaled \$13 million (which includes co-sourcing dollars), resulting in a net savings to the County of \$16 million. Our savings averaged \$2.9 million per year compared with average annual resources of \$1.3 million.

Internal Audit identifies potential savings to the County by providing fraud deterrence and



identification of weak controls. For example, Internal Audit's Internet Usage monitoring has made a potentially significant source of waste and abuse visible to County management.

A well run internal audit function is an investment that benefits County management and citizens.

In FY 2008, 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.

# Customer Feedback

Quotes below are taken from FY 2007 customer surveys.

"My thanks to Internal Audit for the excellent analysis and recommendations regarding [our] office web sites. Our web sites are considerably more secure now as a result of the changes identified."

"Overall, We received benefits from this audit that will assist us in the future."

"Good Job!"

"The information was presented in a way that was easy to read and understand."



"We appreciate the willingness of Internal Audit staff to work through issues in such a cooperative manner."



"The "Report Card" provided was meaningful and helpful."

"The auditors were very courteous and professional."

"Thanks for doing this work."

"Thank you for working with us on these modifications. It is greatly appreciated."

"The presentation clearly presented the results of the review."

"Thank you for your guidance — thanks to our discussion today we were able to improve our system programming to include a password expiration date as well as require a password that is alphanumeric with at least one special character — this was definitely time well spent!"

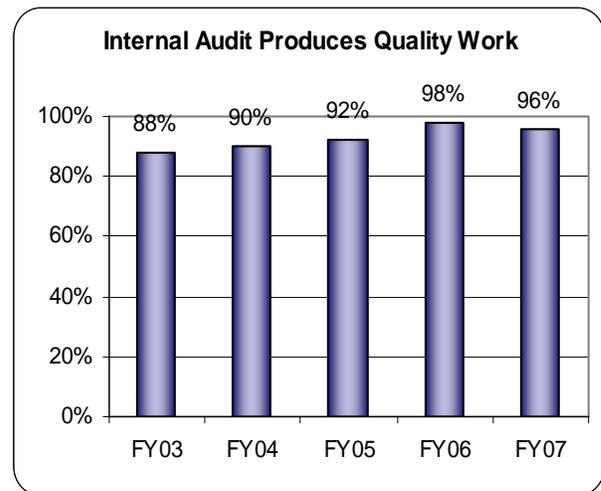
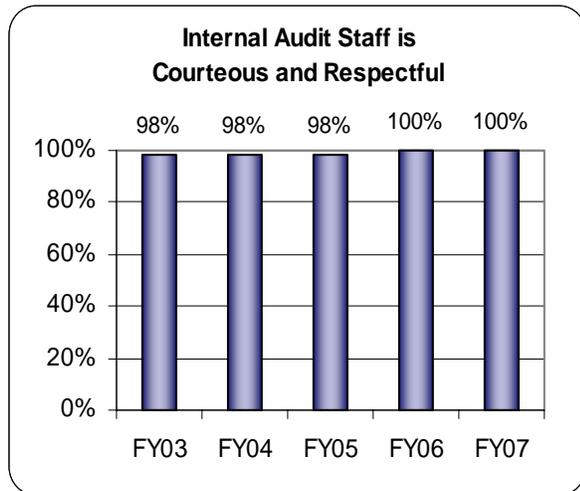
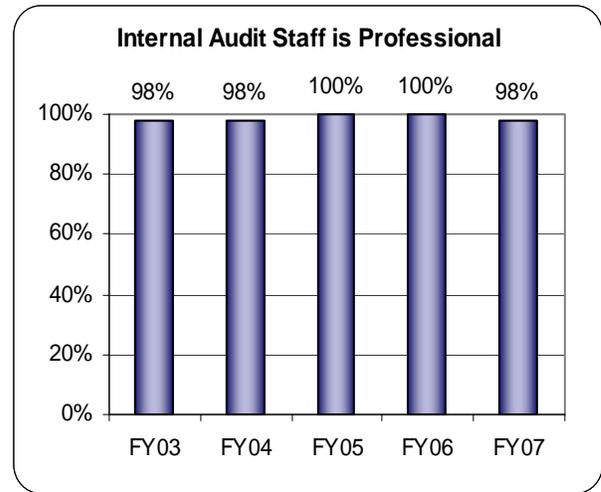
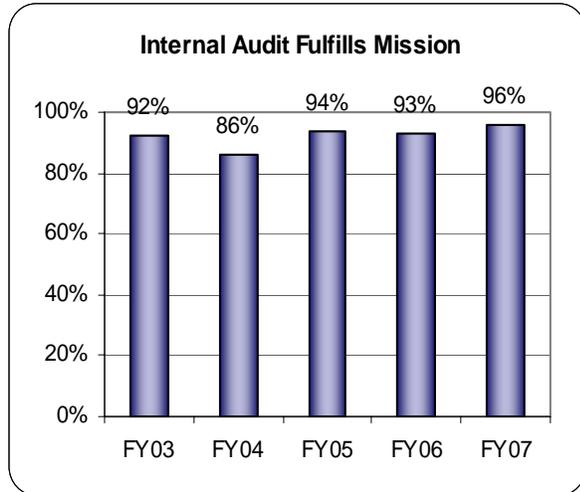


"We appreciate the work put forth in this audit."

"Very good job! This will help me in my continual evaluation of operations."

# County Officials' Satisfaction with Internal Audit

The Maricopa County Research and Reporting Department annually surveys Department Directors regarding their satisfaction with Internal Audit Department performance. The results are below.



## Comments from County Officials:

“Pleased to have Internal Audit as a resource to act as an independent check and balance on what we do.”

“They are prompt, friendly, and agreeable with assisting us.”

“Great department and everything they do helps us be a better department.”

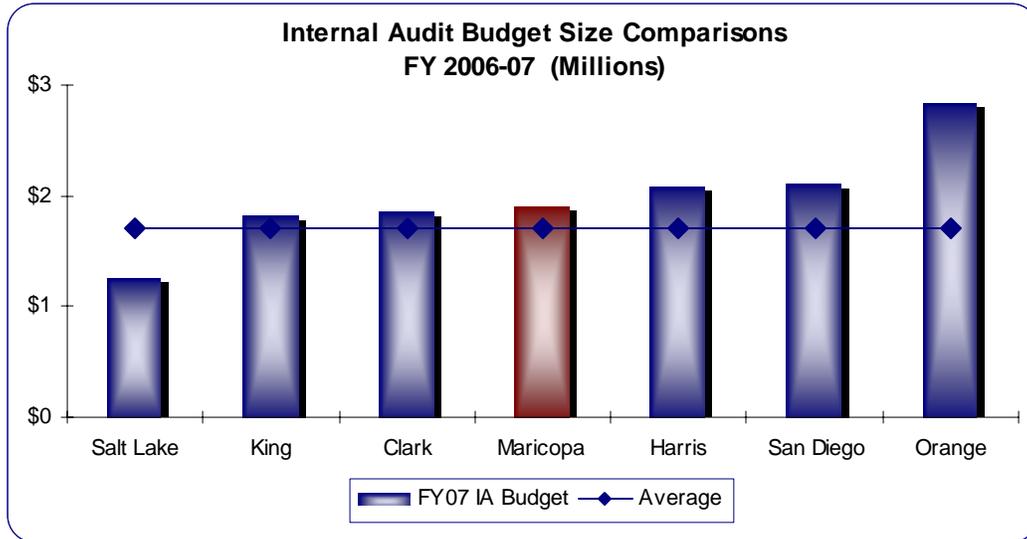
“They have a very professional staff.”

— Source: Maricopa County Research and Reporting, FY 2007

# Inputs and Outputs

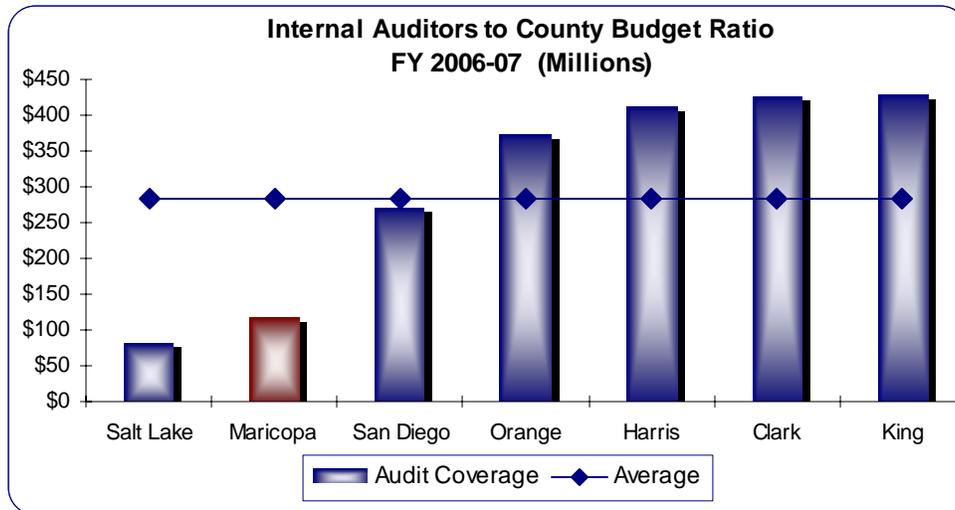
## Department Budget

The County's internal audit costs remain average compared to other counties, as shown below. A few counties, including Maricopa, have co-sourcing dollars within their internal audit budget.



## Ratio of Internal Auditors to County Budget

This ratio represents each benchmark's audit coverage. Maricopa County has one auditor for every \$116 million of county budget compared with the benchmark average of one auditor for every \$283 million of budget. This means that Maricopa County auditors are spread less thinly and are able to provide deeper coverage when compared with the benchmarks.



## Outputs

Internal Audit spent 24,500 hours on audits in FY 2007.

# Innovative Information Technology Audit Services

Information Technology (IT) is an integral part of County operations and its Managing for Results efforts. The ubiquitousness of information technology, networks, and web applications creates the need for auditors with knowledge of IT impact on financial, operational, and data security risks.

Recognizing the County's ever increasing reliance on IT, Internal Audit:

- ◆ Expanded the depth and breadth of our staff IT skills through recruiting and training; 20% of our current staff have Information Systems degrees and two are Certified Information Systems Auditors (CISA)
- ◆ Began using an integrated audit model which blends IT and operational audits resulting in seamless reviews of County processes
- ◆ Co-sourced with recognized audit consulting leaders with specialized IT expertise
- ◆ Identified industry standard guidelines for IT controls



## Services We Provide

Continuous Auditing (National Association of Counties Achievement Award (2006))

We regularly monitor certain County transactions associated with high-risk areas, such as procurement (credit) card payments, internet usage, and vendor payments. Using powerful auditing software tools, we are able to rapidly analyze 100% of large data transaction files.

IT General Controls (ITGC)

We conduct reviews of general information technology environments, including computer operations, back-up and recovery, disaster recover planning, access to programs and data, program development, and program changes.



Applications Controls

We perform audits of transaction processing controls, sometimes called "input-processing-output" controls.

Network Security Assessments

We assess network security controls, both technology and management processes, to determine vulnerabilities to intentional attacks, unintentional mistakes from trusted insiders, and undue exposure of data assets.



System Development Assessments

We perform systems development reviews of new or enhanced systems, considering IT governance, project management, design, testing, conversion, training, and project implementation controls.

## Presentations / Speaking Engagements

County Auditor *Ross Tate* was invited to the annual conference of the Association of Local Government Auditors in Memphis, Tennessee to present “Marketing the Audit Function.”



Deputy County Auditor *Richard Chard* and IT Audit Supervisor *Toni Sage* were invited to the 2nd Annual National Performance Management Conference in Schaumburg, Illinois.

Their separate presentations focused on preparing an award winning Service Efforts and Accomplishments report.

The Phoenix Chapter of the Institute of Internal Auditors invited *Ross Tate* to discuss Human Resource and Staffing challenges facing Internal Audit Departments.



# Community Involvement

## Toastmasters International



Several Internal Audit staff members participate in a local Toastmasters International chapter. Ross Tate, Richard Chard, Stella Fusaro, and Patra Carroll are members.

Toastmasters International helps members improve communication, public speaking, listening, and leadership skills. Members meet weekly to practice communication skills and to be evaluated on their speeches.



## Combined Charitable Campaign / United Way — My Girlfriend's Kitchen

### “Cooking for a Cause”

Internal Audit staff participated in a cook-a-thon at a local My Girlfriend's Kitchen (MGFK) to benefit the County's Combined Charitable Campaign (CCC) for United Way. MGFK hosted the event and donated \$30 to the CCC and pledged \$70 to a local food bank. MGFK is a meal preparation service where clients meet to make dishes from provided ingredients and instructions. The Kitchen provides a convenient, communal meal preparation site, with recipe planning, shopping, and clean up provided by Kitchen's staff.



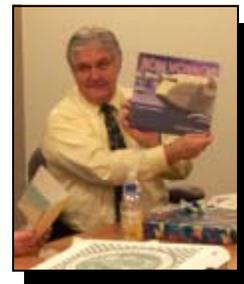
Top Row: Patra Carroll, Scott Jarrett, Carla Harris, Trisa Cole  
Bottom Row: Ronda Jamieson, Christina Black, Toni Sage, Eve Murillo

# Special Announcements

## We Will Miss You John!

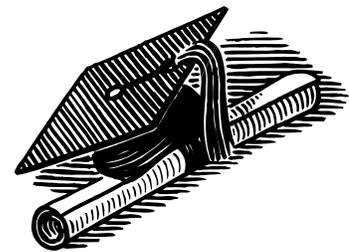
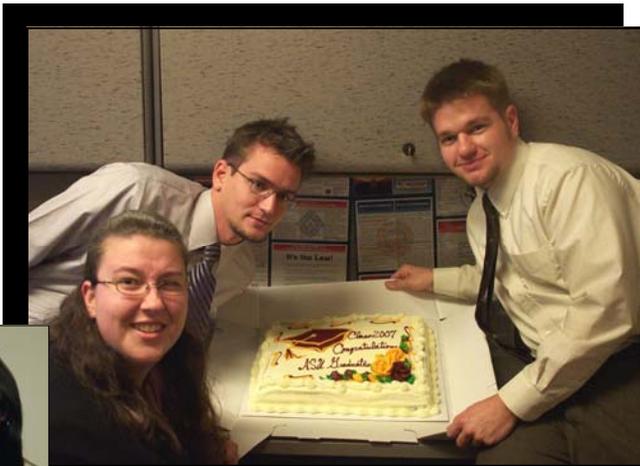


Congratulations to John Schulz on his retirement after 28 years of service with Maricopa County.



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## Congratulations 2007 Arizona State University Graduates!



Jenny Eng  
Intern

Candice Durham, Intern  
Kevin Bach, Intern  
Ryan Bodnar, Staff Auditor



*Class Of 2007*

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## **Internal Audit’s Vision**

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

*“Do The Right Things Right!”*

## Appendix A: Professional Staff Biographies

Internal Audit employed the following individuals during FY 2006-2007.

### **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 21 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 on the Board of Directors for the Association of Local Government Auditors, an international audit organization. Mr. Tate previously served as President of the Arizona Local Government Auditor's Association, and is a member of the Association of Government Accountants, the Institute of Management Accountants, the Institute of Internal Auditors, and 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, and a masters in business administration from the Florida Institute of Technology. Ms. Murillo has 18 years of accounting and internal auditing experience. She is a member of the Association of Certified Fraud Examiners, the Institute of Internal Auditors, and the Information Systems Audit and Control Association.

### **Richard L. Chard, Deputy County Auditor**



Mr. Chard is a Certified Public Accountant. He graduated from the University of Redlands with a liberal arts degree in history, sociology, and political science. He continued his education with postgraduate work in accounting and public administration. Before joining Internal Audit eleven years ago, he worked five years in Maricopa County's Finance and Health Systems Finance departments. Mr. Chard is active in Toastmasters International and the Association of Government Accountants.

### **John Schulz, Audit Supervisor**



Mr. Schulz has 28 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 in public administration from Arizona State University. He is a Certified Fraud Examiner, a member of the Association of Certified Fraud Examiners, and the Association of Local Government Auditors. Mr. Schulz retired in January 2007.



**Patra E. Carroll, *Audit Supervisor***

Ms. Carroll is a Certified Public Accountant and Certified Internal Auditor with over 14 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 Association of Local Government Auditors, where she has been an Advocacy Committee member for the past two years.



**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 14 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 and the Institute of Internal Auditors.



**Christina Black, *Audit Supervisor***

Ms. Black is a Certified Government Auditing Professional with over 11 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, Association of Local Government Auditors, and the Institute of Internal Auditor's Phoenix Chapter, where she serves as Chair on the Meetings Committee.



**Stella J. Fusaro, *Audit Supervisor***

Ms. Fusaro is a Certified Internal Auditor with over 16 years of professional auditing experience. She has a bachelors degree in business administration with an accounting concentration from California State University, Fullerton, with post graduate work through Northern Arizona University. Ms. Fusaro is a member of the Institute of Internal Auditors, Arizona Chapter of the Association of Certified Fraud Examiners, Toastmasters International, and the Association of Local Government Auditors. She has served as Club Secretary for Old Town Toastmasters from July 2006 through May 2007.

**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 and system conversion projects. She is a member of the Institute of Internal Auditors. Ms. Galassi left the County in April 2006 to work for Wells Fargo.



**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 Association of Local Government Auditors, Institute of Internal Auditors, and Information Systems Audit and Control Association. Ms. Sage also volunteers as a Director for The Foundation for Public Education, serving as Vice Chair.



**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 14 years professional experience in accounting and audit with eight years as an Information Systems auditor. Ms. Adams formerly served as Vice President of the Information Systems Audit and Control Association's Phoenix Chapter, and is a current member. She is also a member of the Association of Local Government Auditors and the Institute of Internal Auditors.



**Lee Vaniver, *Information Technology Auditor***

Ms. Vaniver has 37 years of experience in accounting, auditing and information systems within government, healthcare, and manufacturing. She transferred from Internal Audit to another County department in July 2007.



**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 12 years of business experience and 11 years of professional internal auditing experience. Ms. Wong is a member of the Association of Local Government Auditors, Association of Certified Fraud Examiners' Arizona Chapter, and the Institute of Internal Auditors Phoenix Chapter.



**Paul Joseph Carolan Jr., *Senior Auditor***

Mr. Carolan is a Certified Public Accountant and a Certified Fraud Examiner. He graduated from the University of Arizona with a B.S. in business administration and from Arizona State University with a B.S. in accountancy. Mr. Carolan has 20 years experience in governmental auditing and accounting with the State of Arizona and nine years in the private sector as an accountant. Mr. Carolan is a member of the Association of Certified Fraud Examiners, Association of Government Accountants, American Institute of Certified Public Accountants, and Arizona Society of Certified Public Accountants.



**Ronda Jamieson, *Associate Auditor***

Ms. Jamieson is a Certified Public Accountant with six 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, the Association of Certified Fraud Examiners, and the Institute of Internal Auditors Phoenix Chapter.



**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 Association of Local Government Auditors, Institute of Internal Auditors Phoenix Chapter, Association of Certified Fraud Examiners, and Information Systems Audit and Control Association's Phoenix Chapter.



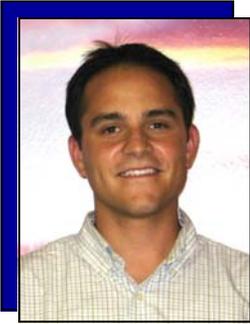
**Trisa Cole, *Associate Auditor***

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 Chapter of the Association of Certified Fraud Examiners, Information Systems Audit & Control Association, and Institute of Internal Auditors.



**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 one year professional internal audit experience. Mr. Jarrett is a member of the Association of Certified Fraud Examiners Arizona Chapter and the Institute of Internal Auditors Phoenix Chapter.



**Derek A. Barber, *Staff Auditor***

Mr. Barber joined the Internal Audit Department in September 2006 with a bachelor's degree from the University of Phoenix in accounting and over two years of experience in educational finance, bookkeeping, and transaction auditing. Mr. Barber served in the United States Navy as a Military Policeman in Sicily, Italy. He is a member of the Institute of Internal Auditors and the Association of Certified Fraud Examiners, where he serves on the Chapter Elections Committee and Chapter Newsletter Committee.



**Ryan M. Bodnar, *Staff Auditor***

Mr. Bodnar has a bachelor's of science degree in accountancy from Arizona State University. He is a member of the Institute of Internal Auditors Phoenix Chapter and the Association of Certified Fraud Examiners Arizona Chapter, where he serves on the Social Events Committee and is the Chapter's webmaster. He is currently in a graduate program at ASU and is pursuing his CPA. Mr. Bodnar joined the Maricopa County Internal Audit Department in 2006 after six years of retail management experience.



**Kye Nordfelt, *Staff Auditor***

Mr. Nordfelt joined the Internal Audit staff in May 2007. Mr. Nordfelt has a masters in public administration from Brigham Young University.



**Nic Harrison, *Staff Auditor***

Mr. Harrison has a bachelor's of science in business administration from the Eller College of Management at the University of Arizona, with majors in Management Information Systems and Operations Management. He is a Certified Information Systems Auditor and has four years of experience with military IT systems compliance and one year of audit experience. Mr. Harrison is a member of the Institute of Internal Auditors, Information Systems Audit and Control Association, and volunteers with Phoenix's Habitat for Humanity Valley of the Sun Chapter.



**Wendy Thiele, *Administrative Assistant***

Ms. Thiele has ten years experience as an Audit Assistant in Internal Audit within a healthcare setting. Recently relocated from Wisconsin, she joined Maricopa County's Internal Audit function in December 2006.

## Intern Program

Internal Audit's Intern Program offers opportunities to assist the audit staff and participate in reviewing Maricopa County programs and operations. Interns gain practical governmental auditing experience. The investment in an intern program provides a means for our Internal Audit professionals to "give back" to their profession and also to create relationships with young practitioners who might become permanent staff members.

For approximately eight years, we have been privileged to work with more than 16 talented interns from universities throughout the Southwest. We hired three of our former interns and assisted two others with opportunities in other County agencies.

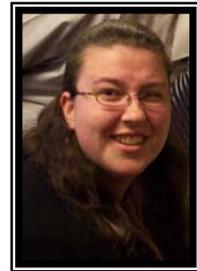
### FY 2007 Internal Audit Interns:



Kevin Bach

"Being with Maricopa County's Internal Audit department has allowed me to further expand my auditing, governmental, and computer experience before I delved into the realm of public accounting."

"Working as an intern with Maricopa County Internal Audit was a great opportunity for me to learn and grow. I was treated like a regular employee which allowed me to gain an in depth knowledge of what internal audit is all about."



Candice Durham



Jenny Eng

This opportunity gave me so much experience! Being able to work on different aspects of the audit process and becoming friends with the staff made my internship at Internal Audit one that I will never forget."

"I had a wonderful experience with all the staff in the audit department! Everyone was very helpful and I learned a lot of information!"



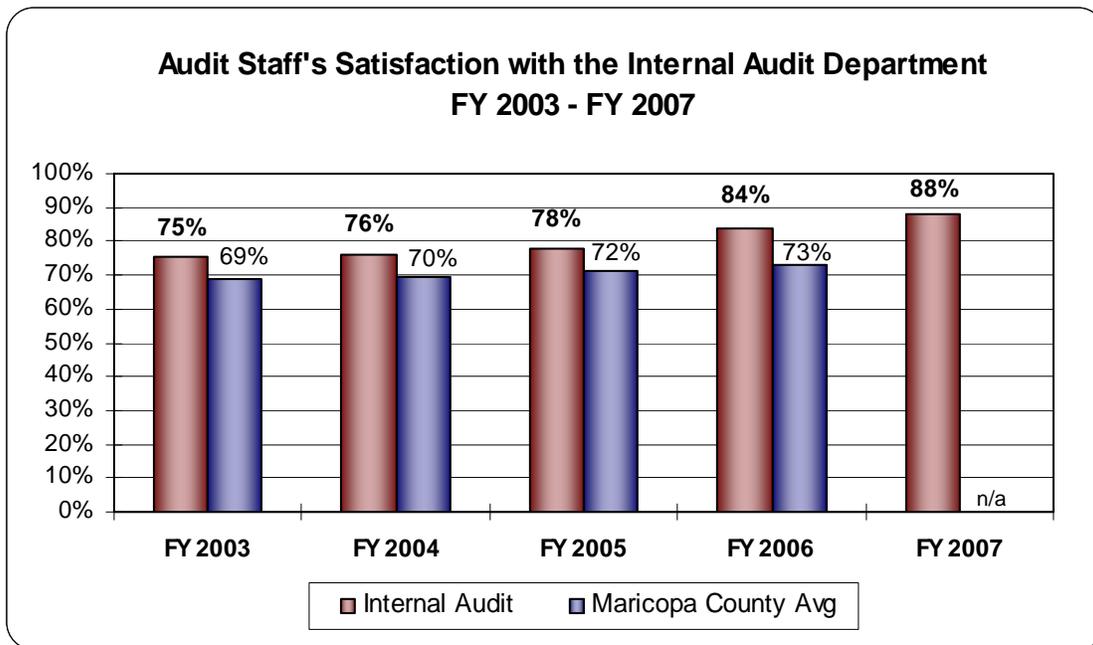
Jennifer Thompson

## Employee Satisfaction

An Employee Satisfaction Survey is conducted each year to assess Maricopa County employees' satisfaction regarding their working environment. The chart below represents Internal Audit's employee survey results compared with the County average. (Fiscal year 2007 County data is not yet available.)

The employee satisfaction ratings can range from two to eight; two (0%) is "Very Dissatisfied" and eight (100%) is "Very Satisfied." A score above five (50%) is in the positive range and a score below five is in the negative range.

For the past five years, Internal Audit employees have shown a high satisfaction rate with their Internal Audit department work environment. A comparison with other County employees' satisfaction with their own department is shown below.



## Appendix B: Professional Development and Leadership

Internal Audit staff members have extensive knowledge of auditing methods and techniques plus specialized training in computers and accounting. Many of them hold certifications and graduate degrees, as shown below.

<b>Certifications and Graduate Degrees Held By Maricopa County Internal Audit Staff</b>	<b>Number Held</b>
Certified Public Accountant (CPA)	6
Certified Internal Auditor (CIA)	4
Certified Fraud Examiner (CFE)	4
Master of Business Administration Degree (MBA)	3
Master of Public Administration Degree (MPA)	3
Certified Information Systems Auditor (CISA)	2
Certified Government Auditing Professional (CGAP)	1
Certified Government Financial Manager (CGFM)	1
Certified Management Accountant (CMA)	1
<b>Total:</b>	<b>25</b>

### Congratulations on Your Certification Achievement !



**Patra Carroll**

Certified Internal Auditor (CIA)  
Certification



**Nic Harrison**

Certified Information Systems Auditor (CISA)  
Certification

Internal Audit staff members actively participate by chairing, serving on boards of directors, and committees in a variety of audit-related professional and service organizations, as shown below.

<b>Professional and Service Organizations</b>
American Institute of Certified Public Accountants (AICPA)
Arizona Society of Certified Public Accountants (ASCPA)
Association of Certified Fraud Examiners (ACFE - National and Phoenix Chapter)
Association of Government Accountants (AGA)
Association of Local Government Auditors (ALGA)
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
National Center for Civic Innovation
Toastmasters International

<b>Leadership Roles in Professional Organizations</b>	<b>Positions Held</b>
Association of Certified Fraud Examiners (ACFE):	
AZ Chapter — Board of Directors	1
AZ Chapter — Elections Committee	1
AZ Chapter — Newsletter Committee	1
AZ Chapter — Social Events Committee	1
Association of Local Government Auditors (ALGA):	
International — Board of Directors	1
International — Advocacy Committee	1
Institute of Internal Auditors (IIA):	
Phoenix Chapter - Chair of the Meetings Committee	1
Toastmasters International	
District III, Arizona — Chair of the Audit Committee	1
Media Masters Chapter — President	1
Old Town Chapter — Club Secretary	1
Other Non-Profit Organizations Officers/Committee Members	1
<b>Total:</b>	<b>11</b>

## Appendix C: Project Summaries

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## Adult Probation Accounting Review ~ February 2007



The Adult Probation Department has eight field offices in various County locations. As part of its service to the community, Adult Probation receives payments, disburses funds to its clients, and posts payments to the Court's financial system.

Our office conducted a Minimum Accounting Standards review between October 26 and December 4, 2006.

The Minimum Accounting Standards (MAS) review is an agreed-upon procedures engagement. The Administrative Office of the Arizona Supreme Court (AOC) sets forth standard audit procedures to be conducted by an independent accountant every three years. The purpose of the engagement is to ensure that Maricopa County courts maintain effective internal control

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## Board of Supervisors Meeting Agenda Items ~ September 2007



Our review objective was to determine if budget and performance goals were met for twelve selected agenda items (one from each of twelve County agencies).

### Significant Issues

- ◆ 66% met the outlined budget goals
- ◆ 17% met the budget goals, but purchased fewer items than planned
- ◆ 17% did not meet the budget goals

For those agencies that did not meet their anticipated budget goals, there were many causes. These causes included inaccurate equipment quotes and changes in quotes between the time the agenda was first created and when it was finally executed.

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## Construction Contracts Review ~ July 2007



We evaluated Facilities Management Department's process controls and made recommendations for improvement. We also evaluated the contract management process within the Parks and Recreation Department.

### Significant Issues

Facilities' management requested that we conduct close-out audits of two contracts. We found that billing documentation was adequately maintained for the two contracts. No significant control weaknesses or process deficiencies were noted. However, we found potential overcharges to the County of more than \$260,000.

We also found that the contracts provided by the County Engineer's Office, which Parks is required to use, do not contain the standard terms and conditions necessary to protect the County's interests.

## Continuous Monitoring ~ September 2007



Continuous monitoring activities enable Internal Audit to target risks across the organization and across multiple computer systems. We selected four areas to monitor based upon risk, feasibility, and data availability: Procurement Card (P-card) Usage, Petty Cash Transactions, Employee/Vendor Conflict of Interest, and Network and Building Access.

### Significant Issues

Some P-cards were not canceled after employee termination, some P-Card purchase limits were exceeded, and a current complete list of cardholder information is not maintained.

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## Countywide Accounts Payable ~ September 2007



The County has a complex, decentralized accounts payable system. In addition to the 77 County Departments that purchase goods and services from approved vendors, two departments, Materials Management and Finance, have significant responsibility in obtaining and paying for such goods and services. Although nothing came to our attention to indicate that the Department of Finance's accounts payable unit did not accurately and timely process payments to vendors, we reported potential areas of improvement.

### Significant Issues

- ◆ The County's invoice payment process can be improved
- ◆ Procedures to maximize interest revenue are not always followed
- ◆ The accuracy of the County's Master Vendor File should be periodically reviewed and updated

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## Countywide Payroll Reimbursements ~ August 2007



The audit focused on: Employee Reimbursements, Uniform Reimbursements and Allowances, and Employment Verification. Employee reimbursements comprised \$5 million of the FY 2006 payroll cost. Employee reimbursements represent a financial exposure, as well as a risk of noncompliance with County policy and Internal Revenue Service regulations.

### Significant Issues

- ◆ Departments generally reimburse employees appropriately for allowable expenses. However, we identified \$38,560 in FY 2006 reimbursements which did not conform to County policies.
- ◆ The County does not accurately or completely track data related to County employees working on temporary work permits. Inaccurate or expired work permit records can result in federal fines and penalties.

## Countywide Revenues: IGAs and Reimbursements ~ May 2007



The scope was limited to intergovernmental agreements (IGA) administered by the Department of Transportation, Animal Care and Control, and the Flood Control District. Our goal was to determine if billing agreements were established and timely collection of revenues was pursued for each IGA.

### Significant Issues

We found \$146,000 in IGA revenues and reimbursements that had not been collected between FY04 and FY06. We found reconciliation and monitoring procedures had not been established to ensure all IGA amounts owed to the County would have been collected.

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## Court Technology Services (iCIS & APETs) ~ September 2007



The Court Technology Services (CTS) department, under the Maricopa County Judicial Branch, serves the Superior Court, Adult Probation, Juvenile Probation, and 23 Justice Courts at over 50 locations. CTS develops, maintains, and supports the Judicial Branch's IT infrastructure and application environment and the primary case management system, which is referred to as the Integrated Court Information System (iCIS). Additionally, the Adult Probation Enterprise Tracking System (APETS) is a state-wide system developed and implemented by the Administrative Office of the Courts (AOC), Arizona Supreme Court.

### Significant Issues

We found that Court Technology Services has a well-defined information technology strategic plan and established governance and operational practices. However, information technology controls should be strengthened in some areas to ensure data integrity and validity, prevent unauthorized transactions, and ensure business requirements are adequately addressed.

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## Emergency Management ~ September 2007



Emergency Management (MCEM) was established as the Civil Defense and Disaster Organization in 1953, created under authority granted by the Arizona Civil Defense Act of 1951.

### Significant Issues

MCDEM reports a number of significant risks in maintaining and updating an effective emergency plan for the County, including:

- ◆ Potential lack of cooperation from cities with whom MCDEM has Intergovernmental Agreements
- ◆ Resource constraints
- ◆ Inadequate facilities
- ◆ Staffing limitations

## Environmental Services ~ September 2007



The Environmental Services Department (ESD) issues operating permits and performs regulatory compliance inspections of facilities such as restaurants, swimming pools and water treatment plants. Our review found that ESD management has developed effective procedures to ensure new mandates are identified, implemented, and communicated to employees.

### Significant Issues

- ◆ Vector Control operations do not comply with some prescribed requirements
- ◆ Inspection intervals at food establishments and other permitted facilities are not always timely, and complaint inspections are not uniformly conducted
- ◆ Controls and procedures over revenue and cash are not always effective
- ◆ Information technology staff duties are not segregated, user access is not sufficiently restricted, and data center equipment lacks physical security

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## Financial Condition Report (FY 2005) ~ June 2007



This annual report assesses the County's financial condition. It uses graphics for a highly visual, user-friendly report. Using Comprehensive Annual Financial Reports as a primary source, we analyzed unreserved fund balance, liquidity, revenues per capita, long term debt, and employee retirement plans. We presented key financial indicators in five or ten year trends. This report focuses on General Fund analysis and follows with Governmental Funds financial indicators. We included national and local benchmark analysis.

### Significant Issues

The General Fund reports strong financial condition indicators, including a growing unreserved fund balance, strong bond ratings, low debt, and strong liquidity. The County's pension plan information is included in this report for the first time due to deteriorating financial trends being experienced both locally and nationally. The County's annual cost for pension plan contributions has increased 124% over the past five years.

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## Integrated Criminal Justice Information System Review ~ August 2007



Integrated Criminal Justice Information Systems Review (ICJIS) was established to provide and maintain the primary pathways for local criminal justice agencies to exchange electronic data, eliminate redundant data entry, and efficiently manage their operations. Through the development and implementation of secure and reliable Web-enabled services, ICJIS standardizes and transfers data to and from several different computer environments. The sending and receiving agencies store their own data and maintain ownership of it.

### Significant Issues

ICJIS has adequate controls and well-documented policies and procedures, except:

- ◆ Program changes are made without prior review or authorization.
- ◆ Data exchange transactions are not adequately reconciled.

## Internet Usage Monitoring ~ August 2007



The objective of this review was to reduce Internet abuse, increase employee productivity, and raise management and employee awareness of Internet usage by monitoring use and reporting results to management.

### Significant Issues

- ◆ The Internet filtering software used by the County is effective—but not foolproof
- ◆ Most of the top 20 sites visited appear to be non-work-related
- ◆ County management responded quickly to our review results

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## Justice Courts Accounting Review ~ July 2007



The Maricopa County Justice Courts, part of the Trial Courts system, include 23 Justice Courts at 11 physical locations. The 23 Justice Courts handle criminal traffic cases, misdemeanors, and a variety of civil cases not in excess of \$10,000. We performed the agreed-upon procedures enumerated in the Minimum Accounting Standards Compliance Checklist for Arizona Courts at eight Justice Courts and one Municipal Court.

The Minimum Accounting Standards review is an agreed-upon procedures engagement. The Administrative Office of the Arizona Supreme Court sets forth standard audit procedures to be conducted by an independent accountant every three years. The purpose of the engagement is to ensure that Maricopa County courts maintain effective internal control procedures over financial accounting and reporting systems.

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## Maricopa County Website Information ~ March 2007



The objective of this audit was to evaluate the usability of Maricopa County websites as a customer service tool for citizens. We reviewed 30 County Department websites for basic elements of usability and provided tools to assist departments in assessing and enhancing their website usability.

### Significant Issues

- ◆ Contact information easy to find on 26 sites (87%)
- ◆ Person answered phones in 25 departments (83%)
- ◆ Physical address listed on 20 sites (67%)
- ◆ Operating hours listed on 10 sites (33%)
- ◆ Email reply within 48 hours from 10 departments (33%)

## **Parks and Recreation ~ March 2007**



Maricopa County Parks and Recreation Department (Parks) administers the largest regional park system in the U.S. With 120,000 acres, the system contains more land than the City of Scottsdale. The number of park visitors increased by three and one half percent over the past four years, to 1.28 million in FY 2006.

### **Significant Issues**

- ◆ Parks has not performed a comprehensive fee study since 2002
- ◆ Contract monitoring has improved but additional progress is needed; approximately \$20,400 in revenue may have gone uncollected
- ◆ Most parks are adequately maintained

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## **Performance Measure Certification ~ September 2007**



The Maricopa County Board of Supervisors adopted a performance measurement initiative called Managing for Results (MfR). The Performance Measure Certification (PMC) program was adopted to validate performance measures. Under the PMC program, Internal Audit reviews MfR results, assigns certification ratings, and reports conclusions. We reviewed 26 Managing for Results (MfR) performance measures from five County agencies: Sheriff's Office, Environmental Services, Emergency Management, Public Health, and Parks and Recreation.

### **Significant Issues**

- ◆ 21 of the 26 measures reviewed were certified
- ◆ FY 2007 results were more favorable than the previous year; 81% of the measures reviewed were certified

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## **Public Health ~ July 2007**



The Maricopa County Department of Public Health (DPH) provides public health services for County residents by diagnosing and treating communicable disease, mobilizing efforts to prevent the spread of disease, and providing health education to promote healthy behaviors among County residents. DPH's fiscal year 2006 budget includes \$44.9 million in revenues, and \$54.1 million in expenditures. Grants comprise 92% of the budgeted revenue; general Fund monies provide the remaining funding.

### **Significant Issues**

- ◆ Grant fund management can be improved, favorably impacting the General Fund
- ◆ Grant administration can be improved; monitoring activities are insufficient
- ◆ Proper procurement procedures are not always followed; \$345,500 was paid to vendors not on contract with the County
- ◆ Information technology safeguards can be improved; controls over user access and physical security need to be strengthened

## Random Cash Counts ~ July 2007



Fifty-one departments have petty cash and/or change funds. Most funds are small in amount and present a relatively low monetary risk, but they serve as a useful indicator of management oversight and department adherence to policies and procedures.

We review various petty cash and change funds annually. Over the last four years, we reviewed 26 funds at 19 departments. Each year we review cash funds due to the inherent risk involved with cash transactions and to verify that departments have established and maintained controls to safeguard cash assets against waste, loss, and misuse.

Cash handling weaknesses may result from insufficient training, weak supervision, or lack of back-up personnel. We reviewed eight petty cash and two change funds at the following departments: Clerk of the Board of Supervisors, Constables, Correctional Health Services, County Manager's Office, Emergency Management, Office of Legal Advocate, and Parks and Recreation.



## Recorder's Office ~ August 2007



The Maricopa County Recorder's Office (MCRO) records, indexes, and preserves documents as a permanent public record. Documents that MCRO preserves include property deeds, federal and state liens, trust deeds, and many other items relating to real estate, and personal and governmental transactions.

### Significant Issues

MCRO has strong controls over the safeguarding of recorded documents, and is a model of electronic recording innovations for other counties. Our review of the document recording operation found no exceptions. However, internal controls can be strengthened in the following areas: customer accounts and cash receipting, asset capitalization and tracking, and telecommunication monitoring and planning. We also reviewed controls over MCRO's information technology. Overall, we found them to be adequate, however, several areas can be improved.



## Sheriff's Office Payroll ~ May 2007



This limited scope performance audit covered the Maricopa County Sheriff's Office (MCSO) payroll activities and salary related transactions and documentation. The MCSO payroll operation and salary action processing have inherent risks. With over 3,300 employees serving MCSO, manual activities and the payroll volume present opportunities for control weaknesses to develop, which can increase the potential for errors and abuse.

### Significant Issues

- ◆ Overtime and shift differential expenditures significantly increase MCSO's personnel expenditures which comprise over 80% of their budget
- ◆ Payroll timekeeping has control weaknesses and inconsistencies
- ◆ Special Work Assignments lack documentation to support justification and are not controlled and monitored to comply with policy

## Systems Development Review ~ August 2007



We evaluated the oversight of Information Technology (IT) expenditures and systems development projects. IT operations follow a decentralized federated model, with many agencies maintaining their own IT systems and staff. One of the Office of Enterprise Technology's (OET) responsibilities is to provide strategic direction and oversight for IT investments. Agencies can make IT investment decisions without consulting OET for guidance.

### Significant Issues

We found that County leadership lacks the means to accurately track and review IT projects and therefore is not able to monitor Countywide IT spending effectively. This situation may result in significant financial and operational risks to the County.



## Treasurer's Office ~ April 2007



The Treasurer is an elected official chartered to enhance the accountability of public monies to the citizens. The County Treasurer's Office serves as the bank for the County and other government entities, including school and special taxing districts. The Treasurer's Office also collects and distributes property taxes. The Treasurer's Office receives revenues, handles credit accounts, pays school and County warrants, and invests funds.

### Significant Issues

- ◆ The Treasurer's Office funds overdrawn warrants with investment pool funds and allows its servicing bank to extend credit beyond line-of-credit limits
- ◆ Investment procedures and day-to-day investment decisions are not documented and sufficient analytical investment information is not compiled/disseminated
- ◆ Qualified professional staff backup is needed for the Investment Portfolio Manager and other key positions
- ◆ The Treasurer's Office chart of accounts does not meet County requirements
- ◆ The Taxpayers' Information Fund, a restricted fund for information technology upgrades (average annual expenditures of \$210,000), is not included in the County budget and therefore not subject to budget expenditure controls
- ◆ The Treasurer's Office does not have an information technology strategic plan; although, since 1998, staff has recognized and discussed the critical operational need to replace the legacy system

## Appendix D: Other Projects

### Air Quality Cashiering

Internal Audit conducted a Control Self Assessment (CSA) workshop for general cash handling. Several participants from Environmental Services posed questions and situations that lead the course instructor to suggest a CSA session for the Program. Subsequently, Environmental Services requested Internal Audit to lead a CSA for the Food Service Worker Program. The request also asked for an examination of cash handling and reconciliation processes.

### Board of Supervisors Monthly Progress Reports

These monthly reports update Board members.

### Consulting Activities

We completed the following department-requested consulting projects:

- ◆ Facilities Management Department — Construction Operations Review
- ◆ Materials Management — Invoice Review Process
- ◆ Office of Legal Advocate — Payroll

Note: Other consulting activities are featured in Appendix C: Project Summaries.

### Risk Assessment / Audit Planning

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; therefore, Internal Audit uses an annual risk assessment, along with professional judgment, to ensure resources are focused on high-risk areas.

### Single Audit Review

We conduct annual Single Audit compliance reviews for federal grant funds distributed through Maricopa County to various subrecipients. We reviewed the audited financial and grant compliance reports (Single Audit reports) of 33 federal grant subrecipients to determine compliance with the federal Single Audit Act. We found that 12 of 33 audit reports contained 32 findings related to federal grant compliance or internal controls. The findings reported by the independent auditors do not appear to impact funds passed-through by the County. A summary of the findings has been forwarded to the responsible County agency.

## Appendix E: Internal Audit Department Profile



### Definition

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, disciplined approach to improve the effectiveness of risk management, control, and governance processes.

### Our Motto

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 that public resources are used for their intended purpose.

### Our History

The Board of Supervisors appointed the first County Auditor in 1978 and established an internal audit function. In 1994, the Board of Supervisors created a Citizen's Audit Advisory Committee comprised of private citizens and County officials. (See Appendix for charter.) In 1997, the Board of Supervisors formalized the County's internal audit function by adopting a department charter, which was amended in December 2002. (See Appendix for charter.)

### Citizen's Audit Advisory Committee (Audit Committee)

The Board Appointed Citizen's Audit Advisory Committee supports further strengthening of 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 Citizen's Audit Advisory Committee meets regularly to review and comment on audit reports, County financial statements, and other audit information (audit plan, special requests, etc.).

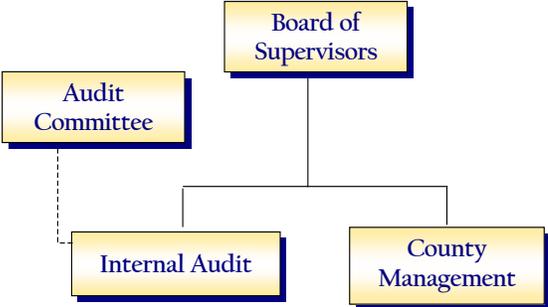
### Organizational Independence

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 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 enhance independence. The County Auditor also meets with an oversight committee comprised of the County Manager and two Board members, further enhancing our independence.

### Reporting Structure of the Internal Audit Department



### 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 flexibility and diversified strength, the audit staff has broad-range education and experience in various audit areas: accounting, finance, performance evaluation, information systems, and management services. 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 effective. 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 2006-2007. This partnership (called “co-sourcing”) provides the County with the collective expertise required by Government Auditing Standards at an affordable price.

### Risk Assessment

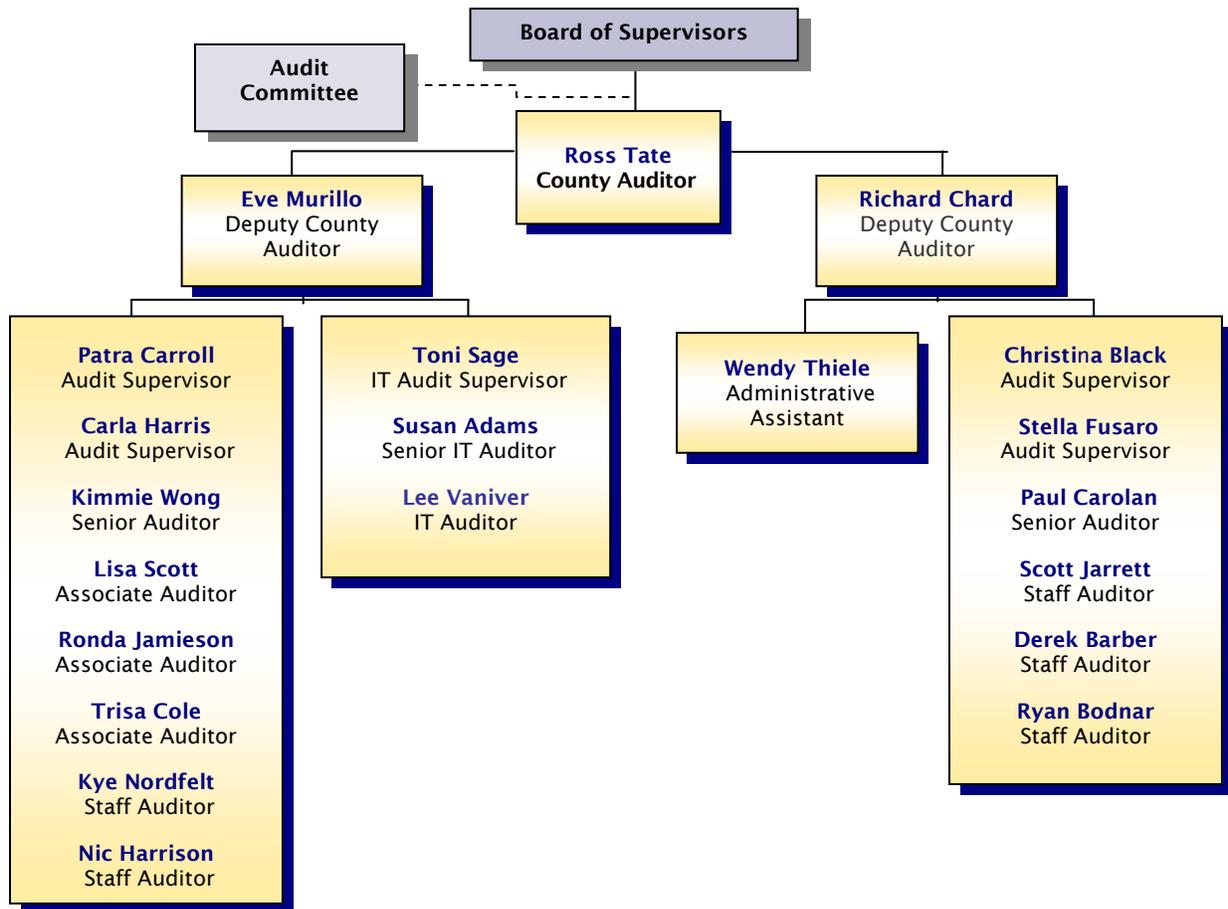
Effective internal auditing is based on systematically reviewing an organization’s operations at intervals commensurate with associated risks. The annual risk review process produces an audit plan that maximizes audit coverage and minimizes risk. Auditing every County activity on a regular basis would not be cost efficient; professional judgment ensures resources are focused on high-risk areas.

### Professional Internal Audit Staff

Our auditors have extensive knowledge of auditing methods and techniques plus specialized training in information technology and accounting. (Auditor biographies shown in previous section.) Each auditor is responsible for maintaining Government Auditing Standards requirements of 80 continuing education hours every two years; 24 of those hours must be directly related to government operations.

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

## FY 2007 Internal Audit Department Organizational Chart



### Who Audits the Auditors? (Peer Review)

An independent audit firm conducts a peer review of Internal Audit every three years, as required by national Government Auditing standards. The Maricopa County Citizen’s Audit Advisory Committee oversees these reviews. The FY 2000, FY 2003, and FY 2006 reviews by a local firm were positive and showed no findings. We are scheduled to have our next review in FY 2009.

## Appendix F: Internal Audit Department Charter



### **Purpose**

The Maricopa County Board of Supervisors (Board) 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 and management 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, and operational 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*

## Appendix G: 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

## *Maricopa County Internal Audit*

*301 W. Jefferson, Suite 660*

*Phoenix, AZ 85003 ~ 2148*

*Telephone: 602 ~ 506 ~ 1585*

*Facsimile: 602 ~ 506 ~ 8957*

*E-mail: Thielew@mail.maricopa.gov*

*Visit our website @*

[www.maricopa.gov/internal\\_audit](http://www.maricopa.gov/internal_audit)



### *Annual Report Project Members*



*Eve Murillo*

*Deputy County Auditor*



*Kimmie Wong*

*Senior Auditor*



*Jenny Eng*

*Staff Auditor*



