



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Sheriff's Office Risk Assessment

*An Inventory of Key Functional
Areas and Associated Risks*

January ■ 2012

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The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

The mission of the Internal Audit Department is to provide objective information on the County's system of internal controls to the Board of Supervisors so they can make informed decisions and protect the interests of County citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

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January 19, 2012

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

We have completed our fiscal year 2011-12 Risk Assessment of the Maricopa County Sheriff's Office. This project was performed in accordance with the annual audit plan approved by the Board of Supervisors. The objective of the Risk Assessment was to identify operational functions within the Sheriff's Office and to gain an understanding of the key risks to the Sheriff's Office strategic objectives.

Within this report you will find an executive summary, the risk assessment report, and prospective audits planned in the Sheriff's Office. We have reviewed this information with the Sheriff's Office management and appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Eve Murillo, Deputy County Auditor, at 506-7245.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

Executive Summary

Risk Assessment Approach

We engaged KPMG to assist us in performing a risk assessment of the Maricopa County Sheriff’s Office (MCSO) to identify the key functions and gain an understanding of the key risks that may prevent MCSO from achieving its objectives. We interviewed 36 MCSO personnel, reviewed policies, observed processes while conducting facility tours, and obtained input from other County agencies. We used the information to assign risk levels of High, Medium, or Low based on the area’s significance and the likelihood of an adverse event occurring.

Risk Assessment Results (KPMG Report, Page 4)

We assigned a risk ranking to 30 MCSO key functions. Thirteen were rated high risk.

Risk Assessment of Key MCSO Functions			
Risk	Law Enforcement	Detention	Administration or Support
High	<ul style="list-style-type: none"> • Patrol • General Investigations • Enforcement Support • Weapons and Ammunition 	<ul style="list-style-type: none"> • Classification and Intake • Detention Centers • Custody Support 	<ul style="list-style-type: none"> • Communications • Training • Personnel Services • Risk Management, Financial Reporting and Budget Development • Procurement and Financial Services • IT Governance and Application Development
Medium	<ul style="list-style-type: none"> • Extradition • Due Process/ Warrants • Crime Lab • Aviation 	<ul style="list-style-type: none"> • Institution Services 	<ul style="list-style-type: none"> • Legal Compliance and Legislative Relations • Warehouse • Fleet Management • Records and Identification • Business Services • CJIS Policy Compliance • Data Center
Low	<ul style="list-style-type: none"> • Posse 	<ul style="list-style-type: none"> • Jail Special Response Team 	<ul style="list-style-type: none"> • Property and Evidence • Internal Affairs • Construction and Maintenance

Internal Audit Plan (Page 27)

Based on the risk assessment results, Internal Audit has prepared an audit plan through FY 2016.

Introduction

Background

The Maricopa County Sheriff’s Office (MCSO) is the largest sheriff’s office in Arizona. MCSO provides primary law enforcement services for unincorporated areas of the county, as well as incorporated cities that have contracted for law-enforcement services. MCSO also operates the county jail system with six active detention facilities and provides transportation to local courts. In addition to its law enforcement and detention functions, several divisions provide financial, administrative, human resource, information technology, and other support services.

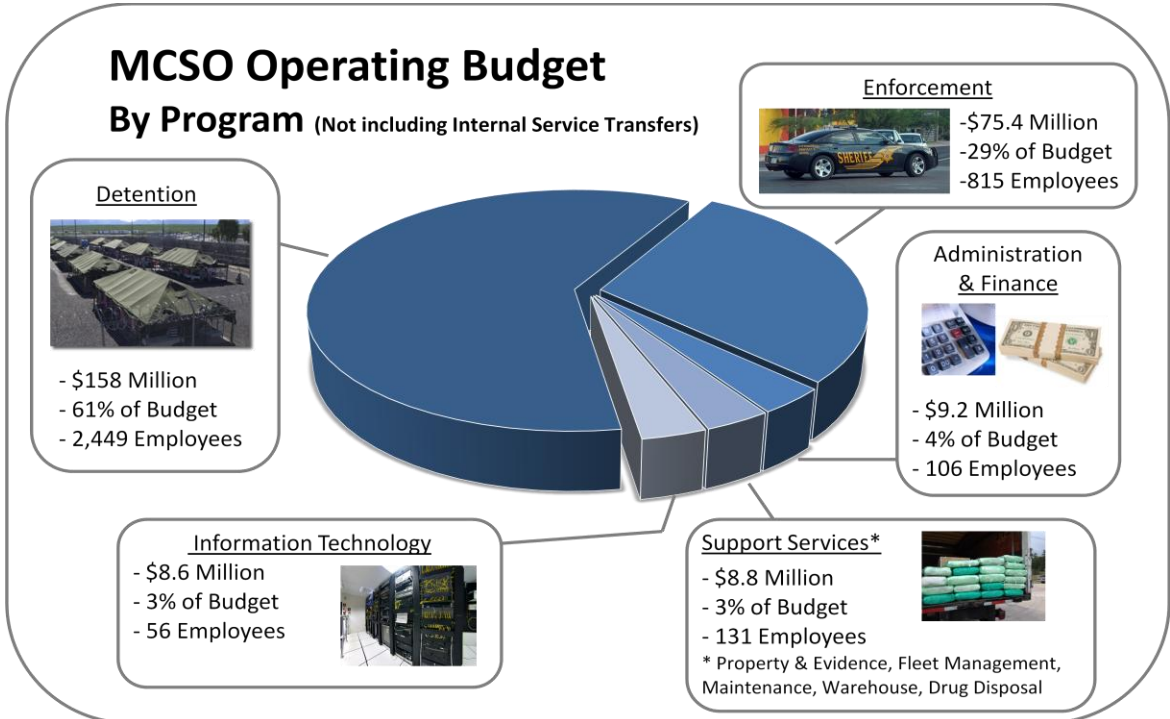
MCSO operates under the authority granted by the following Arizona Revised Statutes (A.R.S.):

- A.R.S. 11-441 requires the Sheriff’s Office to preserve the peace, arrest all persons who commit a public offense, and take charge of the county jail and prisoners
- A.R.S. 31-121 requires the Sheriff’s Office to operate County jails and detention facilities

MCSO’s mission is to provide law enforcement, detention, and crime prevention services to the public so they can be safe and secure in our community.

Operating Budget

MCSO’s fiscal year (FY) 2012 budget estimates \$77 million in revenues and \$293 million in expenditures; 10% of the County’s total expenditures. Approximately 76% of revenues are generated from charges for service (Jail Per-Diem and Patrol Intergovernmental Services) and other intergovernmental revenues. The budget by program is shown below.



Source: Audit analysis of Office of Management and Budget FY 2012 Business Strategies

Board Resolution

On June 20, 2011, the Maricopa County Board of Supervisors passed a resolution “concerning the oversight and review of the Maricopa County Sheriff’s Department.” This resolution set forth monitoring that various County agencies would perform concerning the Sheriff’s Office including audits Internal Audit would conduct. The attached KPMG report shows a comparison between the activities listed in the resolution and the risks identified during this risk assessment (pages 21-25). In addition, page 27 of this report displays the audit plan developed from this risk assessment and the audits listed in the Board Resolution.

What is a Risk Assessment?

A risk assessment is a systematic analysis of relevant risks to an organization’s achievement of its objectives and goals. In other words, it is an analysis of what could go wrong, how likely it is to happen, and what the impact would be. A risk assessment is used by auditors to prepare an audit plan that focuses limited audit resources in the areas where they can have the most impact. As the organization’s needs and/or internal or external threats change, the risk assessment and thus the audit plan, may need to be adjusted.

Once the Board of Supervisors approves the audit plan, Internal Audit will begin to audit the selected areas. As part of that process, Internal Audit will perform a more in-depth risk assessment of the area being audited to determine what the audit objectives will be and what testing will be done.

Scope and Methodology

The objective of the risk assessment was to identify MCSO’s key functions and associated risks. The work performed does not constitute an audit in accordance with Government Auditing Standards.



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Maricopa County Internal Audit

Maricopa County Sheriff's Office
Risk Assessment

January 2012

kpmg.com

Project Overview

Maricopa County Internal Audit (“MCIA”) engaged KPMG LLP to assist with performing a risk assessment of the Maricopa County Sheriff’s Office (“MCSO”).

Objectives

The objectives of the MCSO risk assessment were to:

- Identify key MCSO functions to develop the audit universe (a list of all key auditable areas)
- Gain an understanding of key risks impacting MCSO’s strategic objectives
- Document the risks associated with key functions to create the auditable risk profile
- Prioritize the risks associated with each key function based on the likelihood of occurrence and severity of impact to MCSO
- Map key functions to the June 20, 2011, Board of Supervisors Resolution (Board Resolution) to identify future projects that may help mitigate risks within each function

Approach

MCIA performed the risk assessment which included:

- Interviews with 36 MCSO officials and staff, review of organizational charts, policies/procedures, financial information, and consideration of past audit results. The following table summarizes the interviews by position:

<u>Position</u>	<u>Number</u>	<u>Position</u>	<u>Number</u>
Chief/Deputy Chief	6	Sergeants	2
Deputy Directors	4	Finance Personnel	6
Captains	4	IT Personnel	8
Lieutenants	5	Manager	1

- Walkthroughs of the 4th Avenue Jail, Property and Evidence Room, and Warehouse.
- Input from the following County agencies on the risks and challenges facing MCSO: Integrated Criminal Justice Information System, Office of Management and Budget, Risk Management, Department of Finance, and Office of Enterprise Technology.

We combined the inherent likelihood of occurrence and severity of impact to arrive at a risk ranking by key function. The Risk Assessment Summary matrices on the following pages summarize the results by area and key function. The risk assessment is a living document. As assessments and/or audits are performed, the internal control structure will be evaluated allowing MCIA to gauge residual risk in addition to inherent risk within key functions.

MCSO Risk Assessment Summary

Law Enforcement Area	
Risk Level	Key Process or Function
High	Patrol (Incident Response and Investigation, Suspect Apprehension, Pursuit, and Crime Prevention)
High	General Investigations (Case Loads, Case Management, and Case Investigation)
High	Enforcement Support (SWAT, Canine, Human Smuggling, Bomb Unit, Training, Resource Utilization, and Weapons)
High	Weapons and Ammunition (Inventory, Security, Maintenance, and Training)
Medium	Extradition (Safety, Security, Travel Expenditures, and Resource Utilization)
Medium	Due Process/Warrants (Case Loads, Safety, and Security)
Medium	Crime Lab (Safety, Evidence Processing, and Equipment)
Medium	Aviation (Training, Maintenance, Enforcement Availability, and Resource Utilization)
Low	Posse (Safety, Training, and Equipment)

Risk Level	Risk Ranking Criteria
High	These functions are ranked as high risk because the activities within them could result in an event that: (1) exceeds \$10 million in liabilities, (2) may cause major injury or death, (3) may require upper-management involvement, (4) and may occur several times a year.
Medium	These functions are ranked as medium risk because the activities within them could result in an event that: (1) exceeds \$1 million in liabilities, (2) may cause injury, (3) may require mid-level management involvement, (4) and may occur several times a year.
Low	These functions are ranked as low risk because the activities within them could result in an event that: (1) creates a liability of less than \$1 million, (2) may cause minor injury, and (3) is resolved by either the deputy or sergeant.

Detention Area	
Risk Level	Key Process or Function
High	Classification and Intake (Classification Process, Safety, and Resources)
High	Detention Centers (Safety, Security, Resources, and Inmate Care and Treatment)
High	Custody Support (Program Enrollment, Resources, and Recidivism)
Medium	Institution Services (Food and Laundry Services, Safety, Nutritional, Health and Hygiene Requirements)
Low	Jail Special Response Team (Training, Safety, and Security)

Risk Level	Risk Ranking Criteria
High	These functions are ranked as high risk because the activities within them could result in an event that: (1) exceeds \$10 million in liabilities, (2) may cause major injury or death, (3) may require upper-management involvement, (4) and may occur several times a year.
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Low	These functions are ranked as low risk because the activities within them could result in an event that: (1) creates a liability of less than \$1 million, (2) may cause minor injury, and (3) is resolved by either the deputy or sergeant.

Support Services Area	
Risk Level	Key Process or Function
High	Communications (Reliability, Resources, and Training)
High	Training
Medium	Legal Compliance and Legislative Relations (Legislative Liaison, Policy Maintenance, and Release of Public Information)
Medium	Warehouse (Procurement Procedures, Inventory Management, and Inventory Security)
Medium	Fleet Management (Vehicle Utilization, Security, and Maintenance)
Medium	Records and Identification (Incident Tracking, Retention Requirements, and Systems Support Operational Needs)
Low	Property and Evidence (Evidence Tracking, Security, and Organization)
Low	Internal Affairs (Internal Investigations, Correction Action, and Incident Tracking)
Low	Construction and Maintenance (Facility Development and Maintenance)

Risk Level	Risk Ranking Criteria
High	These functions are ranked as high risk because the activities within them could result in an event that: (1) exceeds \$10 million in liabilities, (2) may cause major injury or death, (3) may require upper-management involvement, (4) and may occur several times a year.
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Low	These functions are ranked as low risk because the activities within them could result in an event that: (1) creates a liability of less than \$1 million, (2) may cause minor injury, and (3) is resolved by either the deputy or sergeant.

Administration and Finance	
Risk Level	Key Process or Function
High	Personnel Services (Payroll, Pre-employment, Recruitment, Personnel Management and Development, and Off Duty)
High	Risk Management, Financial Reporting, and Budget Development
High	Procurement, Contracts, Accounts Payable, and Financial Services (Inmate, Accounts, Travel, and Cash Handling)
Medium	Business Services (Patrol IGAs, Grant Management, and Jail Per Diem Rates)

Risk Level	Risk Ranking Criteria
High	These functions are ranked as high risk because the activities within them could result in an event that: (1) exceeds \$10 million in liabilities, (2) may cause major injury or death, (3) may require upper-management involvement, (4) and may occur several times a year.
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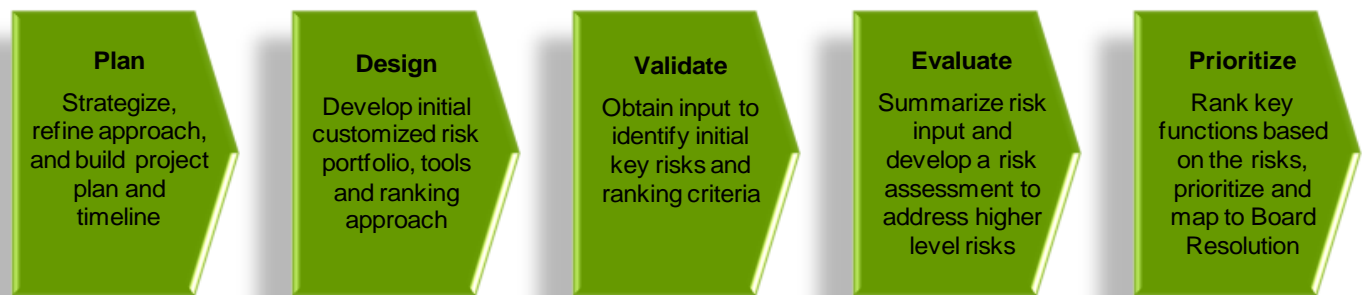
Information Technology	
Risk Level	Key Process or Function
High	IT Governance and Application Development
Medium	Criminal Justice Information System (CJIS) Policy Compliance (Information Security)
Medium	Data Center (Access, Security, and Reliability)

Risk Level	Risk Ranking Criteria
High	These functions are ranked as high risk because the activities within them could result in an event that: (1) exceeds \$10 million in liabilities, (2) may cause major injury or death, (3) may require upper-management involvement, (4) and may occur several times a year.
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Risk Assessment Process

Risk Assessment Framework

During the risk assessment we used a five step framework. This framework helps ensure risks are considered and evaluated consistently throughout the assessment process by MCIA and MCSO. The risk assessment framework is based on the Institute of Internal Auditors Standards and the American Institute of Certified Public Accountants Statement on Standards for Consulting Services.



Risk Assessment Heat Map Approach

To illustrate the likelihood of occurrence and severity of impact of an event within a key function, we developed heat maps by area within MCSO. The heat maps are based primarily on inherent risk factors; however, in certain circumstances other factors were taken into consideration. The following provides an overview of the definitions used to identify and categorize risks.

Inherent Risk: Threats or impediments to achieving MCSO's objectives. The inherent risk does not take into consideration controls instituted by management.

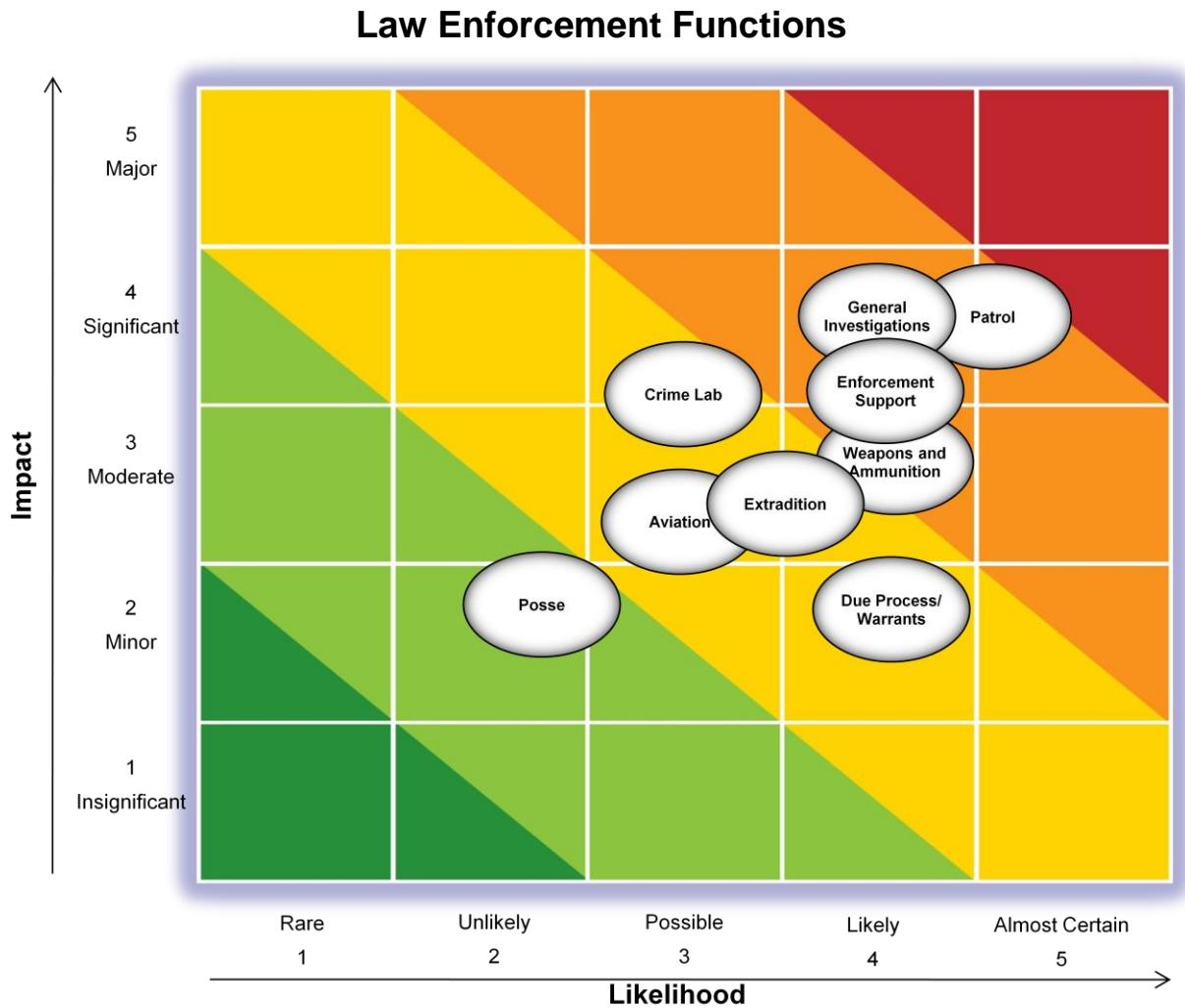
Controls: Controls are processes or factors that mitigate the likelihood and/or magnitude of an inherent risk occurring.

Residual Risk: The impact or likelihood components of inherent risk are often reduced by management controls. The risk remaining after consideration of the controls in place is the residual risk. For certain processes, even if adequate controls are implemented, the residual risk may remain high given the nature of gross risks within the process.

Example: Property and Evidence – Destruction of drugs is inherently a high risk however, the residual risk is significantly reduced because MCSO has contracted with the Drug Enforcement Agency to destroy drugs.

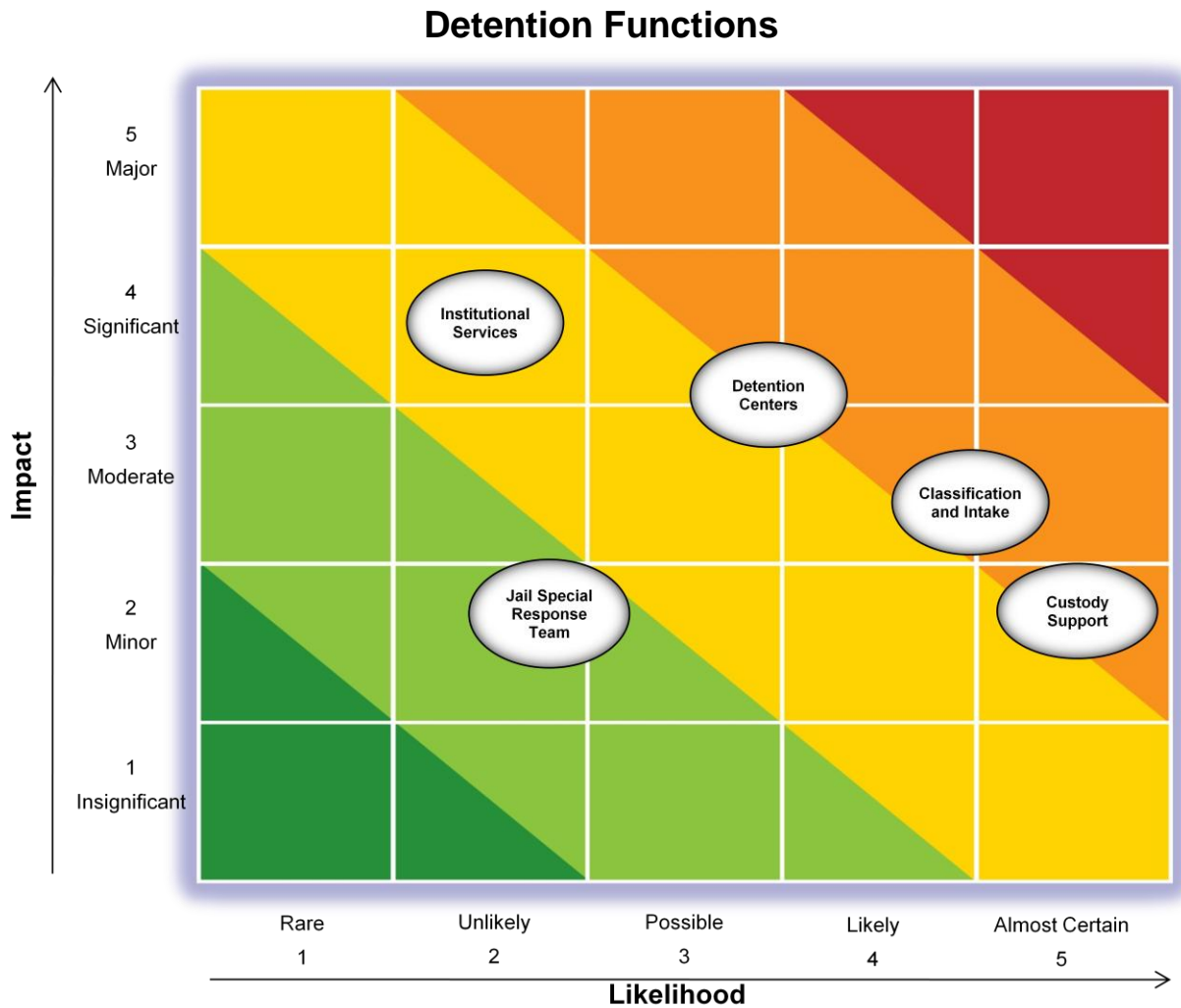
The heat maps on the following pages are subject to further revision through future risk monitoring and assessment/audit activities conducted by MCIA.

Law Enforcement Heat Map



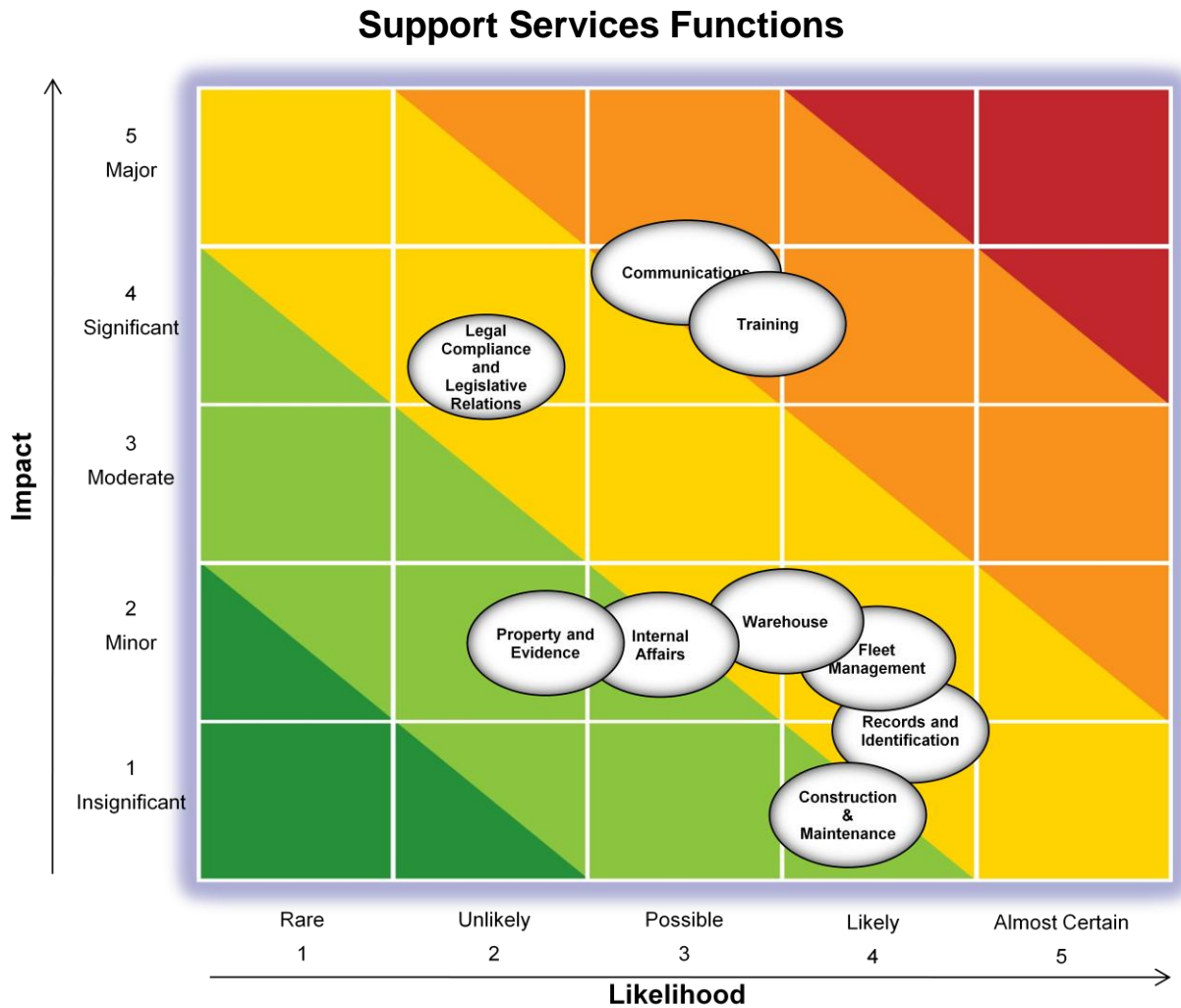
The risks associated with each key function were ranked based on the likelihood of occurrence and severity of impact to MCSO. The risk ranking criteria was tailored specifically to MCSO based on quantitative and qualitative factors. The risk ranking criteria is defined on page 18.

Detention Heat Map



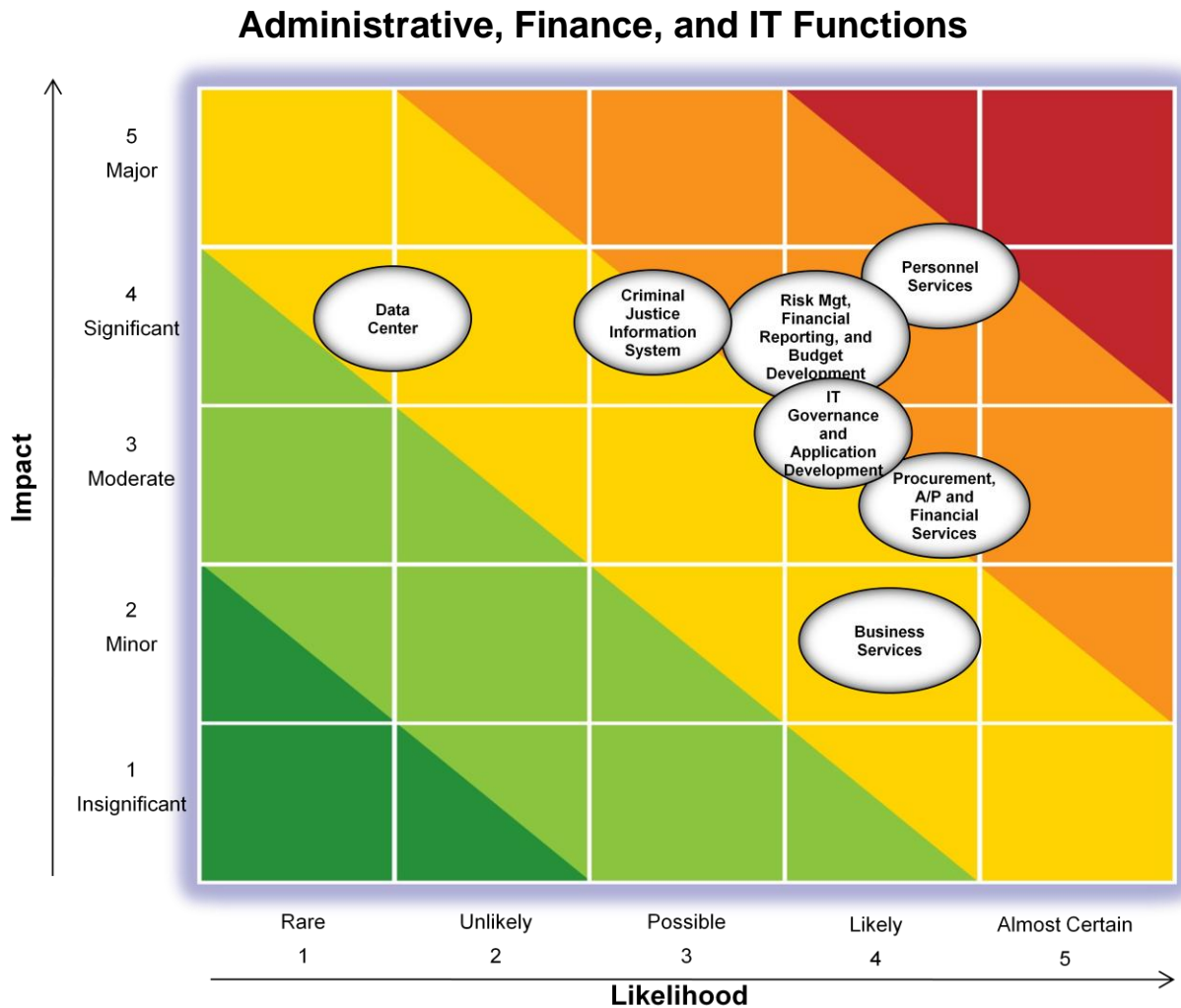
The risks associated with each key function were ranked based on the likelihood of occurrence and severity of impact to MCSO. The risk ranking criteria was tailored specifically to MCSO based on quantitative and qualitative factors. The risk ranking criteria is defined on page 18.

Support Services Heat Map



The risks associated with each key function were ranked based on the likelihood of occurrence and severity of impact to MCSO. The risk ranking criteria was tailored specifically to MCSO based on quantitative and qualitative factors. The risk ranking criteria is defined on page 18.

Administrative, Finance, and Information Technology Heat Map



The risks associated with each key function were ranked based on the likelihood of occurrence and severity of impact to MCSO. The risk ranking criteria was tailored specifically to MCSO based on quantitative and qualitative factors. The risk ranking criteria is defined on page 18.

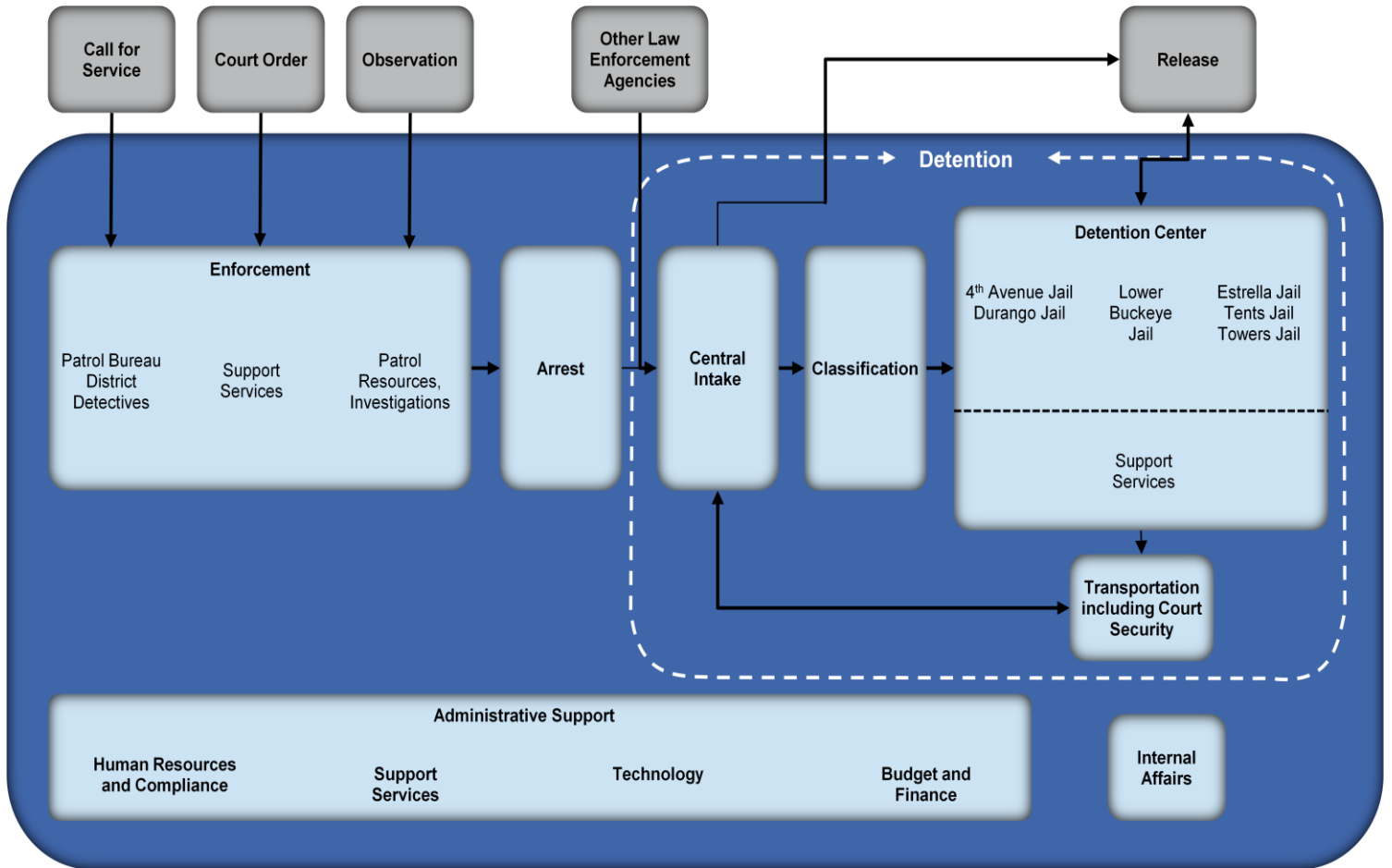
Risk Ranking Criteria

The risk ranking criteria, with both qualitative and quantitative factors, were used during the risk assessment to measure the likelihood of occurrence and severity of impact.

Likelihood of Occurrence	
Likely (Almost Certain)	Significant event is expected to occur several times a year
Possible	Event may occur every 1 - 2 years
Unlikely (Rare)	Event may occur within 3 - 5 years
Significance of Impact	
High (Major – Significant)	> \$10 million Impact
	Loss of life or injury resulting in extended hospital stay
	Cash flow may be adversely affected
	Enforcement actions and / or fines are brought against the County
	Loss of key alliances or alliances threatened
	Major reputation / satisfaction impact
	Loss of key employees
	Events and problems will require Deputy Director and departmental action
	Negative media coverage that is widespread and has an immediate impact
Medium (Moderate)	\$1 million to \$ 10 million impact
	Cash flow may be affected
	Visible reputation/satisfaction impact
	Issues will be delegated to Captain or middle management for resolution
	Consequences can be absorbed under normal operating conditions
	Negative media coverage that reaches a broad group of people
Low (Minor – Insignificant)	0 to \$ 1 million impact
	Little or no impact on cash flow
	Little or no visible impact on reputation/satisfaction
	Issues would be delegated to Sergeant or Deputy to resolve
	Inconsequential/no negative media coverage

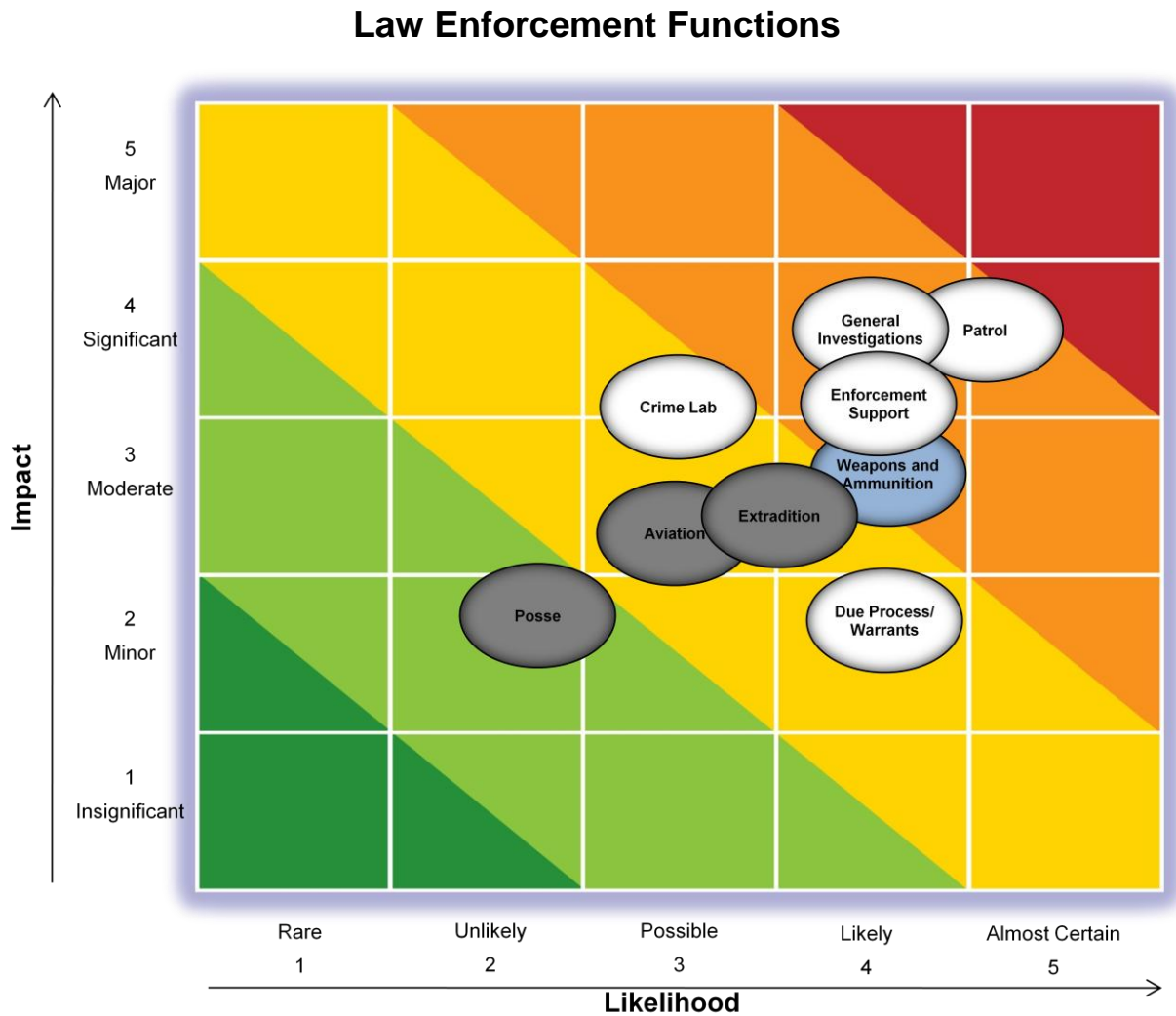
MCSO Process Map

MCSO Process Map



Board Resolution Projects Mapped to Key Functions

Law Enforcement Heat Map

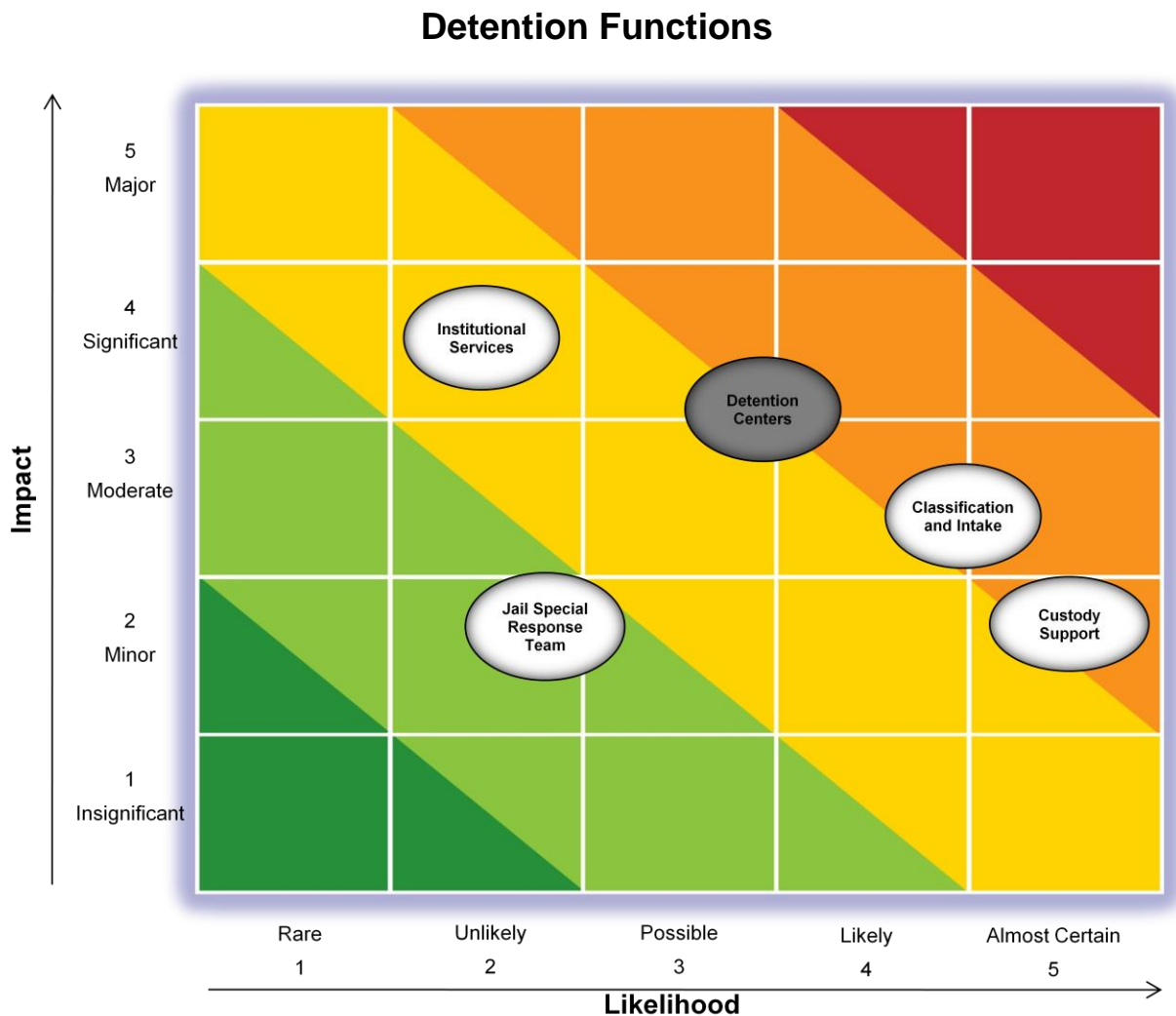


Based on the Board Resolution there is partial review over the key function by the following agencies:

- **Maricopa County Internal Audit**
- **Office of Management and Budget**
- **No Coverage**

The risks associated with each key function were ranked based on the likelihood of occurrence and severity of impact to MCSO. The risk ranking criteria was tailored specifically to MCSO based on quantitative and qualitative factors. The risk ranking criteria is defined on page 18.

Detention Heat Map

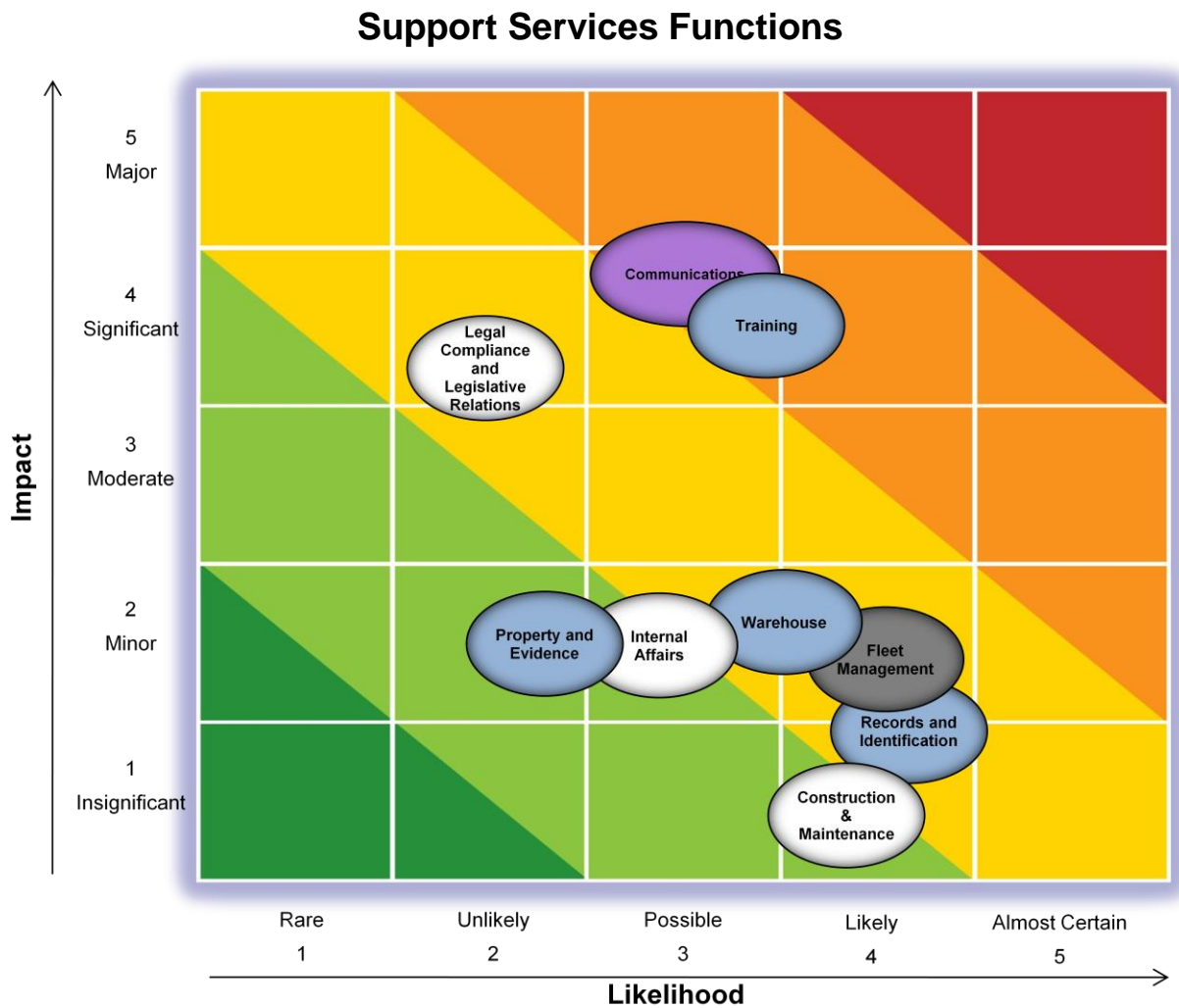


Based on the Board Resolution there is partial review over the key function by the following agency:





- Office of Management and Budget**
- No Coverage**

The risks associated with each key function were ranked based on the likelihood of occurrence and severity of impact to MCSO. The risk ranking criteria was tailored specifically to MCSO based on quantitative and qualitative factors. The risk ranking criteria is defined on page 18.

Support Services Heat Map

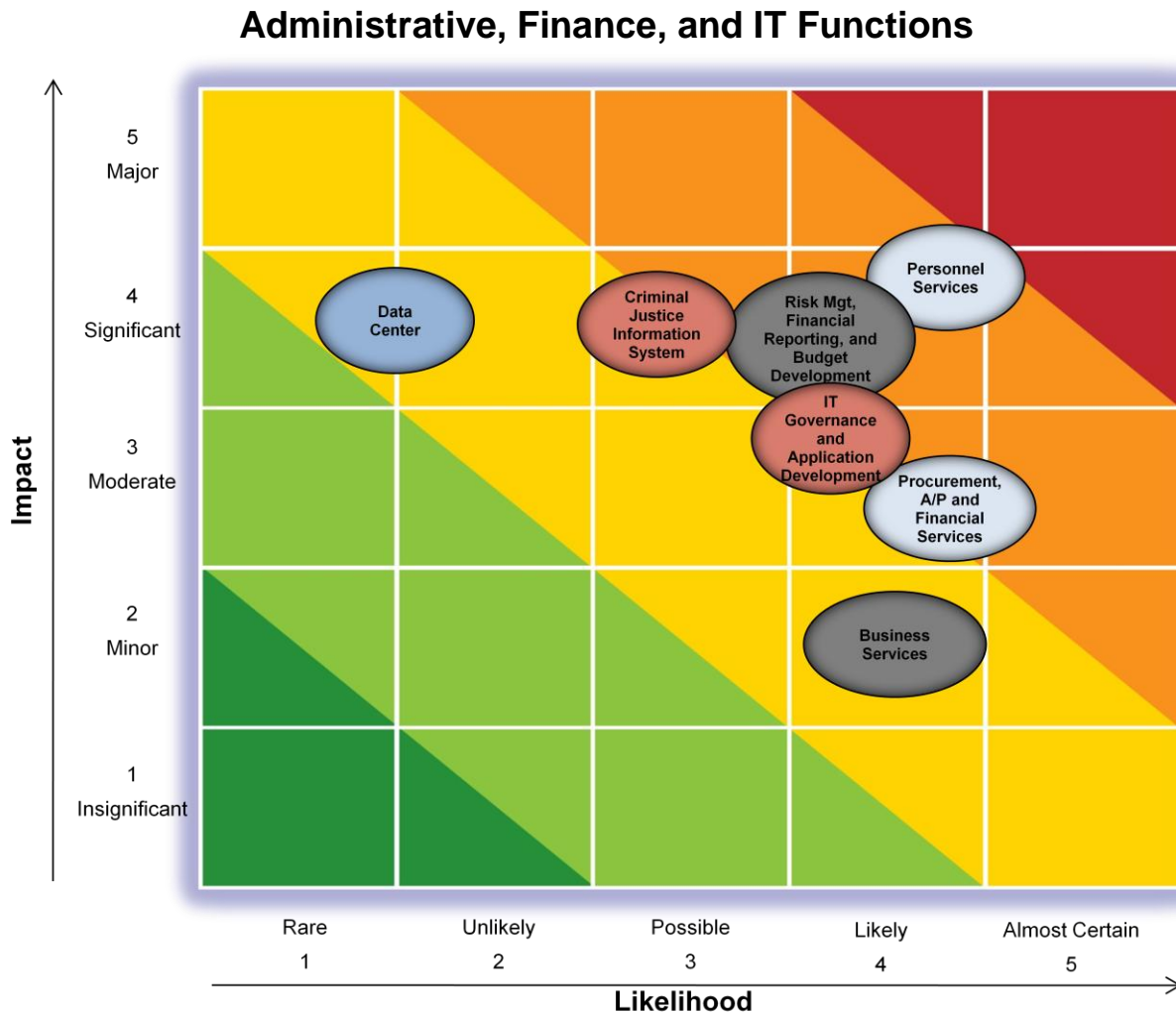


Based on the Board Resolution there is partial review over the key function by the following agencies:

-  **Maricopa County Internal Audit**
-  **Office of Management and Budget**
-  **Office of Enterprise Technology**
-  **No Coverage**

The risks associated with each key function were ranked based on the likelihood of occurrence and severity of impact to MCSO. The risk ranking criteria was tailored specifically to MCSO based on quantitative and qualitative factors. The risk ranking criteria is defined on page 18.

Administrative, Finance, and Information Technology Heat Map



Based on the Board Resolution there is partial review over the key function by the following agencies:

- **Maricopa County Internal Audit**
- **Office of Management and Budget**
- **Maricopa County Internal Audit and Office of Management and Budget**
- **Internal Audit and Office of Enterprise Technology**

The risks associated with each key function were ranked based on the likelihood of occurrence and severity of impact to MCSO. The risk ranking criteria was tailored specifically to MCSO based on quantitative and qualitative factors. The risk ranking criteria is defined on page 18.



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Internal Audit Plan

Internal Audit used the Risk Assessment and the Board Resolution to prepare the following MCSO Tentative Audit Plan through FY 2016. The areas identified as high risk in the Risk Assessment and the Board Resolution audits are included in this plan. The operational audits on the plan will include a review of information technology applications supporting the function being reviewed. In addition to the audits listed below, MCSO may also be included in Countywide Audits conducted by Internal Audit. The Audit Plan is a living document and may change based on new information or changes in the control environment.

Tentative Audit Plan - Sheriff's Office	
Fiscal Year	Audit
2012	Risk Assessment
2012	Data Center
2012	Jail Management System
2012	Patrol Intergovernmental Agreements
2012	Payroll
<hr/>	
2013	Training, Weapons, and Ammunition
2013	Expenditures, including Warehouse
2013	IT Governance
<hr/>	
2014	Patrol, including Investigations
2014	Revenues, including Jail Per Diem
2014	Property and Evidence
<hr/>	
2015	Detention
2015	IT Security
<hr/>	
2016	Enforcement Support
2016	Telecommunications
2016	Personnel Services