



# Internal Audit

## PERFORMANCE REPORT

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FY 2018

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**Big thanks to the Annual Report Project Team:**

Megan McPherson, Senior Auditor

Tim Lockinger, Senior Auditor

# COUNTY AUDITOR | MESSAGE



## YEAR IN REVIEW

The Internal Audit Department is proud to finish another year filled with key accomplishments toward improving how Maricopa County manages our public resources. This report highlights the impact our department had in fiscal year 2018. In addition, I want to share some initiatives the department has implemented this past year to improve our overall work.

Some of our 2018 improvements included:

- Developing and adopting department strategic objectives and goals
- Reorganizing the department with a focus on staff development
- Introducing huddle style meetings that offer a simple, effective way to solve problems and promote sustainable change

The achievements above and throughout this report were all accomplished as the department tackled the challenges presented by department retirements, election special requests, and keeping our scheduled audits on track.

## ON THE HORIZON

County operations and technologies are rapidly changing, and the Internal Audit Department is also evolving to ensure County leadership is provided with meaningful and timely information. I'm excited for the year ahead as we continue to modernize our approach to internal auditing.

The department's transformation includes:

- Implementing a leading-edge Agile Audit Framework to address emerging critical risks and provide relevant insight in a timely manner
- Leveraging new audit management systems and technologies to make audit processes more efficient and mobile
- Utilizing a continuous risk assessment process to help prioritize our audit work and maximize the use of audit resources

I want to thank our dedicated employees for their outstanding effort and continued optimism as we look toward the year ahead filled with projects, challenges, and continuing improvements for those we serve.

*Michael McGee*

Michael McGee  
Maricopa County Auditor

# WHAT WE DO

## INTERNAL AUDIT

We are a team of professionals that provides independent and objective assessments designed to add value and improve the County's operations. We help the County accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

## MISSION

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.

## VALUE STATEMENT

Promote the effective, efficient, economical, and ethical use of public resources.

## STRATEGIC OBJECTIVES

1. Adopt a **holistic approach** for identifying, prioritizing, and responding to risks in a timely manner.
4. Provide the Board of Supervisors **meaningful** assurance, advice, and insight on key risks.

2. Embrace **agile audit practices** that are flexible and forward-focused.

3. **Collaborate** with other County stakeholders to increase engagement, share best practices, provide new perspectives, and develop an open flow of risk information.



5. Cultivate a **continuous improvement** philosophy that promotes incremental change, problem solving, and sustained improvements.

6. Employ **consistent leadership and staff development** strategies that strengthens performance, retention, and succession.

Visit [our website](#) to read our department charter.

# WHAT WE DO

- CONTINUED -

## TYPES OF ENGAGEMENTS

### COUNTYWIDE RISK ASSESSMENTS

Internal Audit prioritizes work by developing an annual audit plan (approved by the Board of Supervisors) using a countywide risk assessment process.

### PERFORMANCE AUDITS

Our performance audits examine County programs, functions, operations, or the management systems and procedures to assess whether an agency is achieving economy, efficiency, and effectiveness.

### CONTRACT AUDITS

We audit contracts to reduce the risk of non-compliance and improper payments and/or lost revenues.

### INFORMATION TECHNOLOGY (IT) AUDITS

Our specialized IT auditors perform assessments of IT systems and internal controls. Assessments consider system and data security, IT governance, business continuity, and other general controls.

### MINIMUM ACCOUNTING STANDARDS (MAS)

For County judicial services, we review their compliance with the Minimum Accounting Standards (MAS) set forth and required by the Supreme Court of Arizona, Administrative Office of the Courts (AOC).

### AUDIT FOLLOW-UP

We perform follow-up procedures to determine if recommendations for improvements are implemented and sustained.

### CITIZENS FINANCIAL CONDITION REPORT

We prepare a report highlighting the financial strength of the County. This award-winning report provides graphical information on key financial indicators, trends, and benchmark comparisons.

### SPECIAL REQUESTS

We provide specialized auditing and consulting services to the Board of Supervisors as needs arise.

## Mitigate risks and strengthen internal controls



County-Wide  
Risk Assessment

Annual  
Audit Plan

Audit Planning  
and Fieldwork

Issue  
Report

Conduct  
Follow-up

Share knowledge and advise the Board of Supervisors and agency management

# VALUE & QUALITY

## VALUE

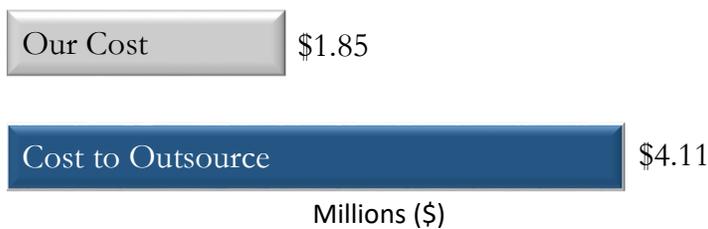
A robust internal audit department adds value in a variety of ways. One way is through deterring costly activities such as fraud, waste, noncompliance, etc. Another way is by facilitating positive and efficient changes. While it is difficult to measure intangible value, audit work also produces real savings that are measurable. Examples include identifying improper contractual payments and uncollected revenues. A summary of our measured savings is presented below.

### NET SAVINGS SINCE 2003



Since 2003, we have identified \$23.1 million in actual savings, and \$69.7 million in potential savings and cost avoidance. Our budgeted costs totaled \$24 million over that same period.

### ANNUAL COST COMPARISON



FY18 audit work would have cost more than twice as much if external auditors had been used instead of Internal Audit staff.

## QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Our quality assurance program assesses the efficiency and effectiveness of our operations, in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards).

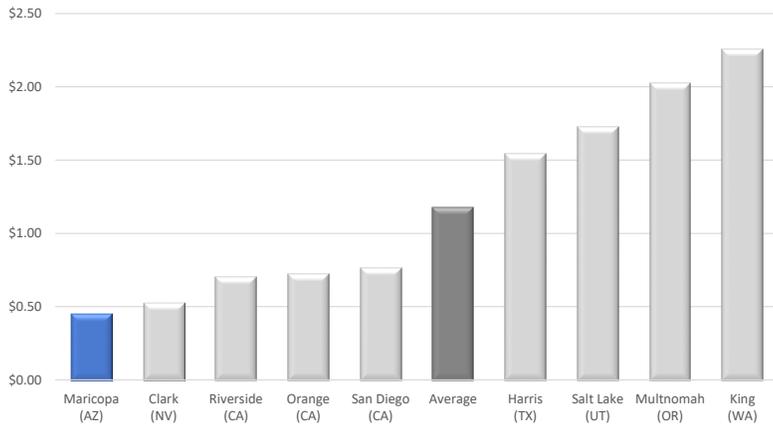
Conformance to these Standards and the Code of Ethics is verified by:

- Periodic self-assessments – During FY18, we reviewed 14% of audit projects and found no significant deficiencies.
- External assessments – A review of our internal quality control system by an independent party is required once every five years. Our last external assessment was completed in FY17, and was performed by representatives from the Association of Local Government Auditors; there were no findings.

# BENCHMARKS

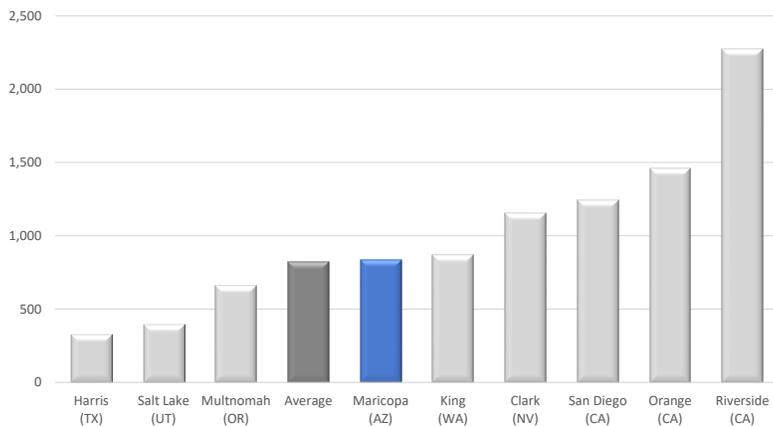
Benchmarks were chosen from Western U.S. counties that share Maricopa's attributes of large geographic size and the existence of at least one major urban center.

## AUDIT DOLLARS BUDGETED PER COUNTY RESIDENT



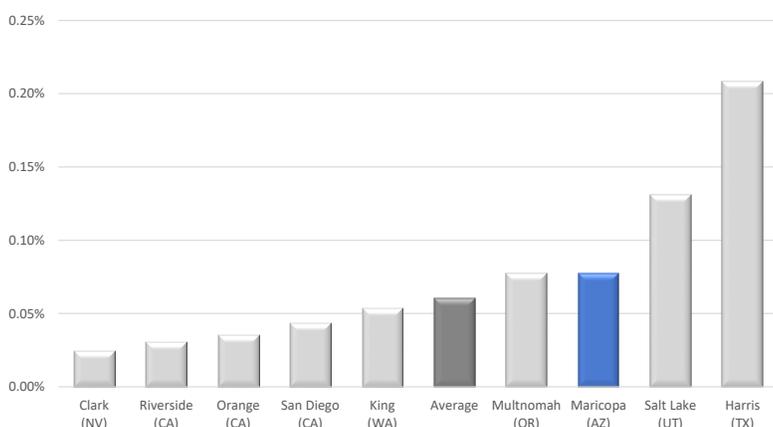
Our resources are used effectively and efficiently. Maricopa County budgeted only 45¢ per resident on internal auditing in FY18, which is 61% less than the average spent by eight comparable counties.

## COUNTY EMPLOYEES PER AUDITOR



Our staffing level is the right size for our County size. We employed 16.95 full-time equivalent auditors in FY18; that is, 835 County employees per auditor. Eight comparable counties averaged 821 county employees per auditor.

## AUDIT AS PERCENT OF COUNTY BUDGET



Our budget comprised .08% of the total County budget in FY18. Other counties may provide expanded services — such as airports, utilities, and municipal services — that Maricopa County does not provide. This results in their audit budget making up a smaller percentage of their overall budget, which affects comparability.

# AUDIT IMPACT

## 100% RECOMMENDATION CONCURRENCE



During FY18, our audits resulted in 89 conclusions. 32 (36%) of these conclusions were positive and resulted in no audit recommendations; the remaining 57 (64%) resulted in a total of 71 recommendations for improvement. The audited agencies concurred with all 71 recommendations and agreed to implement the suggested improvements.

Meaningful recommendations and concurrence are the first step in creating positive change for the County.

## 92% ACTION ON IMPLEMENTATION

Over the past 15 years, we have made over 3,100 audit recommendations, and nearly 2,900 of them have been implemented and closed. Historically, 98% of all recommendations are implemented/closed within three years.

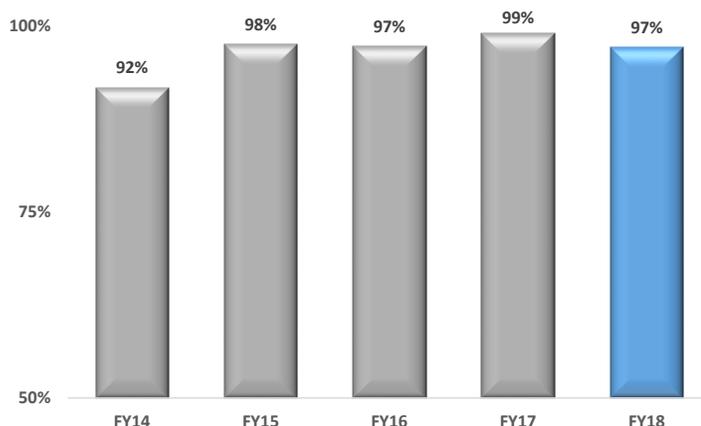
Follow-up on audit recommendations increases transparency and accountability.

 3,121 Recommendations

 2,882 Implemented/Closed

 239 In Progress

## 97% AUDIT SATISFACTION



Our goal is to achieve 90% satisfaction from County leadership and agency directors with each audit report. During FY18, we achieved 97% satisfaction.

Satisfaction surveys assist us in setting expectations, and in determining the audit's value to the County.

# AUDIT HIGHLIGHTS

Visit our website for a complete list of [Audit Reports](#)

## SELECTED AUDIT HIGHLIGHTS (CLICK ON AUDIT TO VIEW FULL REPORT)

### [SHERIFF'S OFFICE \(PERSONNEL SERVICES\)](#)

- Hiring procedures align with Arizona Peace Officer Standards and Training Board requirements
- Payroll and overtime calculations were completed in accordance with County policy and federal law
- Significant cost saving opportunities can be achieved by reclassifying specialized assignments to civilian positions

### [ASSESSOR'S OFFICE](#)

- Real estate assessment valuations were computed in accordance with statute
- Legal classifications and associated assessment ratios were accurate
- New construction was accurately reflected in property assessment valuations

### [WASTE RESOURCES AND RECYCLING](#)

- Opportunities exist to adjust user fees and offset increasing costs
- Expenditures were authorized and properly recorded
- Fixed asset inventory controls will be improved

### [TREASURER'S OFFICE](#)

- Property taxes were computed, collected, and disbursed in accordance with statute
- Tax lien certificates were auctioned in accordance with statute
- Cash handling procedures will be strengthened

### [SHERIFF'S OFFICE \(ENFORCEMENT SUPPORT\)](#)

- Reserve deputies met Arizona Peace Officer Standards and Training requirements
- Background screenings for qualified armed posse applicants will be strengthened
- Procedures will be improved for tracking firearms qualifications and training

# AUDIT HIGHLIGHTS

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- CONTINUED -

## LIST OF ALL FY 2018 AUDIT PROJECTS

### AGENCY AUDITS

- [Assessor's Office](#)
- [Clerk of the Superior Court](#)
- [Recorder's Office](#)
- [Sheriff's Office - Enforcement Support](#)
- [Sheriff's Office - Extraditions](#)
- [Sheriff's Office - Personnel Services](#)
- [Treasurer's Office - Property Taxes](#)
- [Waste Resources and Recycling](#)

### ACCOUNTING REVIEWS

- [Clerk of the Superior Court](#)
- [9 Justice Courts](#)

### OTHER REPORTS

- [Annual Audit Follow-Up](#)
- [Annual Audit Risk Assessment](#)
- [Annual Performance Report](#)
- [Citizens Financial Condition Report](#)

### COUNTYWIDE AUDITS

- [Legal Arizona Workers Act](#)
- [Library Materials and Related Services Contract](#)
- [Countywide Fixed Assets](#)
- [Single Audit Reporting Compliance - Grant Subrecipients](#)

# AGENCY FEEDBACK

"Interpersonal relationships with the Audit team were **terrific.**"

- Sheriff's Office (Personnel Services Audit)

"The staff and myself appreciated the Internal Audit team's **professionalism** and preparedness."

- Waste Resources

"A good experience that led to **important changes.**"

- Library District (Contract Audit)

"The County Auditor has been an excellent addition to the County's team, as he is approachable, knowledgeable,

**communicative** and reasonable."

- Clerk of the Superior Court

"I remain **incredibly impressed** with the Audit Team. They are easy to work with, explain the process in **relatable** terms and provide an **excellent**, applicable product."

- Sheriff's Office (Enforcement Support Audit)

"The recommendations in the audit report were **fair** and will assist with bettering our business practices going forward."

- Dept. of Transportation (Fixed Assets Audit)

"It is always a pleasure to work with **professionals** who have the best interest of the County in mind."

- Sheriff's Office (Extraditions Audit)

"Communication from the beginning of the audit through to the end has been **tremendous.**"

- Sheriff's Office (Personnel Services Audit)

"You went **above and beyond** to get us on the right path, and we appreciate it!"

- Animal Care & Control

# INDEPENDENCE

## Maricopa County Board of Supervisors



Denny Barney  
District I



Steve Chucri  
District II  
(Chairman)



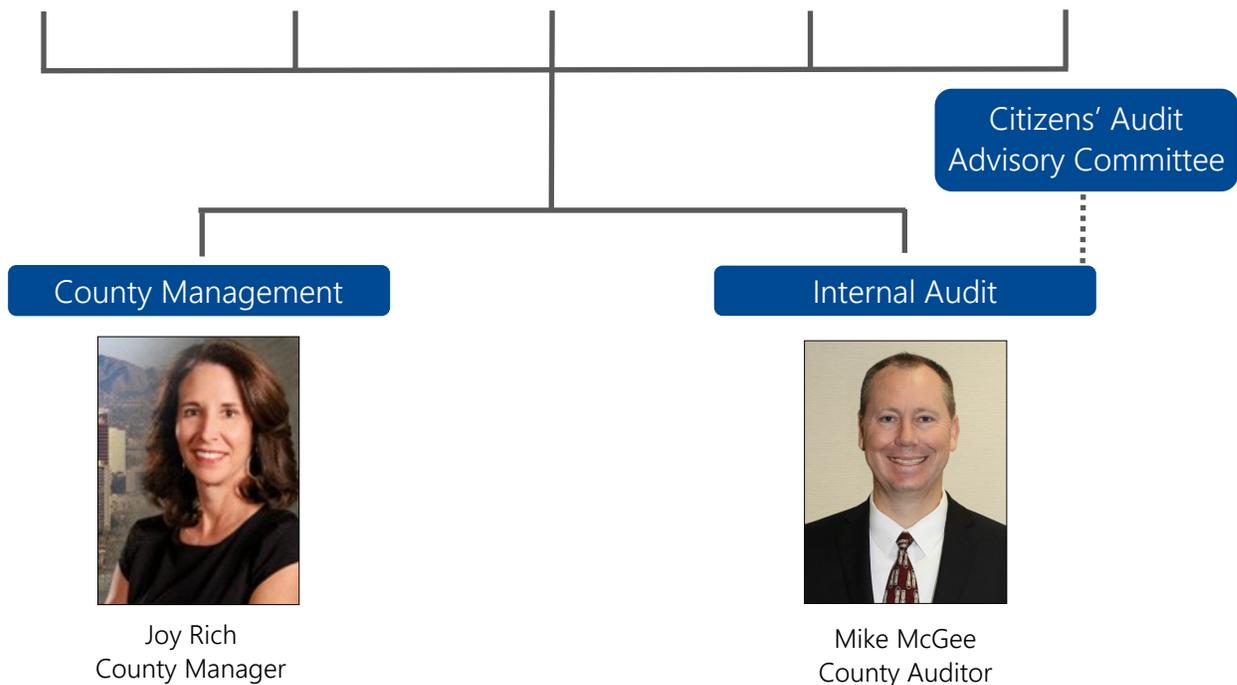
Bill Gates  
District III  
(Vice Chairman)



Clint Hickman  
District IV



Steve Gallardo  
District V



Internal Audit reports directly to the Board of Supervisors. This organizational structure provides assurance that County officials cannot unduly influence the nature or scope of the audit work, and gives the Board a direct line of communication with Internal Audit.

Prior to beginning an audit, auditors are required to sign Qualifications and Independence Statements certifying they have no personal impairments to their independence. Auditor independence is also confirmed during regularly scheduled team meetings.

# ADVISORY COMMITTEE

## Citizens' Audit Advisory Committee Members Provide Oversight



Ryan Wimmer  
District I



Dawn von Epp  
District II  
(Chairperson)



Barbara Coppage  
District III



Ramon Ramirez  
District IV



Joseph Losada  
District V



Shelby Scharbach  
Assistant County Manager



Andrea Cummings  
Attorney's Office



Mike McGee  
County Auditor



Donna Miller  
Office of the Auditor General

The Board-appointed Citizens' Audit Advisory Committee assists the Board of Supervisors with its oversight responsibilities by reviewing and commenting on the County's financial information, audit process, audit reports, and other audit-related matters. The Committee also reviews significant audit findings, changes to the audit plan, Internal Audit's overall performance, and more.

Visit our website for a list of all [Duties and Powers](#) and [Committee Member Biographies](#).



Ryan Wimmer, 2017  
Chairman, receives a plaque  
for his service from Dawn von  
Epp, incoming Chairperson,  
and Mike McGee, County  
Auditor.

# STAFF QUALIFICATIONS

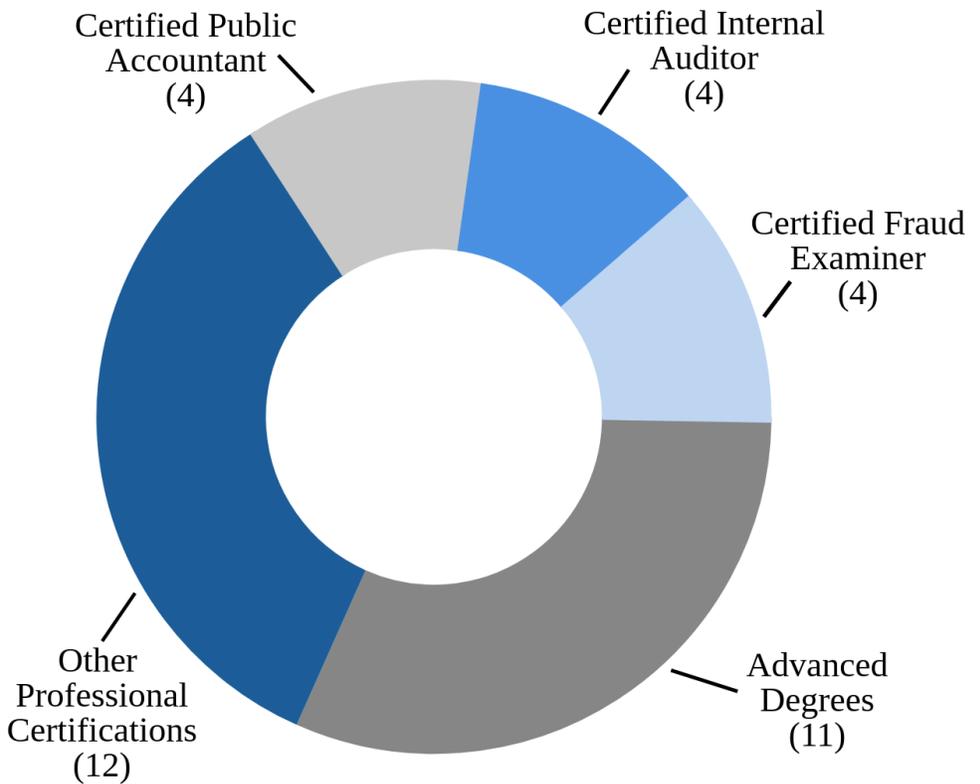
On average our staff has 17 years of audit & relevant work experience

Our staff has extensive familiarity with professional auditing standards, methods, and techniques, as well as specialized training in information systems, business and government management, accounting, and fraud detection and deterrence.

Our staff holds 35 professional certifications and advanced degrees.

Additionally, most maintain membership in a variety of professional organizations.

## CERTIFICATIONS & ADVANCED DEGREES



## PROFESSIONAL ORGANIZATION MEMBERSHIPS

- American Institute of Certified Public Accountants (AICPA)
- Arizona Society of Certified Public Accountants (ASCPA)
- Association of Certified Fraud Examiners (ACFE – National and Arizona Chapter)
- Association of Government Accountants (AGA)
- Association of Local Government Auditors (ALGA)
- Information Systems Audit and Control Association (ISACA – National and Phoenix Chapter)
- Institute of Internal Auditors (IIA – National and Phoenix Chapter)
- Institute of Management Accountants (IMA)

# STAFF BIOGRAPHIES

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**MIKE MCGEE, COUNTY AUDITOR**

Mr. McGee is a Certified Public Accountant with a career in auditing and administration in both the public and private sectors. His experience includes over 15 years in management and senior management positions. Prior to joining Maricopa County, Mike served the State of Arizona as the Statewide Internal Audit Manager. He attended Arizona State University where he received his bachelor's degree in accounting and later graduated from Texas A&M University with a master's in business administration.



**SUSAN ADAMS, AUDIT MANAGER**

Ms. Adams is a Certified Information Systems Auditor. She has a bachelor's degree in accounting from Utah State University and a master's degree in business administration from the University of Utah. She has over 24 years of professional auditing experience, with 20+ years as an information systems auditor. Ms. Adams is a member of ISACA, the Association of Local Government Auditors, and the Institute of Internal Auditors.



**SCOTT JARRETT, AUDIT MANAGER**

Mr. Jarrett is a Certified Internal Auditor, Certified Government Auditing Professional, Certified Fraud Examiner, and is certified in ITIL v3 Foundation. He has a bachelor's degree in accounting from Arizona State University. He served four years in the United States Coast Guard and has 12 years of professional internal auditing experience. Mr. Jarrett is a member of the Institute of Internal Auditors, International Law Enforcement Auditors Association, and Association of Local Government Auditors.



**PATRA E. CARROLL, INFORMATION TECHNOLOGY AUDIT SUPERVISOR**

Ms. Carroll is a Certified Internal Auditor, Certified Information Systems Auditor, and Certified in Risk and Information Systems Control. She has over 20 years of performance and IT auditing experience in the public sector. Ms. Carroll has a master's degree in information management from the W.P. Carey School of Business at Arizona State University.



### JENNIFER SIGÜENZA, AUDIT SUPERVISOR

Ms. Sigüenza is a Certified Public Accountant with over nine years of professional audit experience. She joined Internal Audit in February 2014 after five years in public accounting as an external auditor. She graduated from the W.P. Carey School of Business at Arizona State University with bachelor's and master's degrees in accounting. She is an active member of the Arizona Society of CPAs and Association of Local Government Auditors, regularly participating in mentorship programs and events, as well as presenting at local and national trainings.



### STACY ABERILLA, SENIOR LAW ENFORCEMENT AUDITOR

Ms. Aberilla is a Certified Government Auditing Professional. She holds a master's degree in public administration from the Arizona State University School of Public Affairs where she was a member of the Pi Alpha Alpha national honor society. She graduated from ASU magna cum laude with a bachelor's degree in sociology and minor in women's studies. She is a member of the Institute of Internal Auditors.



### TIM CARROLL, SENIOR AUDITOR

Mr. Carroll is a Certified Fraud Examiner with over 13 years of professional audit experience. He has a bachelor's degree in business administration (finance) from Bowling Green State University, a bachelor's degree in economic crime investigation from Hilbert College, and a master's degree in Economic Crime Management from Utica Collage. Mr. Carroll is a member of the Association of Certified Fraud Examiners and the Association of Local Government Auditors.



### JENNY CHAN, SENIOR AUDITOR

Ms. Chan is a Certified Internal Auditor and Certified Government Auditing Professional, with over 10 years of professional internal auditing experience. She started as an Internal Audit intern in May of 2007 and became a staff auditor in October of 2007. She has a bachelor's degree in accountancy and computer information systems from the W.P. Carey School of Business at Arizona State University. Ms. Chan is a member of the Institute of Internal Auditors, Association of Local Government Auditors, and Arizona Chapter of Certified Fraud Examiners.



### DAN GRIEDL, SENIOR AUDITOR

Mr. Griedl is a Certified Public Accountant and a Certified Internal Auditor. He has a bachelor of business administration degree majoring in accounting from the University of Wisconsin-Oshkosh, with over 30 years of audit experience. He was a consultant on a large five-year contract compliance and cost recovery project. He has experience in aerospace, public utilities, oil and gas, real estate investments, securities, and public accounting. Mr. Griedl is a member of the Institute of Internal Auditors and is a Past President of the Phoenix Chapter of the Institute of Internal Auditors.



### TIM LOCKINGER, SENIOR AUDITOR

Mr. Lockinger joined Internal Audit in May 2015. He has a bachelor's degree from the University of Nevada, Las Vegas in business administration. He has over 30 years of progressive accounting and supervisory experience within the highly regulated gaming industry. He is also experienced in the analysis and development of systems of internal controls. Mr. Lockinger is a member of the Association of Local Government Auditors, and Arizona Chapter of Certified Fraud Examiners.



### MEGAN M. MCPHERSON, SENIOR AUDITOR

Ms. McPherson graduated from the W.P. Carey School of Business at Arizona State University with a bachelor's degree in finance, and holds a master's degree in teaching economics and business. She began her audit career with Wells Fargo Bank and has more than 10 years of professional internal auditing experience. She is a member of the Institute of Internal Auditors, Association of Local Government Auditors, and Association of Certified Fraud Examiners; and is currently pursuing certification as a Certified Internal Auditor. She also teaches an accounting course at a local community college.



### BRIAN NESVIG, SENIOR LAW ENFORCEMENT AUDITOR

Mr. Nesvig is a Certified Fraud Examiner who joined Internal Audit in August 2016. Prior to Maricopa County, he gained more than 5 years of internal auditing experience, including time in both the public (San Diego County) and private (Target Corporation and Honeywell International) sectors. He has a Juris Doctor, and a Master of Laws in taxation from the University of San Diego School of Law, and a bachelor's degree in economics from St. Olaf College. Mr. Nesvig is a member of the Association of Local Government Auditors and the Association of Certified Fraud Examiners.



### KENTON SCHABEN, SENIOR AUDITOR

Mr. Schaben is a Certified Fraud Examiner who joined Internal Audit in May 2015. He graduated cum laude from the W.P. Carey School of Business at Arizona State University with a bachelor's degree in finance. He has two years of professional experience as an auditor in the private sector, and prior to that worked in finance for three years at a large financial institution. Mr. Schaben is a member of the Association of Local Government Auditors, ISACA, and the Association of Certified Fraud Examiners.



### KIMBERLY ABBOTT, INTERNAL AUDITOR

Ms. Abbott has a bachelor's degree in accounting and a master's degree in business administration from the University of Phoenix, and a master's degree in Christian studies with emphasis in leadership and pastoral ministry from Grand Canyon University. She has more than 20 years of business experience in accounting and finance, including 8 years of supervisory experience. Ms. Abbott is a member of the Government Finance Officers Association.



### BRENDA ERRAN, INTERNAL AUDITOR

Ms. Erran joined Internal Audit in June 2018. She has a bachelor's degree in accounting from Grand Canyon University, and has more than 6 years of experience working in the accounting field, including an internship with a public CPA firm working with individual taxes. Ms. Erran also has 5+ years of experience as a self-employed notary signing agent.



### DEE FARLEY, EXECUTIVE ASSISTANT

Ms. Farley is a Certified Agency Procurement Aide who joined Internal Audit in 2017. She has a bachelor's degree in healthcare administration from the University of Phoenix. Ms. Farley is a polished professional administrative and customer service specialist, offering more than 15 years of experience providing support in insurance, healthcare, and government industries.

# STAFF CHANGES

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## WELCOME! NEW TEAM MEMBERS



Tim Carroll  
Senior Auditor



Kimberly Abbott  
Internal Auditor



Brenda Erran  
Internal Auditor

## CONGRATULATIONS! PROMOTIONS



Susan Adams  
Audit Manager



Scott Jarrett  
Audit Manager



Jennifer Siguenza  
Audit Supervisor

## THANK YOU FOR YOUR SERVICE!



Stella Fusaro  
Audit Manager  
(Retired with 11  
years of service)



Carla Harris  
Audit Manager  
(Retired with 12 ½  
years of service)



Kimmie Wong  
Senior Auditor  
(Retired with 26 ½  
years of service)



Hilary Munger  
Internal Auditor  
(Moved out-of-state)



## AWARD FOR ANNUAL FINANCIAL REPORTING

Chairman Steve Chucri congratulates Internal Audit



The Government Finance Officers Association (GFOA) of the United States and Canada has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Maricopa County Internal Audit for its *Citizens Financial Condition Report* for the fiscal year ended June 30, 2017.

The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

GFOA is a professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906.

Visit our website for our award-winning [Citizens Financial Condition Reports](#).