



# RISK ASSESSMENT REPORT

## Internal Audit Department

May 2020

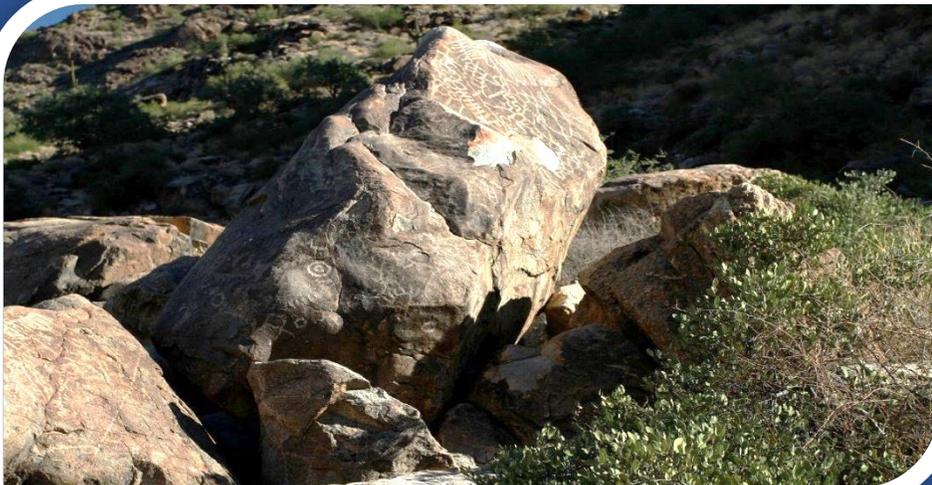
### ***Internal Audit Analyzes County Risks to Prioritize Audit Work***

Internal Audit defines risk as the possibility of an event occurring that will have an impact on the achievement of an organization's objectives.

County management is responsible for managing risks by implementing strong business processes and internal controls. Internal Audit aids in the assessment of risks by analyzing the operating environment and identifying conditions that may impair the County's ability to achieve its goals.

Internal Audit performs audits to provide reasonable assurance that the controls designed to address risks are operating effectively.

This report describes the County's risk environment and demonstrates how the County Auditor prioritizes audit areas and develops an annual audit plan for approval by the County Board of Supervisors (Board). The Board, as the County's governing body, provides resources to implement and maintain internal controls that provide assurance the Board's strategic objectives will be met.



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## RISK MANAGEMENT IS EVERYONE'S RESPONSIBILITY

The Board and County leadership establish the direction of County operations through the development of a [four-year strategic plan](#) as a road map for the future. Through the development of strategic goals and performance measures, County leaders and managers are entrusted to execute the plan.

Management regularly assesses risks and opportunities that can threaten or support the strategic plan. Procedures are developed to manage identified risks while maximizing potential opportunities. Leaders classify risks to determine whether pursuing new opportunities is an effective use of resources for furthering County strategic goals. Maricopa County's diverse physical, financial, and operational environment necessitate that leaders throughout the entire organization participate in the risk management process.



### Governance, Risk Management, and Compliance

County leadership ensures that the following processes are fully deployed to effectively manage strategic objectives:

**Governance** – Overseeing operations and strategic goals by the Board.

**Risk Management** – Predicting and managing risks that could prevent the County from achieving its strategic objectives.

**Compliance** – Adhering to the laws, regulations, and County policies and procedures.



## Ethics and Fraud

Risk management is further reinforced by fraud prevention efforts. Fraud is an act of intentional deception to secure unfair or unlawful gain at the expense of an organization or individual. While fraud risk cannot be eliminated, it can be mitigated through a strong ethical framework, effective controls, and education. Awareness is fundamental to fraud mitigation, and is enhanced through effective use of the tools illustrated below:



### County Policies

- Outlines appropriate and ethical behaviors
- Addresses current issues through regular updates



### Training & Employee Orientation

- Reinforces high expectations for ethical behavior



### Internal Audit

- Evaluates County operations and issues recommendations that may deter fraud
- Provides tools and resources to County leadership

## RISKS INFLUENCE THE AUDIT PLAN

Internal Audit uses a risk-based approach to develop its annual audit plan, as required by professional audit standards.

### Continuous Risk Assessment and Agile Auditing

Internal Audit has adopted continuous risk assessment and agile audit practices to improve our responsiveness to the ever-changing County environment. In addition to preparing an annual audit plan, we also review process level risks for many agencies throughout the year to identify audit areas, as illustrated below.



## Organizational & Environmental Factors

To better understand the impact of agency processes and risks on strategic goals, we met with County leaders and analyzed key strengths, weakness, opportunities, and threats (SWOT) for select County agencies. We also identified environmental trends that may influence County operations.

Trend Examples:

- Housing** – According to [Zillow](#) and the [U.S. Department of Housing and Urban Development](#), County median home values continue to increase while apartment occupancy and rents are rising.
- Population Growth** – The most recently available census data shows an increase in County population of over 550,000 residents from 2010 to 2018, increasing the need for services.
- Homelessness** – The Maricopa Association of Governments [Point-in-Time Unsheltered Street Count](#) shows a growth rate of 11% in the population of homeless people from 2015 to 2020.



Each of these environmental trends has the potential to impact one or more of the County’s strategic goals. The table below summarizes the connection between these examples and the County’s FY2019-FY2022 key strategic goals:

Strategic Goal	Housing	Homelessness	Population Growth
Safe Communities			
Regional Services			
Government Operations			
Growth & Economic Development			
Fiscal Strength & Responsibility			

## **COVID-19**

The County deploys strategies for managing risks related to the COVID-19 pandemic. The following were considered during our analysis and will be incorporated into our audit planning process as applicable:

- Employee Health – Protecting employees as much as possible from the virus.
- Workforce Effectiveness & Service Delivery – Supporting employee productivity and the continuation of services to County residents.
- County Vendors – Verifying that critical vendors can provide goods and services promptly.
- Financial – Assessing the economic effect on the County’s financial health.
- Communications – Ensuring consistent, accurate, and timely status updates.

## **Finalizing the Audit Plan**

Once risk levels are evaluated, we develop a draft audit plan for the upcoming year by:

- Evaluating the length of time since the most recent audit of each area; the longer the audit interval, the greater chance that processes, people, and risks have changed.
- Considering requirements for audits on a defined schedule and for mandated audits.
- Analyzing audit resources needed to complete the work.
- Discussing the draft audit plan with the Citizens’ Audit Advisory Committee and County leadership.

After the draft audit plan has been prepared and reviewed, we seek formal approval for the audit plan from the Board prior to the start of the new fiscal year. The FY2021 Board-approved audit plan is on page six.

## **AUDIT RESOURCES INFLUENCE THE AUDIT PLAN**

The Board establishes our staffing level, balancing risk and budgetary requirements. A well-staffed internal audit function that regularly audits high-risk areas can identify costly activities such as fraud, waste, and non-compliance, and assist management in the decision to avoid, share, reduce, or accept risks. Our body of work provides meaningful assurance, advice, and insight to the Board on key risks so that they can make informed decisions. We apply professional judgement and experience to prioritize high-risk areas and maximize limited resources using internal staff (20 positions) and external specialists (subject-matter experts).

## **FISCAL YEAR 2021 AUDIT PLAN**

### **Agency Audits**

Adult Probation Department  
Enterprise Technology – Service Delivery  
Equipment Services – Fuel System Project  
Recorder and Elections – Election Readiness  
Sheriff’s Office – Detention (carried over from FY2020)  
Sheriff’s Office – Risk Assessment  
STAR Call Center – Election Readiness

### **Countywide Audits**

Budget Special Requests  
Electronic Data Management and Loss Prevention  
Single Audit Reporting Compliance – Grant Subrecipients  
Other Audits Upon Request

### **Continuous Monitoring**

Capital Improvement Projects  
Cellular Device Management  
P-Cards  
Other Areas as Determined

### **Accounting Reviews**

Clerk of Superior Court  
9 Justice Courts

### **Non-Audit Reports**

Audit Recommendations Status Report  
Citizens’ Financial Condition Report  
Countywide Risk Assessment  
Internal Audit Department Performance Report