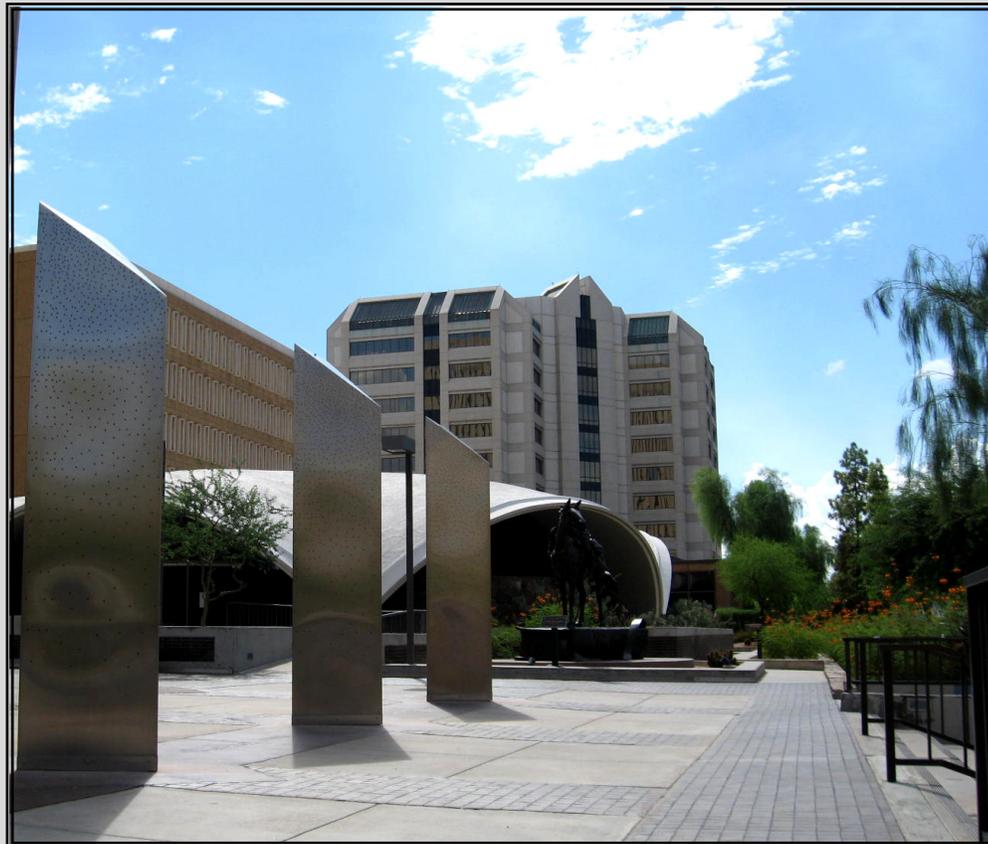


Maricopa County Internal Audit

Annual Performance Report
Fiscal Year 2008



Do the Right Things Right!

From the County Auditor's Desk—Fiscal Year 2008



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

From: Ross L. Tate, County Auditor

Date: October 21, 2008

Fiscal Year (FY) 2008 was a period of continued productivity for Internal Audit. We appreciate the Board of Supervisors, the Citizen's Audit Advisory Committee, and County administration for their strong support of the County's audit function.

Improving County Performance

Agencies concurred with and committed to the implementation of 99% of our FY08 audit recommendations.

Achieving Audit Excellence

At its 2008 annual conference, the Association of Local Government Auditors (ALGA) awarded one of three gold medals presented each year to Maricopa County Internal Audit for our Environmental Services audit report. These international awards recognize the best performance audit report issued by local government audit departments each year. This audit report identified over \$500,000 in potential savings, and numerous process improvements.

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

The judges said the audit report was exceptional for its potential impact to the County, especially with regard to the health and safety of its residents. They also stated that the report offered the County valuable recommendations for improving operations (see page 5).

Our other reports are equally well-received. We routinely receive comments from auditors across the country, seeking to emulate our work in some manner.

Emphasizing the Need for a Strong Internal Audit Function

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.

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Internal Audit's Mission

To provide assistance to the Board of Supervisors so they can ensure Maricopa County government is accountable to its citizens

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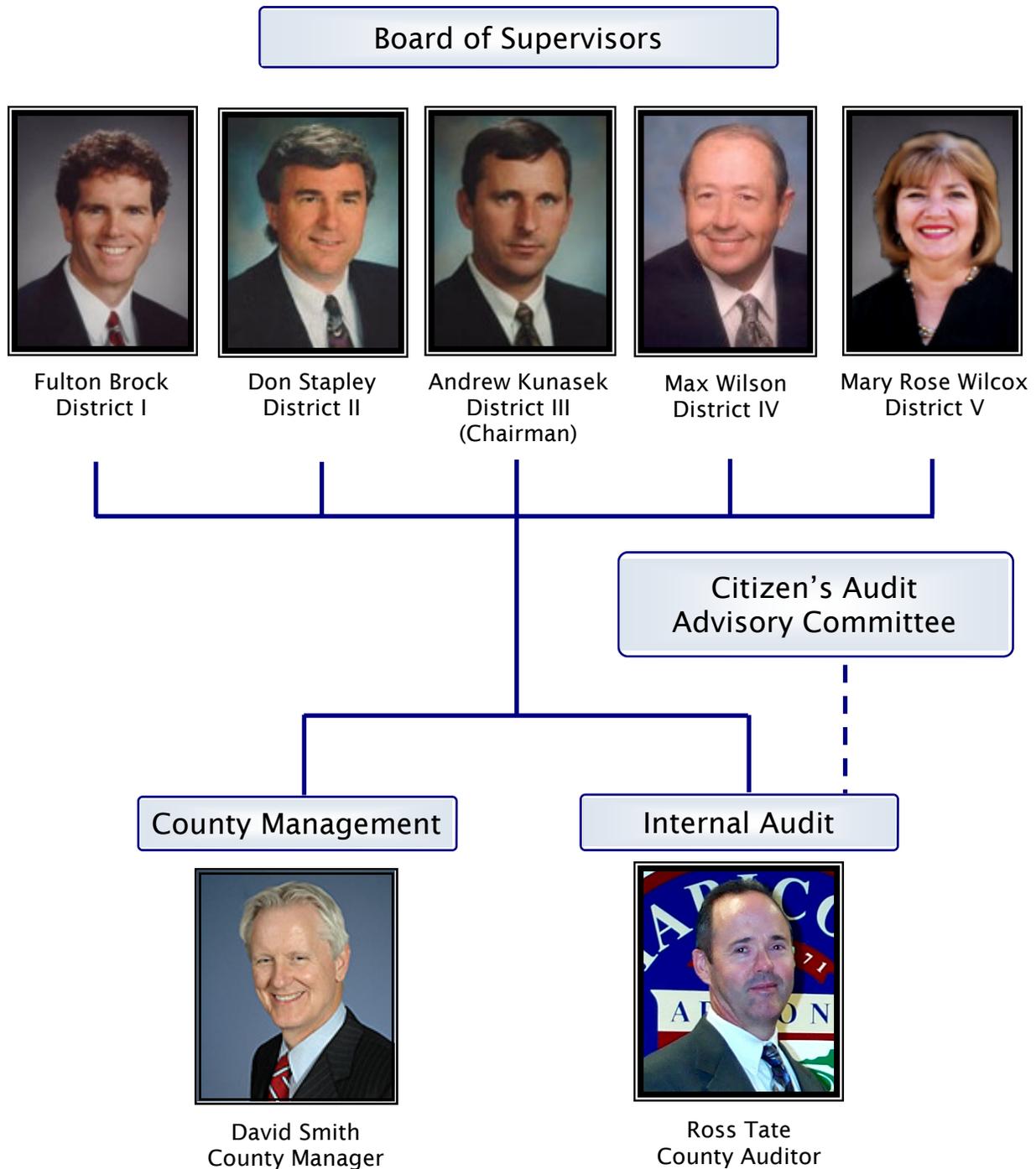
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Organizational Independence

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.



*Fulton Brock,
2007 Chairman,
joins
Internal Audit to
celebrate awards
from NCIC and
APEX*



*Don Stapley,
2006 Chairman,
and
Internal Audit
celebrate
awards from
NACo, AGA,
and IIA*

*Max Wilson,
2005 Chairman,
joins
Internal Audit to
celebrate a NACo
award*



*Andrew
Kunasek,
2004 Chairman,
and
Internal Audit
celebrate
awards from
NACo, ALGA,
APEX,
and AGA*

Citizen's Audit Advisory Committee



Jay Zsorey, Office of the Auditor General; Bruce White, Office of County Counsel; Jill J. Rissi, District II; Matthew Breecher, Chairman, District III; Ralph Lamoreaux, District I; Richard Lozar, District V; Ross Tate, County Auditor; Ryan Brownsberger, District IV (not pictured: Tom Manos)

Ralph Lamoreaux, District I

Ralph Lamoreaux 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 U.S. Government Accountability Office (GAO). Mr. Lamoreaux was involved in audits of many different federal departments and agencies. He retired from GAO in July 2000.

Jill Rissi, District II

Jill Rissi is a researcher and policy analyst with over 20 years of experience in health services research, program and policy analysis, auditing, budgeting and financial management, and clinical nursing. For the past nine years she has been employed by St. Luke's Health Initiatives where she is the Associate Director for Research and Policy. A third-generation Arizonan, Dr. Rissi is a graduate of Arizona State University where she received baccalaureate degrees in psychology and nursing, and a doctorate in Public Administration focusing on deliberative democracy and public policy.

Matthew E. Breecher, Chairman, District III

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

Ryan Brownsberger, District IV

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

Richard Lozar, District V

Richard Lozar has extensive experience in accounting and management. He worked as a Controller and General Manager in the hospitality industry, an Accounting and Financial Consultant, a Director of Business Affairs at a Native American college, and a Chief Financial Officer for a custom furniture manufacturer. Mr. Lozar retired from the Citizen's Audit Advisory Committee on March 18, 2008.

Ross Tate, County Auditor

Ross Tate is a CIA, CMA, and CGFM. He 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 White has been an attorney with the Maricopa County Attorney’s Office since January 2001.

Tom Manos, County Chief Financial Officer

Tom Manos has been the Maricopa County CFO since 1997.

**Supervisor Wilcox Thanks Richard Lozar for
11 Years of Audit Committee Service**

After many years of service, Mr. Richard Lozar is retiring from the Citizen’s Audit Advisory Committee. At the March 18, 2008 committee meeting, Board of Supervisor Mary Rose Wilcox presented Mr. Lozar with an appreciation plaque for his 11 years of service to Maricopa County and the Citizen’s Audit Advisory Committee.

Ms. Wilcox stated that during the 11 years Mr. Lozar served on the committee, he attended all but one meeting. She further expressed her personal gratitude and the gratitude of the Board of Supervisors for his dedication to Maricopa County and its citizens. Mr. Lozar will be missed by his fellow committee members.



Supervisor Mary Rose Wilcox presents an appreciation of service plaque to Mr. Richard Lozar



Supervisor Mary Rose Wilcox, Mr. Richard Lozar, County Auditor Ross Tate

National Awards Received

ALGA Knighton Gold Award 2007 Best Audit Report

The Association of Local Government Auditors (ALGA) awarded the 2007 Knighton Gold Award to Maricopa County Internal Audit for the Environmental Services Audit Report. The Knighton Awards recognize the best performance audit reports issued by ALGA members each year.



The judges said the audit report was exceptional for its potential for significant impact to the County, including the health and safety of its residents. They also stated that the report was clear and well-written with strong use of graphics and offered the County valuable recommendations for improving operations.

With over 2,000 members and growing, ALGA is the professional organization of choice for local government audit professionals in the United States, Canada, and several other countries.



Chairman Andrew Kunasek, Maricopa County Board of Supervisors, joins Internal Audit to celebrate the Association of Local Government Auditors Knighton Gold Award



Internal Audit staff accepts the Knighton Gold Award from ALGA at the May 2008 Philadelphia conference

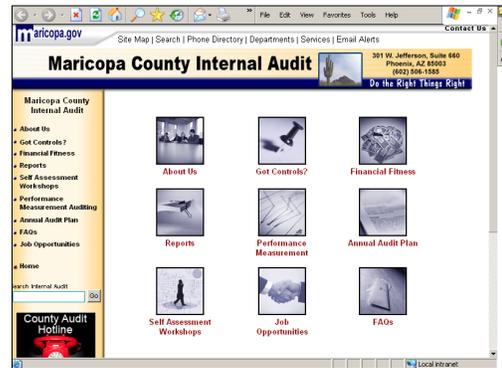
ALGA Website Gold Award



Internal Audit received the ALGA website award in the award's inaugural year. Evaluation criteria was composed of five scoring categories: content, usability and accessibility, design, uniqueness or originality, and a wildcard (extras or exceptional areas).

The judges were impressed with the overall balance of the website in all of the categories. They especially liked the design and use of icons to point users quickly to the items they are interested in.

Judges also liked the diversity of the information. Users can send an e-mail to the County Audit Hotline, download audit reports, learn about internal controls, link to other areas of the County, and more.



*The audit staff that maintains our website
(Susan Adams, Toni Sage)*



*Internal Audit staff accepts the Knighton Gold Award
from ALGA at the May 2008 Philadelphia conference*



*Chairman Andrew Kunasek, Maricopa County Board of Supervisors,
joins Internal Audit to celebrate the ALGA Website Award*

Previous Awards Received

Supervisor Don Stapley was sworn in as president of the National Association of Counties (NACo) at the annual conference.



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

Christina Black, Audit Supervisor, serves as Chair of the Meeting Administration Committee for the Institute of Internal Auditors, Phoenix Chapter.

At their annual conference, the Association of Local Government Auditors (ALGA) elected County Auditor Ross Tate to serve as secretary for the next two years. Patra Carroll, Audit Supervisor, participates on the ALGA Advocacy Committee.



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



The Institute of Internal Auditors

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

2002 Commitment to Quality
Improvement Award
Professional Excellence, Quality of Service, Professional Outreach



**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



**National Center for
Civic Innovation**

2007 Trailblazer Award

Government Performance Reporting
Demonstration Grant Program
Service Efforts & Accomplishments



**Awards for
Publication Excellence**

2007 Award of Excellence
Annual Report

2004 Award of Excellence
Financial Condition Report



**Government Finance
Officers Association**

2002 Award of Excellence
Performance Measure Certification

Articles Featured in National Publications

Local Government Auditing Quarterly
*Promoting Audit Shop Creativity
(Ross Tate's success stories involving creativity in auditing)*

Government West
Ensuring the Accuracy of Performance Measures

Government Finance Review (Published by GFOA)
Performance Measure Certification in Maricopa County



Performance Results

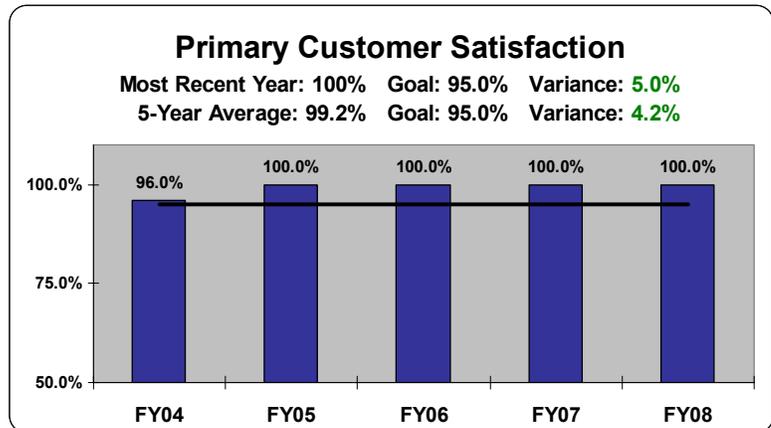
Primary Strategic Goals

Internal Audit's goals are designed with the Board of Supervisors (BOS) in mind. Internal Audit provides information so the BOS can make informed decisions on the issues they deem most important and provide fiscally responsible public services to citizens.

Goal: Customer Satisfaction

Our goal is to maintain at least a 95% customer satisfaction rating from our primary customers, the BOS, Chiefs of Staff, and Audit Committee members.

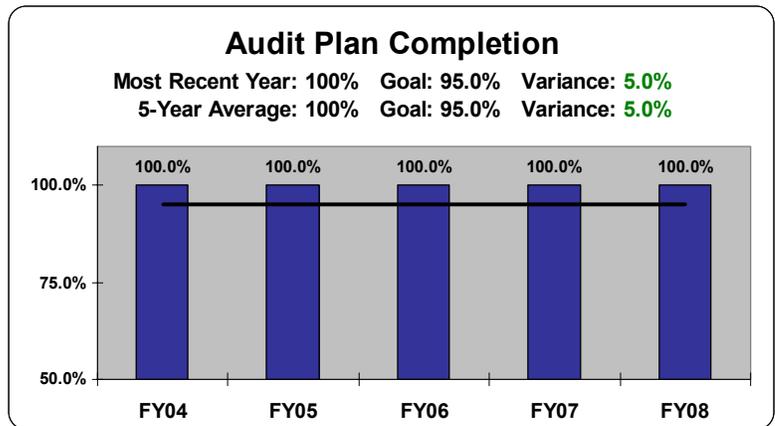
Based on survey comments, we reinstated our use of a Highlights page for all significant deliverables, and audited high-dollar contracts to look for cost avoidance and dollar recoveries.



Goal: Audit Plan Completion

We develop the annual work plan through a risk assessment process and with the input of the BOS and County management.

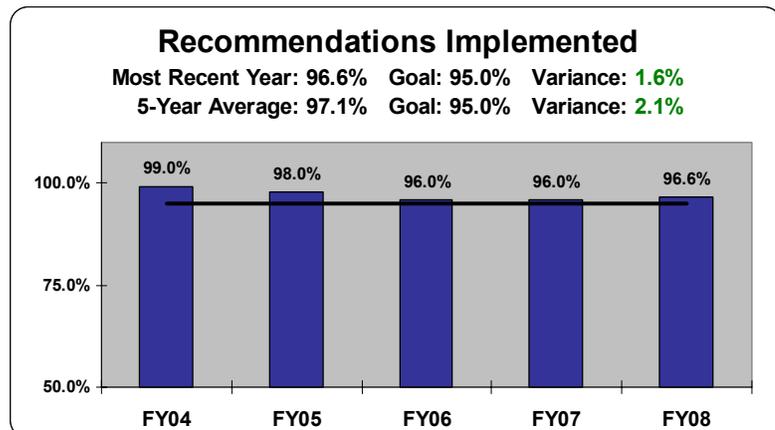
We strive to complete 95% of the BOS' approved Audit Plan and report this information to the BOS.



Goal: Recommendations Implemented

Recommendations are an important part of our audits, as this is where change and improvements take place.

Our goal is to facilitate implementing 95% of the audit recommendations within three years of being reported.

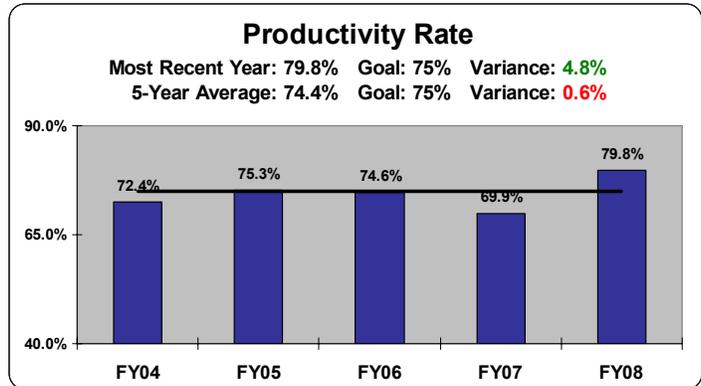


Secondary Operational Goals

Goal: Productivity

Our goal is to maintain a 75% productivity rate, which is an industry average. Productive time is considered any time spent directly working on audit work.

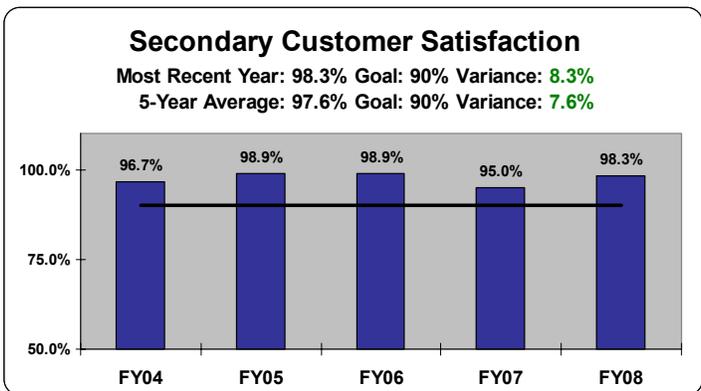
Other time, such as staff meetings, training, personal time off, and holidays, are not considered productive time.



Goal: Secondary Customer Satisfaction

With each audit deliverable, we send satisfaction surveys to the County Manager, Deputy County Manager, Assistant County Managers, and Department Directors.

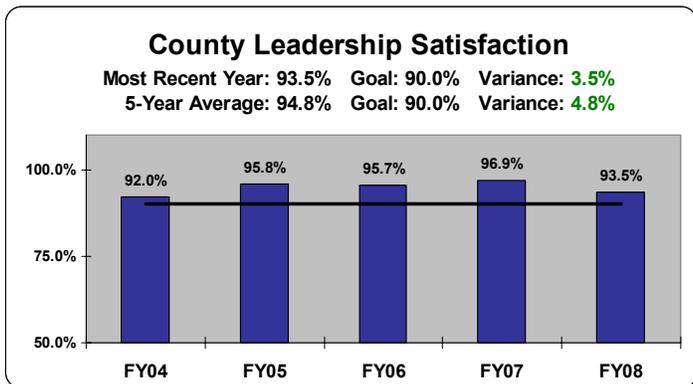
Based on scores, comments, and interaction, we are able to validate that our secondary customers believe we are doing a very good job and that we are exceeding expectations.



Goal: County Leadership Satisfaction

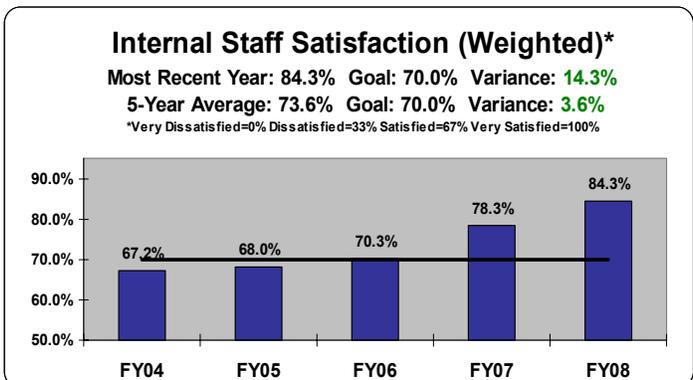
Department Directors participate in an annual County survey. Although they are not our primary customers, we continue to monitor their feedback.

Based on scores received, County leadership believes we are doing a very good job. A few negative comments are received each year, but no trends are noted.



Goal: Internal Staff Satisfaction

Our employees have shown an increasingly higher satisfaction rate each year. We have one of the highest satisfaction rates among all County departments. (On this scale used for this graph, the average satisfaction rating county-wide was 65%.)



Potential Dollar Recoveries & Cost Avoidance

Potential Dollar Recoveries

The tables below and on the following page shows FY08 audit project recommendations that resulted in potential recoveries, savings, cost avoidance, or other economic impact, totaling \$9.7 million.

Audit	Impact	Description
Superior Court	\$2,318,692	Indigent defense reimbursement has not been fully implemented. Screening the entire population provides equitable treatment and generates additional revenue.
Construction Contracts	\$1,245,363	Fee, excess billings, questioned and unsupported costs, and liquidated damages.
Continuous Monitoring: Procurement Card	\$230,964	Reduced annual administrative costs and increased annual rebate revenues if the procurement card is used for all office supply purchases.
Countywide Contracts	\$131,807	The County is not taking advantage of electronic subscriptions available through the Library District. In other contracts, we identified approval of unallowable costs, incorrect markups, and duplicate payments.
Office of Legal Advocate	\$56,250	Prepayments for services that were never used (\$38,250 recovered as of 1/15/08).
Countywide Leases	\$20,000	The County could potentially save from rental and real estate tax overages and variable charges not assessed according to the contract.
Facilities Management	\$15,700	Accurately record work time and limit lunch period to no more than 30 minutes for trades people.
Clerk of the Board of Supervisors	\$1,200	The department will save approximately \$100 per month related to internal payments that should have been paid by another department.
Potential Recovery & Cost Avoidance Total: \$4,019,976		

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
Continuous Monitoring: Internet Usage	\$3,543,352	<p>Based on an Internal Audit review, if the County reduces non-productive Internet use for 7,957 Internet users by 5 minutes a day, the County could save \$3.5 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>
Superior Court	\$2,006,716	Public defense services may have been provided to over 1,543 ineligible defendants (4%) at a cost of over \$2 million (based on a weighted average by felony class).
Justice Court Minimum Accounting Standards	\$160,140	Dollars saved by not using outside consultants for this mandated review (dollars listed is the variance between internal and external costs).
<p>Cost Avoidance Total: \$5,710,208</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 2,676 Recommendations in 10 Years

During the last ten fiscal years, from FY99 to FY08, we made 2,676 recommendations of which 2,622 (98%) were agreed to by the audited departments. To date, the departments have implemented 2,275 (85%) of these recommendations (see table below). We allow up to three years for a recommendation to be implemented.

Ten Years of Audit Recommendations and Implementations

Fiscal Year	# of Recommendations	Agreed		Implemented	
		#	%	#	%
FY99	190	184	97%	184	97%
FY00	186	173	93%	173	93%
FY01	388	383	99%	382	98%
FY02	205	200	98%	194	97%
FY03	755	750	99%	720	95%
FY04	108	108	100%	101	93%
FY05	130	125	96%	97	75% *
FY06	368	364	99%	338	92% *
FY07	184	174	95%	49	27% *
FY08	162	161	99%	37	23% *
FY99—FY08	2,676	2,622	98%	2,275	85%

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

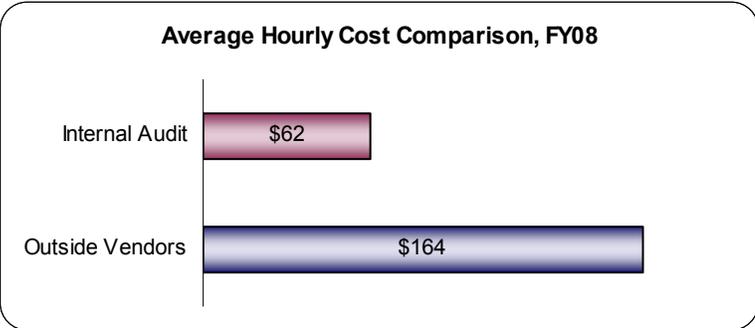
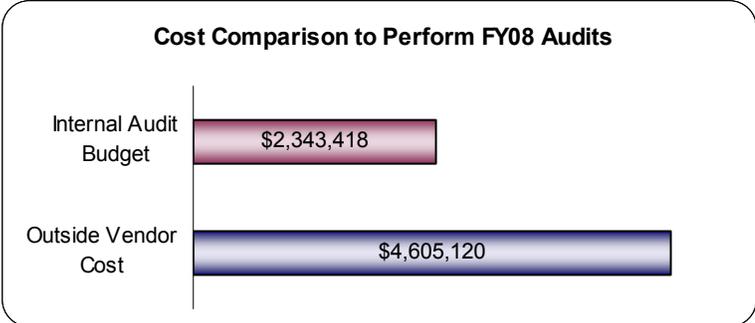
Internal Auditors—A Good Investment

Our Cost vs. the Cost to Outsource the Audit Function

FY08 audit work would have cost the County twice as much if external auditors had been used instead of internal audit staff.

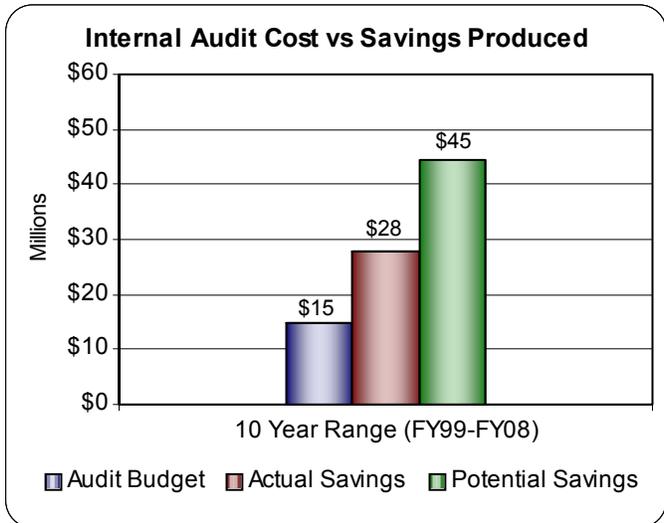
The consultants' (outside vendors) average hourly rate is \$164 compared to the Internal Audit department's \$62 rate.

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 \$28 million in savings (and \$45 million in potential savings) to the County. During the same period, our department budget totaled \$14.8 million (which includes co-sourcing dollars), resulting in a net savings to the County of \$12.9 million. Our savings averaged \$2.8 million per year compared with average annual resources of \$1.5 million.



Internal Audit identifies potential savings to the County by providing fraud deterrence and identification of weak controls that can lead to waste and abuse.

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.

Customer Feedback

Quotes below are taken from FY08 customer surveys.

"The Internal Audit staff on this audit was very helpful and always accessible. Thank you very much."

"Nice presentation, good balance of detailed and summarized information (Financial Condition Report)."

"The team did an outstanding and truly professional job. All concerns were discussed and resolved prior to formalization."

"Dear IA Team — excellent report & important! Good job!!"

"Good information."

"Interesting report, very well done."

"Very helpful in correcting a poor business practice."

"You do such nice work. Thank you."

"Thanks to all members of the audit team for a thoughtful and considerate review."

"Excellent Report."

"Good job—thanks."

"Overall, this MAS review process was very professional and all issues were made clear to me and the Court Manager."

"The annual report was done very well. Even for us that are aware of what went on, it was nice to see the overall impact."

"It is great to work with you and your team to continuously improve our County."

"Great job!"

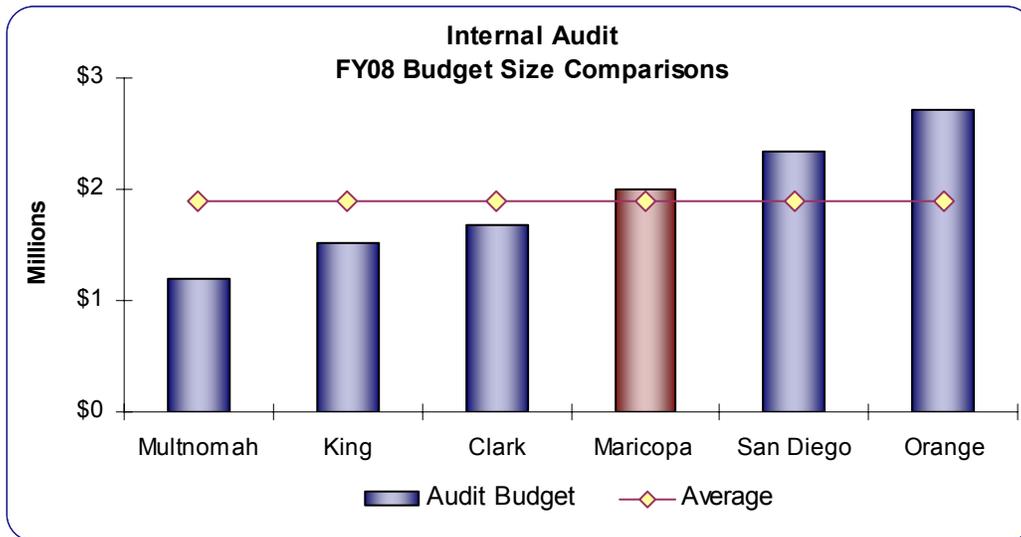
"Thanks for your professionalism throughout the audit process."



Budget & Miscellaneous

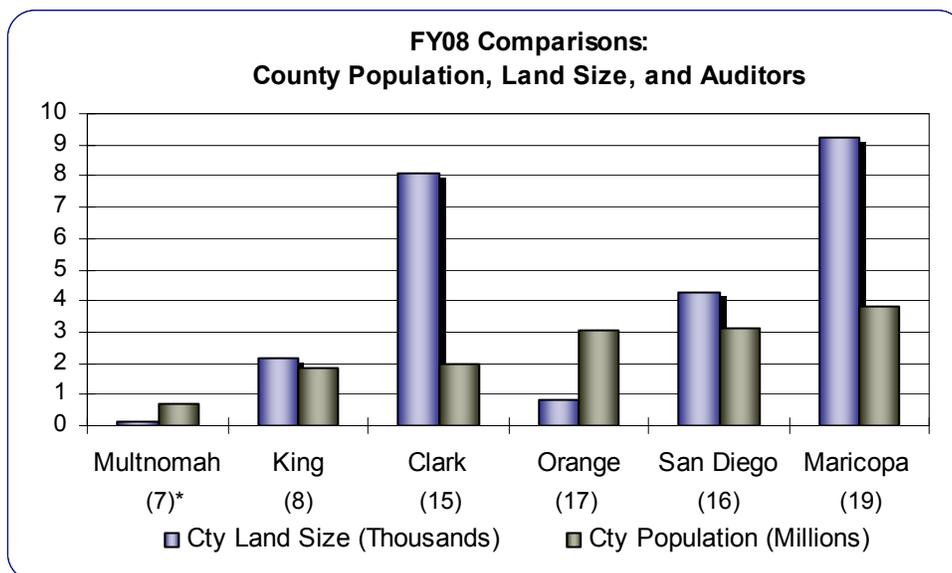
Department Budget

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.



County Population, Land Size, & Auditors

Internal Audit estimates that Maricopa County will become the **3rd largest county** in the nation in 2008 (surpassing Harris County), and the **2nd largest county** in 2016 (surpassing Cook County). Our estimates are based on a review of the most recent five-year growth rates (July 2002 to July 2007) available from the U.S. Census Bureau.



* Number of Auditors

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 applications, data, networks, and the web creates the need for knowledgeable and experienced IT auditors.

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

- ◆ Expand staff IT skills through recruiting and training—three are Certified Information Systems Auditors (CISA)
- ◆ Use an integrated audit model which blends IT and operational audits resulting in seamless reviews of County processes
- ◆ Effectively co-source with audit consulting leaders for specialized IT expertise
- ◆ Incorporate IT control standards and best practices into our audit programs



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 including technology and management processes, to determine vulnerabilities to intentional attacks, unintentional mistakes from trusted insiders, and undue exposure of data assets.

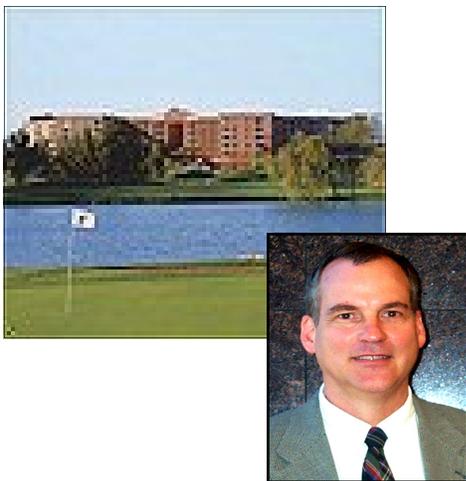


System Development Assessments

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

Presentations / Speaking Engagements

The National Center for Civic Innovation invited Deputy County Auditor *Eve Murillo* and IT Audit Supervisor *Toni Sage* to New York City to present their insights on producing a successful and award winning Service Efforts and Accomplishments Report.



Deputy County Auditor *Richard Chard* and Internal Audit helped organize the Association of Government Accountants 3rd Annual National Performance Management Conference in Phoenix.

Richard also presented on Assuring the Reliability of Performance Data.

At the Association of Local Government Auditors annual conference in Philadelphia, auditors *Scott Jarrett*, *Derek Barber*, and *Ryan Bodnar* presented the Internal Audit report that won the Knighton Gold Award.



Community Involvement

Combined Charitable Campaign

Every year, Maricopa County works with departments to encourage charitable giving by employees. Below are highlights from our 2008 contributions.



*Our office had **100%** participation! Between the paycheck deductions and office events, we raised a total of **\$8,271** this year. That's an average of nearly **\$400** per person!*



Nacho Bar

We hosted a \$5 all-you-can eat nacho bar. The nacho bar agreed with our wallets, but not our waist lines.

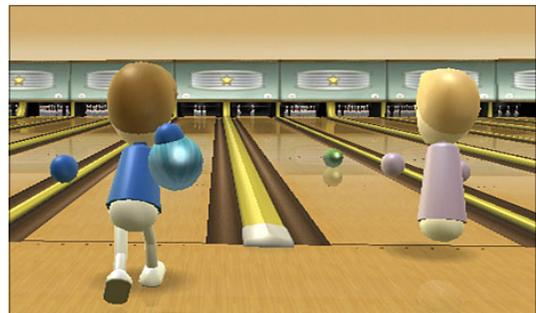
Last Talent Standing

While auditor Kye Nordfelt did not come away with first place, his rendition of Elvis (and our contributions to help support him) made this event a winner!



Wii Bowling Tournament

On *Hallowwin*, we hosted a Wii Bowling tournament. Participants competed head-to-head, with Richard Chard being the ultimate winner. The number of participants and amount of money raised bowled us over!



Pet Beds

In addition to our regular charitable campaign, our office also raised money to purchase pet beds for dogs at the Maricopa County Animal Care & Control shelter.

We raised \$338, which was enough to purchase 6 dog beds!



It IS Easy Being Green



Green Commuting Options

Nearly everyone in our department uses an alternative commuting option on a regular basis.

Below you will find information on those options, and how we have helped the environment (and saved time for ourselves)!



*Based on an average car that gets 21 miles to the gallon, we prevent over **110,000 pounds** of pollution from entering the atmosphere each year!*

Commuting Option	Participation Rate	Miles Saved
Bus	57%	72,540
Compressed Schedule	76%	12,636
Telecommute	38%	7,027
Carpool	19%	10,608
Total	81%	102,811

Office Recycling

In July 2007, our office expanded our recycling program from aluminum cans to include all items accepted by the City of Phoenix. In addition to the paper items accepted as part of the County's recycling program, our office recycles:

- Aluminum cans and foil
- Plastic bottles and containers
- Cardboard

Our office saves approximately **250 pounds** of materials from entering the landfill each year under this program! In addition, our office purchases refilled ink/toner cartridges from Office Depot whenever possible, and recycles all of our empty ones!



Water Club

In May of this year, our office switched from a water cooler to a Pur water filter. This has not only saved us money, but helped eliminate pollution as the water no longer has to be transported by truck to our building. In addition, we are saving electricity by not constantly running a water cooler and eliminating the use of plastic water bottles.

Other "Green" Activities

In addition to the items highlighted above, we also do the following:

- Turn lights off in unused office areas and turn equipment off at night
- Conduct meetings with computer/project (paperless) when possible
- Perform audit activities electronically when possible



Appendix A: Professional Staff Biographies

Internal Audit employed the following individuals during FY08:



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 as an executive officer 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 a committee co-chair for 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.

Patra E. Carroll, *Audit Supervisor*

Ms. Carroll is a Certified Public Accountant and Certified Internal Auditor with over 15 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 Institute of Internal Auditors, Arizona Society of Certified Public Accountants, and the Association of Local Government Auditors, where she has been an Advocacy Committee member for the past three 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 over 15 years of professional experience in internal auditing and accounting. She is a board member and Training Director for the Arizona Chapter of the Association of Certified Fraud Examiners, a member of the National Chapter of the Association of Certified Fraud Examiners, the Institute of Internal Auditors, and the Association of Government Accountants.

Christina Black, *Audit Supervisor*

Ms. Black is a Certified Government Auditing Professional with over 12 years of professional internal audit experience and 10 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 Auditors—Phoenix Chapter, where she serves as Chair on the Meeting Administration Committee.



Stella J. Fusaro, *Audit Supervisor*

Ms. Fusaro is a Certified Internal Auditor and a Certified Government Auditing Professional with over 17 years of auditing experience. She has a bachelor's 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, the Association of Certified Fraud Examiners, the Association of Local Government Auditors, and Toastmasters International.

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 of 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, serving as co-chair of the Academic Relations Committee. Ms. Sage also volunteers as a Director for The Foundation for Public Education, serving as Chairperson.





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 from the University of Utah. She has 15 years of professional experience in accounting and audit, with 9 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.

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



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 bachelor's in business administration and from Arizona State University with a bachelor'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 seven years of 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.





Lisa Scott, Associate Auditor

Ms. Scott is a Certified Information Systems Auditor. She has a bachelor's degree in computer science from Jacksonville State University and a post baccalaureate certificate in accountancy from Arizona State University. She has over 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, Association of Certified Fraud Examiners, and Information Systems Audit and Control Association.

Trisa Cole, Associate Auditor

Ms. Cole is a Certified Fraud Examiner. She has four years of government auditing experience and 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, Associate Auditor

Mr. Jarrett graduated from Arizona State University West with a bachelor's degree in accountancy. He served four years in the United States Coast Guard and has two years professional internal audit experience. Mr. Jarrett is a member of the Arizona Chapter of the Association of Certified Fraud Examiners and the Institute of Internal Auditors.

Nic Harrison, Associate Information Technology Auditor

Mr. Harrison is a Certified Information Systems Auditor. He has a bachelor's in business administration from the Eller College of Management at the University of Arizona, with majors in Management Information Systems and Operations Management. He 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.



Derek A. Barber, Staff Auditor

Mr. Barber joined the Internal Audit Department in September 2006 with a bachelor's degree in accounting from the University of Phoenix, 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 currently pursuing an MBA with an emphasis in Accounting from Grand Canyon University.

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 and the Arizona Chapter of the Association of Certified Fraud Examiners, where he serves on the Social Events Committee and is the Chapter's webmaster. He is currently pursuing his Certified Internal Auditor designation. 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. He has a masters in public administration from Brigham Young University. Mr. Nordfelt is a member of the Institute of Internal Auditors and the Association of Local Government Auditors.

Jenny Eng, Staff Auditor

Ms. Eng graduated with a bachelor's degree in Accountancy and Computer Information Systems from the W.P Carey School of Business at Arizona State University. She started as an intern at Maricopa County Internal Audit Department in May of 2007 and joined the Internal Audit staff as a staff auditor in October of 2007. Ms. Eng is a member of the Institute of Internal Auditors and the Arizona Chapter of the Association of Certified Fraud Examiners.



Wendy Thiele, Administrative Operations Specialist

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 Internal Audit in December 2006.

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.

Certifications and Graduate Degrees Held by Maricopa County Internal Audit Staff	Number Held
Certified Public Accountant (CPA)	6
Certified Internal Auditor (CIA)	4
Certified Fraud Examiner (CFE)	4
Master of Business Administration Degree (MBA)	3
Certified Information Systems Auditor (CISA)	3
Master of Public Administration Degree (MPA)	2
Certified Government Auditing Professional (CGAP)	2
Certified Government Financial Manager (CGFM)	1
Certified Management Accountant (CMA)	1
Total:	26

Congratulations on Your Certification Achievement!



Trisa Cole
Certified Fraud
Examiner
(CFE)



Stella Fusaro
Certified Government
Auditing Professional
(CGAP)



Lisa Scott
Certified Information
Systems Auditor
(CISA)

Speechcrafters

During April, May, and June 2008, a large number of our staff, lead by Richard Chard, participated in a Speechcrafters group. The purpose of Speechcrafters is to encourage and practice public speaking in a small, comfortable setting. Every week, a group of people worked on activities such as prepared speeches, evaluations of speakers, and short unprepared speeches. The participants not only had a great time, but also gained the confidence that is critical to being a good public speaker.

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.

Professional & Service Organizations
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)
Caledonian Society of Arizona
Maricopa County Combined Charitable Campaign
Habitat for Humanity Valley of the Sun Chapter
Information Systems Audit and Control Association (ISACA)
Institute of Internal Auditors (IIA - National and Phoenix Chapter)
Institute of Management Accountants (IMA)
Maricopa County Blood Drive
National Center for Civic Innovation
The Foundation for Public Education
Toastmasters International

Leadership Roles in Professional & Service Organizations	Positions Held
Association of Certified Fraud Examiners (ACFE):	
AZ Chapter—Board of Directors	1
AZ Chapter—Training Director	1
AZ Chapter—Elections Committee	1
AZ Chapter—Newsletter Committee	1
AZ Chapter—Social Events Committee	1
AZ Chapter—Webmaster	1
Association of Local Government Auditors (ALGA):	
International—Board of Directors	1
International—Secretary	1
International—Advocacy Committee	1
Information Systems Audit and Control Association (ISACA)	
Phoenix Chapter—Co-Chair, Academic Affairs Committee	2
Phoenix Chapter—Academic Affairs Committee	5
Institute of Internal Auditors (IIA):	
Phoenix Chapter—Meeting Administration Committee Chair	1
Other Organizations—Officers/Committee Members	4
Total:	21

Appendix C: Project Summaries

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♦ Clerk of the Board	29	♦ Financial Condition (FY06)	33
♦ Construction Contracts	29	♦ HRIS Outsourcing Review (ADP)	33
♦ Continuous Monitoring—Internet	30	♦ Justice Courts Accounting Review	34
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Bulk Fuels, Purchase & Delivery		♦ Juvenile Probation Accounting Review	35
Consulting Services		♦ Juvenile Probation IT	35
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Passenger Vehicles		♦ Office of Legal Advocate.....	36
Pharmacy Services		♦ Performance Measure Certification..	36
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Library District			
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Electronic Subscription Contract			
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♦ Countywide Leases	32		
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Air Quality ~ May 2008



The Maricopa County Air Quality Department is a regulatory agency whose goal is to ensure federal clean air standards are achieved and maintained for the residents and visitors of Maricopa County. The department was formed as an independent department in November 2004 when it split from the Environmental Services Department. This report focused on the Enforcement Division, and specifically, air quality violation penalties.

Significant Issues

- ◆ Penalty calculations and penalty reductions are not adequately documented
- ◆ Reductions in some penalties appear questionable
- ◆ Timeliness for resolving cases could be improved

Clerk of the Board of Supervisors ~ February 2008



As the official record keeper of the Board of Supervisors (BOS), the Clerk of the Board (COB) is responsible for posting all BOS meetings and preparing minutes. The scope of our review included key statutory duties, technology assets, and purchasing cards.

Significant Issue

Overall, no significant control weaknesses were identified. A physical inventory and reconciliation of lease payments for technology assets revealed two laptops were erroneously on the inventory and charged to the COB.

Construction Contracts ~ August 2008



This audit reviewed two Maricopa County construction contracts, one with Austin Commercial for the Animal Care and Control Animal Healthcare Center and the other with D.L. Withers Construction Company for the Buckeye Hills Shooting Park.

Significant Issues

We determined that the construction contractors potentially overcharged Maricopa County \$1,245,363. In addition, the County should assess liquidated damages to Austin Commercial for late project completion.

Continuous Monitoring—Internet ~ July 2008



Internal Audit performs annual reviews of County employee Internet use to identify potential abuses and test for vulnerabilities in the County's Internet controls. This monitoring is intended to safeguard County resources and to raise management and employee awareness of Internet usage policy.

Significant Issues

- ◆ Some excessive Internet usage continues; management involvement is needed
- ◆ Filtering software limits, but does not prevent, access to inappropriate sites
- ◆ Controls over Internet access, usage, and tracking can be improved

Continuous Monitoring—P-Card ~ July 2008



The Materials Management Department administers the Procurement Card program, and both Materials Management and Internal Audit monitor the program annually to deter misuse and increase management's awareness of risks.

Significant Issues

A well-controlled Procurement Card program can be a very useful tool in reducing administrative costs and streamlining acquisition processes. We estimate the County could achieve additional savings—as much as \$221,000 annually—by expanding the use of the procurement Ghost Card (account used for Office Depot purchases).

As the County's use of procurement cards increases, the important role of management in establishing a strong control environment should be emphasized.

Countywide Contracts & IGAs ~ September 2008



The County spends millions of dollars each year on nearly 2,800 active contracts. We identified over \$222.7 million in FY08 expenditures (through May 27, 2008) to contracts established by Materials Management. The Countywide Contracts Review is an annual engagement where we review controls and transactions for a select group of contracts.

We also reviewed two intergovernmental agreements (IGAs). We identified approximately \$68.1 million in FY08 IGA revenues (through June 20, 2008). IGA revenues are generated when the County provides a service on behalf of another government agency. In these instances, the County acts as the vendor and invoices the other agencies.

Significant Issues

We found that County agencies did not always follow contract terms. We identified questionable expenditures that resulted from poor contract administration, and work that was done for the County with no scope of work document in place. See the table on the following page for more information on the types of contracts we reviewed.

Cont'd ~ Countywide Contracts & IGAs

Contract Reviewed	Service	Issues
Bulk Fuels, Purchase and Delivery	A vendor delivers unleaded gasoline to 13 County fueling sites	Only performing inventories annually; not verifying delivery quantities
Consulting, Auditing, and Accounting Services	The County contracted with several vendors for various consulting projects	Invoices not adequately reviewed, various unsupported and/or unallowed charges
Insurance Broker Services	Risk management contracted with two vendors to obtain all required insurance policies for the County	No issues
Passenger Vehicles	Equipment Services contracted with two vendors for the purchase of non-law enforcement passenger vehicles	No issues
Pharmacy Services	Vendor provides medications and medical supplies to County jails	Inadequate reconciliations; vendor not crediting all return/not shipped items; missing contract terms
Public Relations Services	Several vendors provided public relations (TV commercials, newspaper ads, information fliers, etc.) for various County programs	Work done with no "scope of work" document; incorrect markup; invoices paid twice
Sanitation Services	A vendor delivers and services portable toilets and hand washing stations at various locations throughout the County	No issues
Waste Tire Recycling and Final Disposal	A vendor contracted with the County to recycle and dispose of all waste tires at two sites	No issues
Library District/Variou Cities (IGA)	The Library District provides reciprocal borrowing to cities and electronic subscriptions to County residents	County departments are not taking advantage of electronic subscriptions; insufficient recordkeeping
MCDOT/City of Goodyear Cotton Lane Bridge (IGA)	MCDOT and the City of Goodyear collaborated to build a bridge over the Gila River at the Cotton Lane alignment	No issues

Countywide Leases ~ January 2008



County leases are divided into two general categories: capital and operating. Capital leases include information technology equipment, other large office equipment, and heavy machinery. Assets financed in this manner are usually owned by the County at the end of the lease.

Operating leases include rented real estate, rented vehicles, and rented storage space. Ownership is not transferred with this type of lease. FY07 lease expenditures totaled approximately \$35 million, of which \$17.9 million was for operating leases. Real estate accounts for the largest share of operating leases at about \$10.3 million, and also represents the single largest lease expenditure, capital or operating.

Significant Issues

- ◆ Real estate lease data could be improved
- ◆ Current controls do not always ensure compliance with County policy
- ◆ Real estate leasing strategy is not documented and formally communicated to County decision makers

Elections ~ December 2007



The Maricopa County Elections Department was created in November 1955 by a resolution passed by the Board of Supervisors. The resolution states that Elections will cooperate with the Clerk of the Board of Supervisors in fulfilling the Board's legal responsibilities relating to elections, and will represent the County Recorder's office in conducting elections. Elections is responsible for the planning, organization, execution, and reporting of Countywide and jurisdictional elections.

Significant Issues

- ◆ Voter registration process controls are sufficient to prevent abuse
- ◆ Voting equipment tabulates ballots accurately
- ◆ Ballots are accurately printed, counted, and appropriately secured

Facilities Management ~ June 2008



The Maricopa County Facilities Management Department (FMD) oversees the planning, remodeling, and construction of new and acquired County facilities. FMD is also responsible for the maintenance and security of County facilities. The department plays a crucial role in creating a safe, efficient, and economical business environment for County citizens and employees.

Significant Issues

- ◆ Controls over work order monitoring need improvement
- ◆ Preventative maintenance of facilities and equipment could be improved
- ◆ Contract oversight needs improvement

Facilities Management Job Order Contracts Review ~ April 2008



In FY07, Facilities Management spent \$24.3 million under Job Order Contracting (JOC). JOC enables Maricopa County to competitively acquire contractors in one advertisement for a number of undefined projects over a specific timeframe through a multi-year contract. Once under contract, the selected contractors provide quotes for small-to-medium maintenance and repair or minor construction activities that do not include new construction.

Significant Issues

We were not able to determine the reasonableness of project costs because project files did not contain specific scopes of work and because contractors submitted lump sum quotes. This lack of detail in task order quotes could result in the authorization of unnecessary or excessive project charges.

Financial Condition Report (FY06) ~ April 2008



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, long term debt, employee retirement plans, and the County Treasurer investment portfolio. We presented key financial indicators in five or ten year trends. This report analyzes key financial indicators for the Governmental Funds, with a special focus on the General Funds. We included national and local benchmark analyses.

Significant Issues

For FY06, we again highlight the financial strength of the County's General Fund within the context of population growth that led the nation. The General Fund unreserved fund balance continued to grow and long-term debt levels decreased. Key financial indicators compare very favorably to national and local benchmarks.

HRIS Outsourcing Review (ADP) ~ September 2008



In November 2007, the Board of Supervisors approved a five-year, \$17 million outsourcing contract with Automatic Data Processing, Inc. (ADP) to replace the County's current Human Resource Information System (HRIS). The County's current HRIS, a PeopleSoft product, was implemented in December 2003 at a cost of \$10 million, not including internal costs. Management concerns about the viability and sustainability of the County's HRIS PeopleSoft system spurred management to pursue alternatives.

Significant Issues

- ◆ Although there were initial project issues, project management has improved
- ◆ A formal, Countywide IT strategic plan would have guided project decisions
- ◆ Formal project management policies and procedures are needed
- ◆ Early involvement of OET would have addressed IT controls

Justice Courts Accounting Review ~ January 2008



The Maricopa County Justice Courts are part of the Trial Courts system and include 23 Justice Courts at 11 locations. State law defines the Justice Court jurisdictions and limits the types of cases they hear. Justices of the Peace determine sentencing, within a range (minimum and maximum penalties) set by statute. The Justice Courts handle criminal traffic, misdemeanors (e.g., shoplifting, writing bad checks, violating restraining orders), and a variety of civil cases not in excess of \$10,000. Justices of the Peace also handle requests for orders of protection and injunctions against harassment. Most cities and towns operate their own municipal courts that handle some of the same types of cases, including civil traffic and misdemeanors.

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.

Significant Issues

- ◆ Exceptions increased significantly over the prior review
- ◆ Most of the exceptions were related to the reconciliation of court accounting records (e.g., receipts, disbursements, and change funds); these exceptions greatly increase the risk that errors and/or fraud could occur and go undetected
- ◆ Other exceptions identified were generally clerical or procedural in nature and typically low risk



Justice Court Services/Administration ~ July 2008



During the review period, Justice Court Administration (JCA) was a subordinate unit of the Superior Court and reported to the Deputy Court Administrator for Limited Jurisdiction Courts. We suspended the audit during the planning phase due to significant organizational changes that were in progress which returned certain administrative duties to the Justice Courts Presiding Judge. The final organization structure was under negotiation between the Justice Courts, Superior Court, and Administrative Office of the Courts. Although audit testing was not performed, we made certain observations during planning, which were shared with court administrators as listed below.

Significant Issues

- ◆ JCA's responsibility for overseeing justice court collections activities has not been clearly defined, and monitoring activities are not well documented
- ◆ There is currently no system in place to (a) determine the number of pending justice court cases (except DUIs); or (b) monitor court case processing time frames (except DUIs)

Juvenile Probation ~ January 2008



function.

The Juvenile Probation Department is mandated by Arizona Revised Statutes to perform two main functions; 1) provide supervision for those under orders of the court; and 2) maintain a detention center, separate from adult facilities, for delinquent and incorrigible juveniles. This report focuses on the supervision

Significant Issues

- ◆ Juvenile probation officers for standard probation do not always make required contacts
- ◆ Assignment of diversion consequences have been delayed by several factors
- ◆ Juvenile probation officers do not always adequately document compliance with terms of probation and completion of diversion consequences

Juvenile Probation Accounting Review ~ November 2007



Juvenile Probation diversion restitution checking account.

Internal Audit completed a Minimum Accounting Standards (MAS) review of the Juvenile Probation Department. The 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. This review was limited to the

Significant Issue

Our review noted minor exceptions to AOC standards.

Juvenile Probation IT ~ March 2008



The Juvenile Probation Department receives its information systems support from Court Technology Services (CTS). Since 2001, CTS has been developing an integrated court information system (iCIS) for all Maricopa County Judicial Branch operations. Juvenile Probation's stand-alone system, JOLTS, was converted to the iCIS environment in July 2007.

Significant Issues

- ◆ Management of system conversion process was inadequate
- ◆ System conversion testing did not verify data was accurate and complete
- ◆ User access policy should be strengthened

Medical Examiner ~ July 2008



The Office of the Medical Examiner (OME) conducts medical and legal investigations of unattended, violent, unexpected, or suspicious deaths and reviews and authorizes all cremations

Significant Issues

- ◆ Case management system does not adequately prevent unauthorized access
- ◆ Case management system lacks a sufficiently detailed audit trail
- ◆ Case management system does not ensure integrity and confidentiality
- ◆ OME does not thoroughly and effectively manage physician credentialing

Office of Legal Advocate ~ December 2007



Office of the Legal Advocate (OLA) attorneys provide representation to indigent individuals assigned by the Superior Court. As part of the representation process, OLA attorneys hire expert witnesses to testify on the behalf of the defendant. This review was initiated by OLA and primarily focused on payments to expert witnesses. We also reviewed a selection of travel, education, and purchase card payments.

Significant Issues

- ◆ From FY05 through FY07, OLA prepaid 14 expert witnesses in excess of \$148,000 for undefined future services. Although OLA has used services from nine of the prepaid expert witnesses, approximately \$76,000 in prepayments remain unused
- ◆ OLA provided duplicate or inappropriate reimbursements for two hotel stays

Performance Measure Certification ~ May 2008



The Maricopa County Board of Supervisors adopted a performance measurement initiative called Managing for Results (MfR) in FY01. The County realized that for citizens to have confidence in this program, the County needed to verify performance data accuracy. The Performance Measure Certification (PMC) program was adopted to validate performance measures for County management, the Board of Supervisors, and the general public. Under the PMC program, the Internal Audit Department reviews MfR results, assigns certification ratings, and reports conclusions.

Significant Issues

- ◆ Only 24 of the 55 measures reviewed were certified
- ◆ FY08 results were significantly less favorable than previous years

Superintendent of Schools—Fund 715 ~ May 2008



Superintendent of Schools (SOS) receives a significant amount of money from state and federal governments in the form of grants and other payments such as Small School District Funds (Small Schools). It also receives revenues from fees charged to attendees for conferences put on for local teachers and school administrators. It appears all of these revenues were commingled in Fund 715 for the period reviewed.

Significant Issues

During the review period, SOS commingled grants, Small Schools' monies, and conference fees in Fund 715, and did not adequately track and document revenues and expenditures. Prior to the commencement of this audit, SOS finance and accounting staff began making corrections to this Fund. We reviewed these corrections and found revenues were accurately accounted for. Due to inadequate documentation, however, we could not determine whether or not expenditures complied with grant and State Small Schools' requirements.

Superior Court ~ January 2008



Superior Court case filings increased 25% from FY01-FY07. The largest increase was in new felony cases, which increased by 37%. As caseloads have increased, so have costs to provide counsel to indigent defendants (low-income individuals who cannot afford to hire their own attorney). Superior Court judicial officers determine who qualifies for indigent defense. Inflation-adjusted indigent defense costs have doubled since FY98, from \$37 million to \$74 million in FY07.

Significant Issues

- ◆ Indigent defense reimbursement has not been fully implemented
- ◆ Eligibility for indigent defense is based on unverified, self-reported financial information
- ◆ Assessments for the reimbursement of attorneys' fees are based on outdated cost estimates
- ◆ Defendants' financial questionnaires are not always obtained and/or retained

Surprise Cash Counts ~ February 2008



Cash counts deter theft and promote good cash-handling practices. Cash is particularly susceptible to theft or loss. We counted 22 petty cash and change funds totaling \$10,835 from 12 County departments. Our review found that the majority of the funds were balanced, secured, and had supporting documentation.

Significant Issues

We noted various deficiencies, including cash shortages totaling \$22, cash overages totaling \$134, and insufficient fund security.

Appendix D: Other Projects

Audit Follow Up

The goal of the internal audit process is to increase the overall effectiveness of County operations and procedures. Audit recommendations for improvements become meaningful only when needed changes are recognized and implemented by clients. Thus, following up on audit recommendations is crucial to the success of the audit process.

Each quarter, Internal Audit sends a Status Report Request to each client with open audit recommendations. This determination may require site visits, interviews, phone calls, or a review of additional documentation. When all recommendations for an audit have been implemented, a closing memo is sent to the client.

Internal Control Assessment Videos

In an effort to help educate County employees, Internal Audit created a training video that highlights aspects of the County's ethics policy.

This video shows the right (and wrong) way to handle common ethical dilemmas. The video also recommends controls and policies that will help employees to properly handle all of the common dilemmas. This video was produced in-house, using department employees.



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 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 38 federal grant subrecipients to determine compliance with the federal Single Audit Act.

In 1984, the United States Congress passed the Single Audit Act to consolidate a fragmented and inefficient approach to auditing federal grants. The Federal Office of Management and Budget issued Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, to implement the Single Audit Act. Currently, non-federal entities that expend \$500,000 or more in federal assistance in a fiscal year are required to undergo a comprehensive financial and compliance audit each year (Single Audit).



We found that 20 of 38 audit reports contained 94 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.

Appendix E: 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 F: 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

Appendix G: 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 Value Statement

Do the Right Things Right!

Our Mission

The mission of the Internal Audit Department is to provide assistance to the Board of Supervisors so they can ensure Maricopa County government is accountable to its citizens.

Our Vision

To promote positive change throughout County operations while ensuring that public resources are used effectively, efficiently, economically, and ethically.

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 F 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 E 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.).

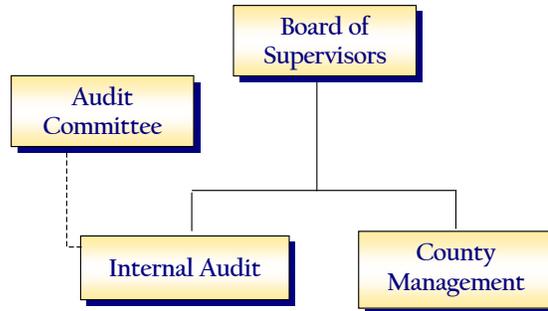
Organizational Independence

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 of Supervisor 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; \$349,020 was budgeted for this purpose in FY08. This partnership (called “co-sourcing”) provides the County with the collective expertise required by Government Auditing Standards at an affordable price.

Risk Assessment

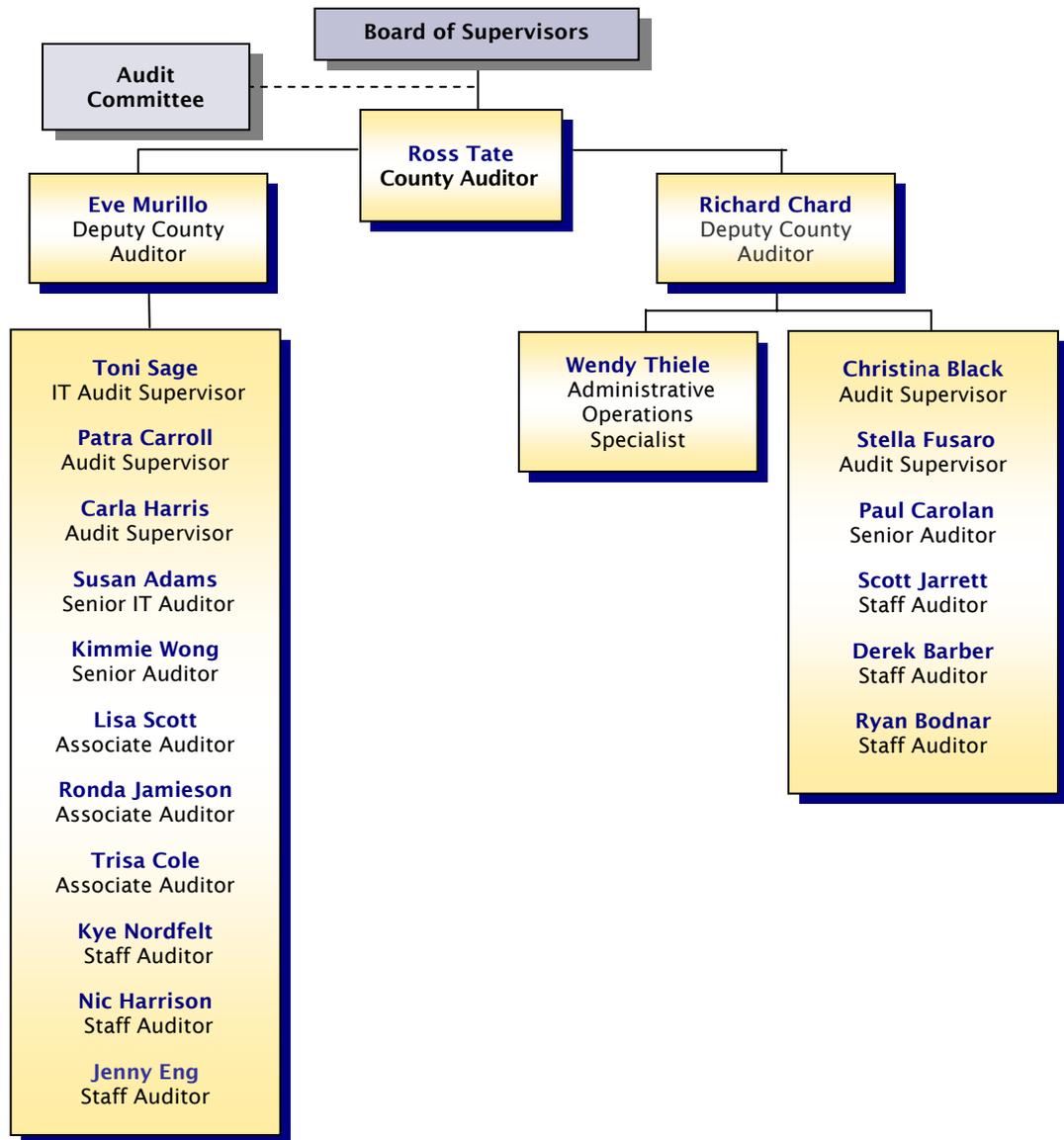
Effective internal auditing is based on systematically reviewing an organization’s operations at intervals commensurate with associated risks. The annual risk review process produces an audit plan that maximizes audit coverage and minimizes risk. Auditing every County activity on a regular basis would 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.

FY08 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 FY00, FY03, and FY06 reviews by a local firm were positive and showed no findings. We are scheduled to have our next review in FY09.

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