



Internal Audit Report

Research and Reporting
December 2001



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December 6, 2001

Janice K. Brewer, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Don Stapley, Supervisor, District II
Andrew Kunasek, Supervisor, District III
Mary Rose Wilcox, Supervisor, District V

We have completed our department review of the Research and Reporting (R&R) Department. This audit was conducted in accordance with the Board approved audit plan. Our review focused on controls over R&R working agreements, customer satisfaction, survey data gathering and reporting procedures, and revenues.

Overall, we found R&R to serve customers well and effectively carry out its mission. We also found areas needing improvement. These, along with our recommendations, are detailed in the attached report. The highlights are:

- R&R customers are very satisfied with the services received.
- Our independent re-calculation of responses taken from the most recent County Employee Satisfaction Survey rendered the same results as those reported by R&R. No exceptions were found.
- Four recent Intergovernmental Agreements between the County and the Arizona Department of Economic Security, for R&R services, are not signed by an appropriate State official as required by law.
- R&R has not developed written work procedures for several important functions. Controls over the department's customer billing procedures also are not adequate.

We have attached our report package and R&R's response, which we have reviewed with the Manager. We appreciate the department's excellent cooperation. If you have questions or wish to discuss items presented in this report, please contact George Miller at 506-1586.

Sincerely,

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

Ross L. Tate
County Auditor

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Executive Summary

Customer Satisfaction (Page 4)

The Research and Reporting Department's (R&R) primary customers are very satisfied with services provided by the department. The customers report that R&R responds to their needs in a timely manner and provides useful survey information.

Survey Accuracy (Page 6)

Our testing of nine responses from the FY 2000-01 County Employee Satisfaction Survey rendered results identical to those reported by R&R. No exceptions were found. Our review of the controls R&R has established over its data gathering and reporting activities found that calculation routines, used to manipulate raw data, are not verified by an independent source.

Intergovernmental Agreements (IGA) (Page 7)

R&R develops IGAs with the State agencies for which the department performs survey work. Our review identified four agreements with the Arizona Department of Economic Security (DES) that had not been signed by a State official, as required by Arizona Revised Statutes (ARS). R&R should secure State officials' signatures for all active and future IGAs.

Revenue Tracking (Page 8)

R&R deposits revenue payments with the Treasurer's Office in a timely manner. Our testing of payments totaling \$310,000, received from both County and non-County customers, found no exceptions. We also found control weaknesses in R&R's billing procedures that negatively impact County investment income and make financial reporting more cumbersome. R&R should strengthen controls in this area.

Work Procedures (Page 10)

R&R has not developed written work procedures for several important functions and work activities. The lack of documented procedures can adversely impact survey consistency, process applications, product quality, and customer satisfaction. The department should develop written procedures for all primary functions.

Introduction

Background

The Research and Reporting Department (R&R) began operations in the early 1980's as the Survey Data Center. The office served as a staff function within the Human Resources Department, which today is called the Human Services Department. Clerk of the Board of Supervisors records contain no formal Board action, or Board approved County Administrative Officer (CAO) directive, establishing R&R as a County department.

Through the early 1990's R&R assisted the County's Human Services and Health Services departments by conducting needs assessment surveys. Beginning in 1996 direction for R&R was shifted to the Deputy County Administrator and the office was assigned its own financial organization reporting number. The department is staffed with five full-time and three part-time employees. Temporary employees are also utilized as needed.

R&R now accepts survey requests from County departments and also contracts with other governmental agencies, through Intergovernmental Agreements (IGA), to conduct specific surveys. The department's most visible work product is the Countywide Employee Satisfaction Survey, which is performed for the Office of the CAO.

The County's utilization of R&R appears to be unique among County governments. Our benchmarking activities, involving six comparable counties and the City of Phoenix, identified none that has established a centralized survey function similar to R&R.

Mission and Goals

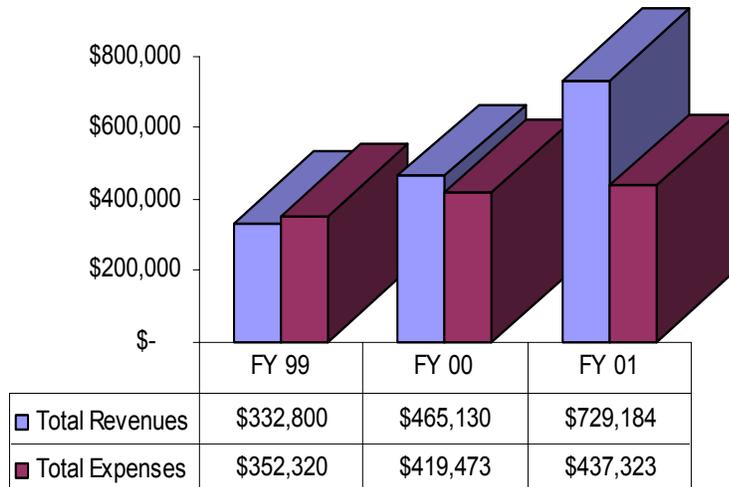
R&R's mission is "to provide survey data services to county managers so they can better manage by using statistically reliable data." The department's goal is to establish County management's documented expectations of R&R by January 2002. This goal reflects a need to develop a formal work schedule so that R&R can determine the number of external surveys the department can perform annually in order to defray internal administrative costs.

Another R&R goal is that County management effectively utilize the department's employee and customer satisfaction survey data. The department has developed performance measurements as part of its Managing for Results (MFR) program effort.

Expenses and Revenues

The graph on the following page shows R&R revenues and expenses for the past three fiscal years. Revenues have increased 119 percent and expenses 24 percent.

Research and Reporting Revenues to Expenses FY 99 - FY 01



Scope and Methodology

Our audit objectives were to determine:

- To what extent R&R customers are satisfied with the department’s services and performance
- If controls over and accuracy of programming instructions prepared by R&R staff are adequate to define survey variables, perform data calculations/manipulations, and generate meaningful reports
- The completeness and timeliness of R&R customer billings, collections, and deposits
- If other comparable counties have established R&R departments and for what purposes these are utilized.

This audit was performed in accordance with Government Auditing Standards.

Issue 1 Customer Satisfaction

Summary

The Research and Reporting Department's (R&R) primary customers are very satisfied with services provided by the department. The customers report that R&R responds to their needs in a timely manner and provides useful survey information.

User Survey

R&R's primary purpose is to provide accurate and reliable survey data so that its customers can better manage their operations. We developed a user satisfaction survey to determine how R&R customers perceive the level of services that the department provides. The survey questions addressed the following topics:

- Frequency and type of service
- Responsiveness
- Timeliness
- Quality
- Confidence in accuracy of results
- Usefulness of data.

Questions relating to the last five topics were written so as to require a positive ("strongly agree" or "agree"), neutral, or negative ("disagree" or "strongly disagree") response. The survey also solicited comments from customers concerning what they liked best and least about their business relationship with R&R.

The four customers surveyed were: Arizona Department of Economic Security (DES), Maricopa County Administrative Officer (CAO), Maricopa County Integrated Health System (MCHP/MIHS), and the Arizona Governor's Office (AGO). These offices generated \$551,570 (100%) of R&R's FY 2000-01 customer revenue, summarized below.

<u>Customer</u>	<u>Total Paid FY 01</u>	<u>% of R&R Revenue</u>
DES	\$236,570	43.4%
CAO	\$252,000	46.3%
MCHP/MIHS	\$ 38,000	7.0%
AGO	\$ 25,000	3.3%

Survey Results

All four offices responded to our survey, reporting a high level of satisfaction with R&R's services. Every response relating to the five survey topics was either "strongly agree" or "agree".

All five offices submitted very positive statements about what they liked best about working with R&R and answered "N/A" (not applicable) to what they liked least. The AGO representative reported that the office uses R&R to perform survey data work based on DES' strong recommendation.

Recommendation

None, for information only.

Issue 2 Survey Accuracy

Summary

Our testing of nine responses from the FY 2000-01 County Employee Satisfaction Survey rendered results identical to those reported by R&R. No exceptions were found. Our review of the controls R&R has established over its data gathering and reporting activities found that calculation routines, used to manipulate raw data, are not verified by an independent source.

Data Validation Process

County management often uses information presented in Employee Satisfaction Surveys and Exit Interviews to make recommendations to the Board regarding important policy issues. These include employee salaries and benefits, as well as, management practices. Therefore, the data and information presented in these survey reports must be accurate.

The database software program used by R&R to generate survey results relies on routines written by the department's Data Base Analyst (DBA) and Manager. The DBA writes the routines for variable definition and reporting instructions, which the Manager double-checks.

The R&R Manager is the only person qualified to write the routines that are used to calculate and manipulate data. No independent review is performed of this work; an activity ensuring that the reported survey results are accurate. This control weakness exposes the County to risk, ranging from negligible to significant, depending on how the survey results are utilized.

Verification Testing

To test the accuracy of R&R's reported survey results, our office selected nine questions from the FY 2000-01 County Employee Satisfaction Survey. KPMG LLP then performed an independent recalculation of all employees' responses, for the nine questions, using a different software package. KPMG tabulated and compared its results to those reported by R&R. The recalculation matched R&R's results exactly for all nine questions tested. No exceptions were found.

Recommendation

None, for information only.

Issue 3 Intergovernmental Agreements

Summary

R&R develops Intergovernmental Agreements (IGA) with the State agencies for which the department performs survey work. Our review identified four agreements with the Arizona Department of Economic Security (DES) that had not been signed by a State official, as required by Arizona Revised Statutes (ARS). R&R should secure signatures, as necessary, for all active and future IGAs with State agencies.

Applicable Requirements

ARS 11-952 requires all IGAs to be signed by the government agencies involved in the agreement. The statute also states: “Payment for services under this section shall not be made unless pursuant to a fully approved written contract”.

Maricopa County Policy and Procedure A1110 states: “The State of Arizona and the United States government do not execute IGAs with the County prior to approval by the County ...”. After an IGA with a State or Federal agency is approved by the Board, “The agreement is then returned to the initiating department to obtain the needed signatures from the State or Federal government.”

Review Results

The Arizona DES contracts with R&R to perform a bi-annual survey to obtain information relating to child care service costs. Data from this survey is used by the legislature to determine the amount of DES’ family subsidy. The services that R&R provided to DES generated more than \$236,000 of County revenue during FY 2001.

Our review of the Clerk of the Board record files found that the County develops and approves IGAs with DES, as required by ARS. However, four IGAs established with DES since 1999 are not signed by a State official. Without a fully executed agreement the County is exposed to financial risk.

Recommendation

R&R should:

- A. Secure signatures, from the appropriate authorized State official, for all active and future IGAs with State agencies.
- B. Develop written procedures documenting its process for securing IGA approval signatures, from State and Federal agencies, after the Board has approved the agreements.

Issue 4 Revenue Tracking

Summary

R&R deposits revenue payments with the Treasurer's Office in a timely manner. Our testing of payments totaling \$310,000, received from both County and non-County customers, found no exceptions. However, we found control weaknesses in R&R's billing procedures that negatively impact County investment income and make financial reporting more cumbersome. R&R should strengthen controls in this area.

Revenue Collection Controls

Financial procedures developed by the American Institute of Certified Public Accountants (AICPA) recommend the following practices:

- Deposit collections in a timely manner
- Maintain controls that provide assurances that "... records are accurately maintained to ensure that amounts due are billed"
- Compare daily reported receipts, on a test basis, to bank statements in order to verify the timeliness of deposits
- Notify management, in a timely manner, of "... any branch of expenditures in excess of appropriations or budget".

R&R Billing Procedures

As previously noted, R&R establishes formal IGAs with its customers that are non-County agencies. The department does not develop written agreements addressing the survey work to be performed for County offices (MIHS, CAO, etc.). This lack of documentation increases the risk for possible misunderstandings related to work product, procedures, timing, and costs.

R&R's practice is to bill customers at fiscal year end or when survey work has been completed. For County customers, the Manager submits a Journal Voucher simultaneously with the invoice. Records show that R&R sends out most invoices during June or July. When a check is received, the funds are deposited with the Treasurer's Office.

During our review of R&R's financial controls, we tested five FY 2001 revenue payments totaling \$310,000. Three payments were made by MIHS, one from the County General Fund covering three surveys, and one payment was made by the Governor's Office. County financial records show that all five payments were collected and deposited with the Treasurer in a timely manner.

R&R's practice of billing customers at fiscal year end means that payments are often received during the next fiscal year. This practice presents several problems, including:

- The County may lose investment income.
- Determining R&R's revenues for a particular fiscal year and comparing the department's expenses and revenues, by fiscal year, becomes unnecessarily complicated.
- Financial analysis, budgeting, and revenue forecasting activities are also made more difficult.

Recommendation

R&R should:

- A. Develop written agreements or work orders covering the survey work performed for County customers. The agreements should define the scope of work, product, time frames, costs, and billing procedures.
- B. Consider monthly, quarterly, and or partial up-front customer billings to maximize investment income and ensure that revenues are received during the fiscal year that services are provided.

Issue 5 Work Procedures

Summary

R&R has not developed written work procedures for several important functions and work activities. The lack of documented procedures can adversely impact survey consistency, process applications, product quality, and customer satisfaction. The department should develop written procedures for all primary functions.

Written Work Procedures

The County has developed standardized procedures for activities common to all departments. These procedures are written in the Maricopa County Administrative Manual, Finance Procedures Manual, Personnel Procedures, Ethics Handbook, and other publications.

Most County departments reviewed by Internal Audit have developed internal written work procedures for important functions and activities. Formal procedures ensure that activities are performed in an effective, efficient, and consistent manner. Written work procedures also serve as an effective tool to help train new employees.

R&R Work Procedures

R&R staff perform many activities that are vital to the department's data gathering and survey reporting processes that include:

- Developing customer surveys
- Collecting survey data
- Determining the cost of the work product in order to bill customers accurately and in a consistent manner
- Performing quality checks on newly created questionnaires and data validation
- Records retention

During our review, we found that R&R has not developed written procedures work for these activities. The department also has not developed and submitted a record retention schedule to the Arizona Department of Library, Archives, and Public Records (DLAPR) as required by ARS.

Recommendation

R&R should:

- A. Develop written procedures for all primary functions.
- B. Develop, and submit to DLAPR, a written record retention schedule.

Department Response