Internal Audit Department

Office of Enterprise Technology

July 2015

Internal Audit Report Authorized by the Maricopa County Board of Supervisors

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The Office of Enterprise Technology (OET) will ensure retainage funds are appropriately withheld from contract expenditures.	1
OET will continue to ensure the propriety of contract expenditures.	1
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Objectives	To determine that adequate controls exist for: • Ensuring that expenditures are properly approved and paid in accordance with contract terms and conditions. • Adding, changing, and removing user access to County IT resources.
Scope	The audit scope encompassed two primary areas: • Expenditures made under the contract between Maricopa County (County) and Motorola Solutions, Inc., for the purchase of a radio communication system and related subscriber equipment and services (Serial #12030-RFP Radio System Infrastructure Upgrade). Our primary audit period was July 1, 2013 through December 31, 2014. • User Account Access Management, including user accounts with access to County IT resources as of March 18, 2015, and accounts terminated during calendar years 2013 and 2014.
Standards	This audit was approved by the Board of Supervisors and was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. The specific areas reviewed were selected through a formal risk-assessment process.
Auditors	Carla Harris, Audit Manager, CPA, CIA, CFE Susan Adams, Senior IT Auditor, MBA, CISA, ITIL, CLEA Mona Andrews, Senior IT Auditor, CISA, CIA Integrated Accounting Services, LLC

This report is intended primarily for the information and use of the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a public record and its distribution is not limited.

We have reviewed this information with OET management. The Action Plan was approved by Tom Manos, County Manager, Shelby Scharbach, Assistant County Manager, and David Stevens, Chief Information Officer, on July 23, 2015.

If you have any questions about this report, please contact Carla Harris, Audit Manager, at 602-506-6092.

Audit Results

Issue #1: Vendor Payment Retention

Observation: In June 2013, the County entered into a $112.6 million contract with Motorola Solutions, Inc., for the purchase of a radio communication system and related subscriber equipment and services. The contract is managed by OET.

In accordance with the contract and the County Procurement Code (P-Code), 10% of specific monies earned by the contractor are to be retained by the County until 50% of the work has been completed, after which time the retainage may be reduced. Interest earned on retained monies accrues solely to the benefit of the County.

At the time of our review, no monies had been withheld from expenditures as retainage. We reviewed contract expenditures totaling $20,009,917 as of December 31, 2014, and found that $669,387 should have been retained by the County. Lost interest income on that amount as of March 30, 2015, is approximately $11,500.

Conclusion #1A: OET has not withheld 10% of specific monies as retainage on vendor invoices, as specified by contract and the County P-Code.	
Recommendations	**OET Action Plan**
1A-1 Establish procedures to ensure that all specified monies are retained in accordance with contract terms and conditions.	Concur – in process. OET will establish procedures to ensure that all specified monies are retained in accordance with contract terms and conditions. Target Date: December 31, 2015
1A-2 Review project expenditures for additional monies not withheld and develop a plan to recapture retainer amounts.	Concur – completed. OET reviewed project expenditures for additional monies not withheld and developed a plan to recapture retainer amounts. This has resulted in Motorola making a one-time payment to the County to make retainage current.

Issue #2: Contract Expenditures

Observation: We reviewed 16 transactions totaling $10,678,623 to verify compliance with contract pricing terms and conditions, and to ensure that invoices were accurate and complete, and properly approved and processed. No exceptions were noted.

Specifically, we found that:

- Expenditures were for approved goods and services at approved contract rates.
- Invoices were accurate, complete, and properly supported.
- Discounts were properly applied and tax rates were accurate.
- No duplicate payments were identified.
- Invoices were properly approved and processed within 30 days.

We also analyzed all contract expenditures from July 1, 2013 to December 31, 2014, to ensure that prorated expenditures for Detailed Design Review and Project Management and Administration did not exceed the amounts specified in the contract. No exceptions were noted.

Conclusion #2A: Adequate controls appear to be in place to ensure that contract expenditures are properly approved and paid in accordance with pricing terms and conditions.	
Recommendation	**OET Action Plan**
None	N/A
Conclusion #2B: Invoices were accurate and complete, and properly approved and processed. Discounts were properly applied and tax rates were accurate.	
Recommendation	**OET Action Plan**
None	N/A
Conclusion #2C: No duplicate payments were identified, and prorated payments for Detailed Design Review and Project Management and Administration expenditures did not exceed contract limits.	
Recommendation	**OET Action Plan**
None	N/A

Issue #3: Expenditure Coding and Receipt/Disposal of Goods

Observation: We reviewed 16 transactions totaling $10,678,623 to verify that contract expenditures were recorded to the proper object codes and purchase orders. We found that:

- Eight transactions totaling $5,342,021 were coded to an incorrect object code, and should have been coded, at least in part, as capital expenditures.
- One transaction for $76,999 was expensed to the wrong purchase order.

We also reviewed supporting documentation for these transactions to identify equipment purchases of $5,000 or more, to ensure that the assets were assigned and tagged with fixed asset numbers, as required by County policy. We identified 4 transactions that included fixed asset purchases and found that:

- For 2 transactions, equipment totaling $280,648 had not been properly assigned and tagged with numbered property tags.

In addition, we reviewed 6 transactions that included goods received to verify that appropriate evidence was retained to document the receipt of goods. For 2 transactions totaling $629,710, OET was unable to provide adequate supporting documentation.

Additionally, we reviewed supporting documentation to verify that old equipment (157 radios removed from service from May 15, 2014 to June 18, 2014) was disposed of in accordance with the contract terms. No exceptions were noted.

Conclusion #3A: Controls should be strengthened to ensure that expenditures are coded to the appropriate accounting codes and that assets are appropriately identified, tagged, and recorded.	
Recommendations	**OET Action Plan**
3A-1 Develop internal procedures to ensure that project expenditures are properly coded and capitalized, as applicable, and that all assets are identified, tagged, and recorded in accordance with County policy.	Concur – in process. OET will develop internal procedures to ensure project expenditures are properly coded and capitalized as applicable, and that all assets are identified, tagged, and recorded in accordance with County policy. Target Date: December 31, 2015
3A-2 Review prior project invoices to ensure that all assets have been identified, tagged, and recorded, as applicable.	Concur – in process. OET will review prior Wireless Radio Refresh invoices to ensure that all assets have been identified, tagged, and recorded, as applicable. Target Date: December 31, 2015

Conclusion #3B: Controls to ensure that project-related goods are received need strengthening.	
Recommendation	**OET Action Plan**
3B-1 Implement procedures to ensure that all goods are inspected upon receipt, and that proper receiving documentation is retained. Procedures should address instances when goods are sent directly to another agency.	Concur – in process OET will implement procedures to ensure that all goods are inspected upon receipt, and that proper receiving documentation is retained. The procedures will address instances when goods are sent directly to another agency. Additionally, OET is hiring a staff resource to assist the entire department with this work on a go-forward basis. Target Date: December 31, 2015
Conclusion #3C: Equipment appears to be disposed of in accordance with the contract.	
Recommendation	**OET Action Plan**
None	N/A

Issue #4: User Access Authorization

Observation: We tested 40 user accounts and 11 administrator accounts to verify that (1) unique user and administrator accounts were established for each individual user, (2) accounts allowing access to County IT resources were properly authorized by the hiring manager, and (3) users and administrators were granted a level of access to County IT resources as approved by the hiring management.

We found that unique user and administrator accounts were established for 50 of 51 (98%) accounts. One administrator account had “admin” in the account name and was not specifically identifiable to a unique user.

However, OET was unable to locate access authorization documentation for 21 of 51 (41%) accounts reviewed. For the 30 accounts where documentation was provided, we found that:

- 30 of 30 (100%) were granted the approved level of access
- 29 of 30 (97%) were properly authorized by the hiring manager

Without access authorization documentation, there is no way to verify that account access was properly authorized and appropriately established. Incomplete access controls can increase the risk of unauthorized or inappropriate access to County IT resources.

Conclusion #4A: OET has not maintained user access authorization documentation as required by OET policy and IT access management good practices.	
Recommendation	**OET Action Plan**
4A-1 Ensure that strong controls are in place for adding, changing, and removing user access. Controls should include retaining authorization documentation, and establishing and communicating procedures for granting, changing, and removing user access.	Concur – in process OET will address this item in multiple ways. The Service Management System implementation currently in process will help by refreshing our ticketing system and operational practices. OET will ensure the documentation associated with our OET supported customers is properly retained. OET will also work with other County IT departments to ensure they are providing OET relevant documentation associated with user access controls for their customers and that the documentation is properly retained. Target Date: July 30, 2016

Conclusion #4B: Access to County IT resources was established in accordance with levels authorized by the hiring manager for the accounts reviewed. OET applied unique accounts for individual users.	
Recommendation	**OET Action Plan**
None	N/A

Issue #5: Terminated Employee Accounts

Observation: We reviewed 13 user accounts of terminated employees to verify that access was promptly removed after separation. We found that user access was not disabled within established guidelines for 10 of 13 (77%) accounts reviewed; we were unable to determine timeliness for 2 users due to a lack of documentation. User accounts were disabled anywhere from 2 to 61 days after the employee's termination date. Delays in disabling user access increases the risk of inappropriate access and/or malicious actions by terminated employees.

We identified two instances where the account was used after the employee's termination date. In one instance, the employee had been rehired. In the other instance, the account was accessed by an OET employee who copied the employee's email for the employee's manager and then disabled the account.

Conclusion #5A: User access is not always disabled in a timely manner.	
Recommendation	**OET Action Plan**
5A-1 Strengthen internal procedures to ensure that user access is disabled timely.	Concur – in process OET will address this item in multiple ways. The Service Management System implementation currently in process will help by refreshing our ticketing system and operational practices. OET will ensure the documentation associated with our OET supported customers is properly retained. OET will also work with other County IT departments to ensure they are providing OET relevant documentation associated with user access controls for their customers and that the documentation is properly retained. Target Date: July 30, 2016

Issue #6: Generic Accounts

Observation: We performed a high-level review of user account lists provided by OET to determine that all accounts were tied to a unique, individual user. It appears there are a number of accounts that may be generic accounts that are used by more than one user. OET policy forbids the creation of generic accounts unless they are required due to limitations of the underlying technology. Generic accounts are a risk because transactions performed under a generic account cannot be tied to an individual. This increases the risk of malicious activity and reduces user accountability for work performed.

Conclusion #6A: OET appears to have a number of generic accounts in the IT systems they support.	
Recommendation	**OET Action Plan**
6A-1 Perform a comprehensive review of all system accounts and remove all accounts not compliant with established policy.	Concur – in process OET will conduct a gap analysis to determine if any generic accounts exist. OET will analyze any generic accounts identified and remediate them by converting them to system accounts or removing access. Target Date: February 28, 2016