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PINAL COUNTY BOARD OF SUPERVISORS MEETING

INTERNAL AUDIT UPDATE

NOVEMBER 09, 2016

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Information Technology Disaster Recovery

Information Technology (IT) Department is responsible for most of the County's IT Disaster Recovery program. The objectives of the audit were to examine the existing IT Disaster Recovery program, focusing on the adequacy of key controls, management's risk appetite, business requirements and Disaster Recovery capabilities. "Mission critical" applications were sampled to understand capabilities and limitations for recovery. The review found that a defined and repeatable Disaster Recovery Program was not in place; however, Disaster Recovery (DR) capabilities did exist to facilitate a recovery of critical systems and infrastructure in an ad-hoc, reactionary manner.

Travel Expense

Pinal County has published a travel policy and procedure as guidance for business travel expenditures. County departments are responsible for prudent management of County assets and are required to review and approve expense reports timely. The Finance Department is responsible for the administration of the County's finances and ensuring compliance with State laws and ordinances established by Pinal County. The objectives of the audit were to examine expense reports and supporting documentation submitted by Pinal County employees to assess validity of the business expense and appropriate approval; and identify improvement opportunities related to the efficiency and effectiveness of travel expense report approval, reimbursement and monitoring controls. Based on the work performed and documentation reviewed, we concluded that expenses in general appeared to be appropriate and in compliance with the policy; however, opportunities exist to further define the policy and improve the expense approval process.

Jail Enhancement Fund

Arizona State law requires 85 percent of the Arizona Criminal Justice Enhancement Fund (CJEF) to be distributed to state and local law enforcement agencies, of that, a portion is allocated to Pinal County's Jail Enhancement Fund (JEF). Jail Enhancement Fund Guidelines, as established and approved by the Arizona Sherriff's Association, stipulate that funds are to be used to increase or improve the value, quality, desirability or attractiveness of county jail services or operations. The objectives of the audit were to examine expenditures from the Jail Enhancement Fund for completeness and accuracy of accounting records, compliance with Jail Enhancement Fund guidelines, and assess design of internal controls. We conclude that expenses in general appeared to be appropriate and in compliance with the Jail Enhancement Fund Guidelines, as approved by the Arizona Sherriff's Association; however, retention of expense authorizations and monitoring of expenditure categories could be enhanced.

Elections Readiness

The Pinal County Elections Department is responsible for providing election services to Pinal County residents to allow them to exercise their right to vote. The Elections process is highly regulated by Arizona Revised Statutes (A.R.S) 16 – Elections and Electors. The objectives of the audit were to assess compliance with A.R.S. 16 and identify improvement opportunities related to the efficiency and effectiveness of election readiness procedures and monitoring controls. The review of the Pinal County's Elections process affirmed that Elections personnel are well versed in the Federal and State requirements and there appeared to be adequate controls in place to track ballot chain of custody. However, opportunities exist to enhance monitoring of staff activities and training of election volunteers. Additionally, security of Election assets when not in use could be enhanced.

FY15/16 AUDIT HOURS AND FEES SUMMARY



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#	Review Area	Budgeted Hours	Actual Hours	Variance	Comments
1	Risk Assessment	300	350	50	
2	Travel Expense	150	205	55	
3	Justice Courts – Cash	170	50	(120)	After meeting with the Judge, postponed due to external MAS review. IA will review MAS documentation in FY16/17.
4	Jail Enhancement Fund	150	210	60	
5	IT Disaster Recovery	250	310	60	
6	Elections Readiness – Phase I	250	195	(55)	Phase II conducted during August elections.
7	Administrative (AC Charter, IA Charter, Board Updates, Silent Whistle)	175	95	(80)	
	Total:	1,445	1,415	(30)	
Project to Date					
	Budgeted Fees	Actual Fees	Fees Variance	Actual Mileage	Total Fees and Mileage
	\$250,000	\$250,200	\$200	\$2,800	\$253,000

APPROVED FY16/17 AUDIT PLAN BASED ON PRIOR YEAR RISK ASSESSMENT



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Risk Area	Audit Activity
Information Technology	Information Technology – E1 Post-Implementation Review
Financial	Public Works – Finance ¹
Operational	Planning and Development ¹
Compliance	Assessor’s Office Follow-up
Operational	Sherriff – Patrol (Supplemental Support)
Financial	Justice Courts: Oracle - Cash
Financial	Justice Courts: Maricopa - Cash
Financial	Justice Courts: Florence – Cash

¹ Anticipated Follow-up review of audit activities from FY2014/2015. No prior work was completed; therefore, would be full scope audit.

SUMMARY OF PRIOR YEAR AUDITS



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FY 2011 – 2015 Audits

- 25 audits / follow-ups performed
- 133 observations – average of 5 observations per audit
- 84 Management Action Plans have not been validated

Audit Date	Audit Name	Total Count of Observations	Closed Observations	Open Observations
September 2011	Fleet Inventory Procedures and Reorganization	12		12
October 2011	Facilities Management Follow-Up Audit	19	7	12
October 2011	Landfills And Other Disposal Facilities Follow-Up Review	11	11	
November 2011	Airport Economic Development Department Audit - Observations count included in Follow-up			
January 2012	Environmental Health Division Audit - Observations count included in Follow-up			
April 2012	Housing and Community Development Department Section 8 Program	1		1
June 2012	Treasurer's Office Review Of Treasury Accounts Follow-Up	12	10	2
July 2012	Medical Examiner's Office	5		5
September 2012	Office Of The Public Fiduciary	2		2
December 2012	Grants Management Audit	4		4
January 2013	Immigration and Customs Enforcement (Ice) Contract Audit	6		6
February 2013	Environmental Health Division Audit Follow Up Review	9	7	2
February 2013	Jd Edwards Enterpriseone 9.1	3		3
March 2013	Airport Economic Development Department Audit Follow Up Review	8	6	2
April 2013	Clerk Of The Superior Court Cash Management	2		2
April 2013	Facilities - Custodial Services Audit Follow-Up Review	11	8	3
April 2013	Assessor's Office Audit	5		5
April 2013	Recorder's Transition Audit	3		3
September 2013	Superintendent Of Schools Transition Audit	2		2
October 2013	Correctional Health Services	4		4
December 2013	Public Health Cash Handling Controls	1		1
March 2014	Library District	4		4
May 2014	One Stop Shop Impact Fee Program Audit	3		3
July 2014	Adult Probation	2		2
September 2014	Anti-Racketeering Fund	4		4
Total	25	133	49	84

FY16/17 HOURS AND FEES ESTIMATE



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Audit Activity	Low	High
FY15/16 Audit Close Out	40	50
Risk Assessment	40	50
Elections Readiness – Phase II	50	75
Justice of the Peace – Cash Audits	40	50
Full Scoped Audit 1	300	325
Full Scoped Audit 2	300	325
PY Audits - Follow Up	100	300
Administrative (AC Charter, IA Charter, Board Updates, Silent Whistle)	50	75
Estimated Hours	920	1,250
Estimated Fees	\$175,000	\$235,000



Current

- Each member of the Board of Supervisors (BOS) appoints one individual from the public
- Committee members volunteer their time and have other commitments, which makes it difficult to arrange meetings and obtain feedback

Proposed

- Recommend restructuring to include five local government resources from relevant finance/management positions within the County
- Comprised of members who collectively possess sufficient knowledge of accounting, auditing, internal controls and business management
- Committee will elect a Chair person that will be the main line of communication between the Internal Audit Department, Board of Supervisors and County Management
- Since they will be part of local government management, they will be familiar with local government operations and have a vested interest in doing what is best for the County
- In the long term we think this structure can create sustainability and commitment to the Committee

Next Steps

- Revise the Audit Committee Charter
- BOS feedback/approval at the next meeting

Thank You