



RISK ASSESSMENT REPORT

Internal Audit Department

May 2021

Internal Audit Analyzes County Risks to Prioritize Audit Work

Internal Audit defines risk as the possibility of an event occurring that will have an adverse impact on the achievement of the County’s objectives. County management is responsible for managing risks by implementing strong business processes and internal controls. Internal Audit aids in the assessment of risks by analyzing the operating environment and identifying conditions that may impair the County’s ability to achieve its goals. Internal Audit performs audits to provide reasonable assurance that the controls designed to address risks are operating effectively.

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



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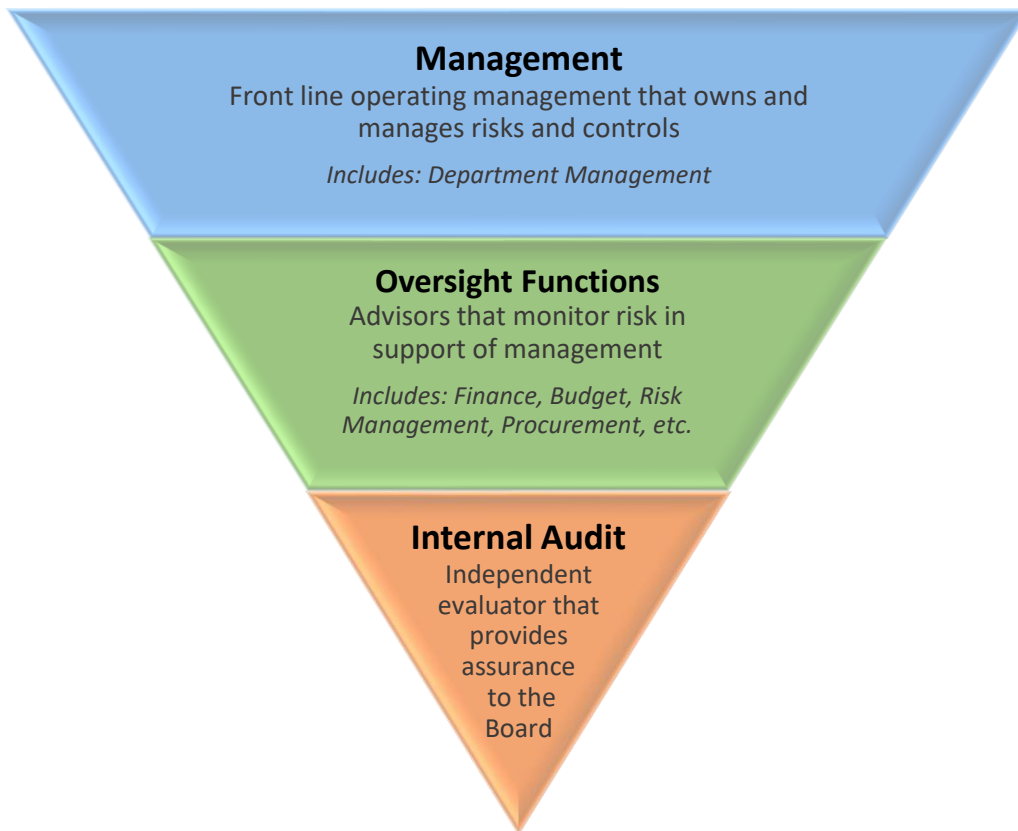
RISK MANAGEMENT IS EVERYONE'S RESPONSIBILITY

The Board and County leadership establish the direction of County operations through the development of a four-year strategic plan as a road map for the future. Through the development of strategic goals and performance measures, County leaders and managers are entrusted to execute the plan. Risks that threaten the strategic plan can be difficult to manage due to Maricopa County's diverse physical, financial, and operational environment.

Roles of Risk Management

Effective risk management requires collaboration by several roles to identify, assess, and respond to risk.

Managing Risk is an Enterprise-wide Responsibility



Management is responsible for identifying, assessing, controlling, and monitoring risk on a day-to-day basis. Without management support, employees may not be effective in controlling the risk they encounter. In a perfect world, this would be the only role needed; however, in the real world, internal controls do not operate perfectly.

Oversight functions such as finance, budget, risk management, procurement, information technology, and human resources play an important role in managing risk. They are the advisors who monitor countywide risk management practices. Some County agencies also have internal functions that serve this purpose. These activities range from quality control reporting to inspecting and reconciling County records.

Internal Audit has an oversight role in monitoring risk. Internal Audit provides reasonable assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the other roles achieve risk management and control objectives. Internal Audit reviews a small number of County operations each year to ensure that management is identifying, assessing, controlling, and monitoring risks. Internal Audit also serves as a resource to managers and supervisors in identifying areas for improvement.

In addition to the roles discussed above, the County is subject to external reviews and audits from various regulators and independent parties. All these parties leverage their efforts when evaluating County operations to ensure the best use of County resources.

Ethics and Fraud

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



County Policies

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



Training & Employee Orientation

- Reinforces high expectations for ethical behavior



Internal Audit

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

RISKS INFLUENCE THE AUDIT PLAN

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

Continuous Risk Assessment and Agile Auditing

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

Internal Audit considers seven factors, in addition to auditor judgement, when determining overall risk for each agency and countywide activity:

Factors that Influence Risk Level



COVID-19

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

- Employee Health – Protecting employees as much as possible from the virus, including masking and social distancing requirements and building capacity restrictions. Although the County has offered vaccines to all its employees, there continues to be virus variants and not all employees have chosen to be vaccinated.
- Workforce Effectiveness & Service Delivery – Supporting employee productivity and the continuation of services to County residents.
- Data and System Security – Ensuring data, systems, and applications are secure as employees continue to telework, and the county provides electronic services to citizens.
- Financial – Assessing the economic effect on the County’s financial health. While the situation appears stable for the foreseeable future, uncertainty continues that may lead to financial impact on the horizon.
- Reputational – Administering vaccine services, managing federal resources, and effectively communicating available services must be handled in ways that do not damage the County’s reputation.

Finalizing the Audit Plan

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

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

After the draft audit plan has been prepared and reviewed, we seek formal approval for the audit plan from the Board prior to the start of the new fiscal year. The FY2022 Board-approved audit plan is on page six.

AUDIT RESOURCES INFLUENCE THE AUDIT PLAN

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

FISCAL YEAR 2022 AUDIT PLAN

Agency Audits

Adult Probation Department (carried over from FY2021)

Enterprise Technology – Service Delivery (carried over from FY2021)

Sheriff's Office – Detention (carried over from FY2021)

Countywide Audits

Outsourced IT Services – Internal Control Reports (SOC 2 Reports)

Vendor Setup & Maintenance

Accounts Payable Controls

Licenses & Certifications

Remote Access Management & Security

Information Technology Risk Assessment Refresh

Electronic Data Management and Loss Prevention (carried over from FY2021)

Single Audit Reporting Compliance – Grant Subrecipients

Contracts/Grants/IGAs

Other Audits Upon Request

Continuous Monitoring

Capital Improvement Projects

Cellular Device Management

P-Cards

Other Areas as Determined

Accounting Reviews

Adult Probation

9 Justice Courts

Non-Audit Reports

Audit Recommendations Status Report

Citizens Financial Condition Report

Countywide Risk Assessment

Internal Audit Department Performance Report