

**PINAL COUNTY**  
WIDE OPEN OPPORTUNITY

# Risk Assessment and Internal Audit Plan

July 2023



**Date:** July 30, 2023

**To:** Supervisor Kevin Cavanaugh, District 1  
Supervisor Mike Goodman, District 2  
Supervisor Steve Miller, District 3  
Supervisor Jeffrey McClure, District 4 – Vice Chairman  
Supervisor Jeff Serdy, District 5 – Chairman

**From:** Office of Internal Audit

**Subject:** Risk Assessment and Audit Plan: FY 2024 - 2026

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The attached report summarizes the Risk Assessment and Audit Plan proposed by the Office of Internal Audit for Fiscal Years 2024-2026. The basis of the Audit Plan was developed by considering the previous approved risk assessment and audit plan, results of audits completed since the previous audit plan was approved, and the results from the recent risk assessment process performed.

This document serves as the primary work plan to carry out the responsibilities of the Office of Internal Audit. This plan is not intended to be static or unchangeable. Changes in conditions, emerging risks, or special requests may require alterations to the plan. Any significant changes to the plan will be proposed to the Audit Committee and Board of Supervisors.

We look forward to working with the members of the Board of Supervisors and all county departments to minimize the County's risk exposure.

Sincerely,

Eric Groen, Internal Audit  
Matt Busby, Audit Committee Chair

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# Introduction

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve County operations. Internal Audit assists an organization achieve its strategic objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes.

The Pinal County Office of Internal Audit, established in January 2008, is responsible for the countywide assessment of financial and operational risks and the identification of areas in need of review based on various risk factors. Internal Audit assists the County Board of Supervisors, county officials, and county management, by providing an unbiased, independent review and analysis of policies, procedures and/or practices. Additionally, Internal Audit assists in the management of reports made to the fraud hotline, which was established to provide employees and members of the public an anonymous means to report fraud, waste, and abuse, including known or suspected unethical, unlawful, or unsafe activities.

Government Auditing Standards and the Institute of Internal Auditor’s Standards encourage audit departments to establish a risk-based approach to determine the priorities for audit activities. A risk assessment is a systematic process to evaluate, identify, and prioritize potential audits based on the level of risk to Pinal County.

## Audit Planning Process

The Pinal County Office of Internal Audit utilizes a risk-based approach to develop its annual audits plans that is aligned with the standards set forth by the Institute of Internal Auditors (IIA). Refer to the visual below to view a graphical overview of the Risk Assessment and Planning process utilized in the current audit planning iteration.



**Identify Audit Universe**

We establish the audit universe at the beginning of our relationship with the organization. We review and amend it annually and as needed throughout the year to accurately reflect any significant changes in the organization.

**Risk Rank Audit Units**

After the audit universe has been identified, we prioritize risks for the auditable units considering the organization’s history of any problems and issues.

**Identify Business Risks**

We work with management to gain an understanding of the unique risks facing their business. In addition, we understand the goals and objectives of the organization in order to align the annual internal audit plan to support those goals and objectives.

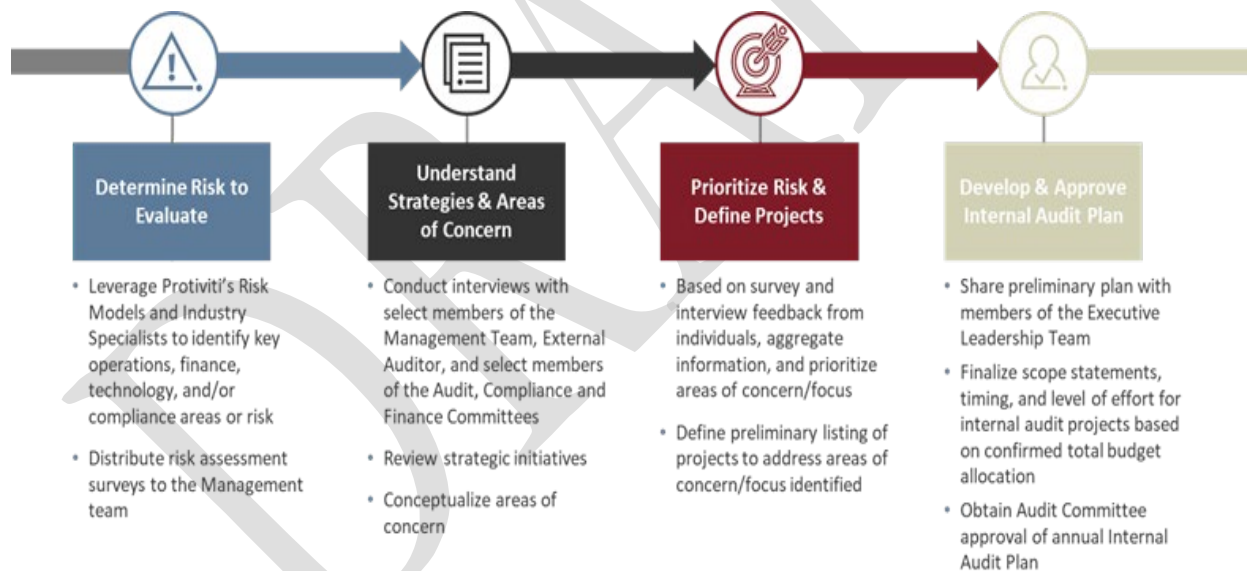
# Risk Assessment

To identify and understand current emerging risk areas, Internal Audit distributed a survey and questionnaire to County leaders for feedback and input on select risk categories. The survey contained a list of over 40 risk areas, and participants were charged with ranking their top 15 biggest threats/risks to Pinal County. As surveys were collected for review, Internal Audit calculated the ranking of each risk, through a likelihood and impact analysis, that resulted in a prioritized list of risks to Pinal County. Internal Audit subsequently utilized the County’s “Top Risks” listing as the source of discussions during interviews with County leaders (Appendix B contains a list of survey and interview participants).

Upon conclusion of the survey procedures, Internal Audit conducted interviews with 13 individuals including the Board of Supervisors, members of County Management, and select Elected Officials and Department Heads. The information gathered from the interviews was utilized, in addition to the “Top Risks” list, to develop the Internal Audit Risk Assessment and Audit Plan.

Additionally, Internal Audit reviewed the County’s financial statements and forecasted budget information, along with Pinal County’s most recent Single Audit Report, to understand and identify the financial impacts of identified risk areas.

## Risk Assessment Approach



# Top 10 Risks Identified

Risk arises when there are internal and external forces that could affect the fundamentals that drive the county's objectives, strategies and values in the services provided to the County's citizens. Future changes in environmental factors and actions by personnel that cannot be anticipated may significantly and adversely impact risk exposure. The definitions below are general descriptions of the types of activities that are encompassed in the associated risk category and are for guidance purposes only. All activities defined in the definitions may or may not currently exist.

As such, the Pinal County Risk Assessment Survey / Questionnaire that was distributed to participants contained over 40 risks and multiple open-ended questions. Within the survey, participants were required to choose up to 15 risks, followed by a subsequent ranking on its likelihood of occurrence and impact to the County. When calculating Pinal County's overall Top 10 Risks, IA calculated the weighted rankings of the impact and likelihood for each risk selected amongst all survey respondents.

#	Risk Description	Risk Category
1	Inability to recruit, develop, and on-board employees with skillsets aligned to the County's needs.	Talent - Sourcing
2	The risk of turnover, loss of institutional knowledge, or insufficient assessment and planning for key roles.	Succession Planning
3	The County does not provide performance incentives within the organizational structure to promote high morale amongst personnel or to reward desirable behaviors.	Performance Incentives
4	Failure to foster a positive work atmosphere to promote engagement, showing appreciation, and provide competitive pay and benefits to reduce turnover.	Talent - Retention
5	Resistance to change may restrict the organization from making necessary adjustments to the business model and core operations.	Organizational Brand
6	Changes in overall work environment (e.g., shifts to a hybrid workplace, evolving labor markets, changes in the nature of work) may lead to challenges to sustaining organizational culture and business operations.	Culture
7	The structural design of the County systems does not meet current and future County needs.	System Architecture
8	Resources allocated to processes are insufficient, inefficient, or ineffective to meet County objectives.	Resource Allocation
9	Business process design and / or execution failure, resulting in the inability to complete activities in line with stated process objectives in an effective and efficient manner, often due to human error or restraints.	Transaction processing
10	The County's short and long-term planning process does not support or is not aligned with the financial and operational vision, strategy, growth, or resource needs.	Budgeting & Planning

# Key Themes and Feedback

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Several key themes and feedback emerged as a result of the survey analysis and interviews with County leaders and management. The following list, represents a summary of key themes and positive feedback that were noted during the interview portion of the Risk Assessment:

## Positive Trends and Feedback

- IA noted that County members acknowledge the fast-approaching growth facing the County and are optimistic of the opportunities the growth will bring (i.e., population, industrial and electric car company attraction, land development, etc.).
- County employees appear generally familiar with the County's code of conduct and feel empowered to report compliance issues and/or violations to their supervisor or Human Resources representative.
- Significant strides have been made by the IT staff in developing and enhancing the County's website to ensure ease of access to information for the public.

## Key Theme - IT Infrastructure

- The County is currently evaluating a new ERP system
- Concerns about the level of industry specific knowledge leaving the County with the departure of certain Management.
- The alignment of funding received for IT initiatives appears to be inferior to the current growth approaching the County.

## Key Theme – Data Governance

- The Board of Supervisors and County Management desire more access to meaningful data to understand the current standing of departments, progress, opportunities for improvement, and more.
- The County does not have a standard requirement for departments to gather specific data and perform analysis.
- There is minimal use of data and analysis across the County.

## Key Theme – Elections Process

- Many County members voiced their concern about the upcoming election and want to ensure minimal to no risks are identified.
- Policies and procedures may not be comprehensive enough to provide appropriate guidance.

## Key Theme – Capital Projects

- The County can be reactionary to the level and pace of growth approaching the County.
- The development of roads, homes, and other infrastructure needs to encompass more planning to ensure it aligns with current needs, budgeting, and projected growth.
- Capital infrastructure projects sometimes go unfinished, are planned as the projects unfold, and/or are built in pre-existing infrastructure that does not allow for proper utilization.

## Key Theme – Total Compensation

- Due to non-competitive pay in certain positions, the County may attract subpar level skillset amongst applicants and cannot retain professional/specialized personnel.
- Pay increases and/or revisions to the job classification happens on an ad hoc basis which places the County in a position of 'catching up' to other leading or competitive Counties.

Key Theme – Constituent Accessibility / Communication

- Communication from both internal and external methods are not as robust and efficient as it could be.
- The County could utilize more satellite offices to provide services for constituents, rather than requiring constituents to drive lengthy distances to attain documents (e.g., permits).

Key Theme – Succession Planning

- Depth of knowledge within departments may be lacking
- There is no County-wide succession planning standard
- Promoted managers do not know how to manage and need training.

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# Audit Plan

The Audit Plan summarizes the audits and projects the Office of Internal Audit anticipates completing during the forthcoming fiscal years. It is important to note the Audit Plan is a working document that should be flexible in addressing current priorities in a changing environment. The Board of Supervisors will be notified of any significant additions, deletions, or other changes in the Audit Plan prior to any modification.

The Audit Plan includes audits related to internal controls; compliance with laws, policies, and regulations; and economic and efficient use of resources. Audits included in the plan were primarily identified through the Countywide Risk Assessment that aided in the identification of departments or functions with significant financial, operational, and/or compliance risks. Internal Audit also considered concerns shared by the Board of Supervisors and County Management; as well as issues identified in reports to the Silent Whistle hotline.

While general audit objectives are included in the plan, specific audit objectives will be determined upon completion of preliminary scoping related to each audit. During the preliminary scoping, Internal Audit will establish familiarity with the department and/or function by conducting background interviews and research. At that time, potential issues will be identified, and the specific audit objectives and methodology will be developed. Estimated audit hours for each project will be determined through preliminary scoping results.

## Proposed Audits

The table below depicts proposed FY 2024-2026 Internal Audit activities, estimated timing, and focus area (Compliance, Operational, Financial, Information Technology Related) discussed and validated through the risk assessment process.

Ranking	Risk Focus	FY 2024-2026 Proposed Audits	Estimated Timing
1	IT	ERP Assistance	TBD
2	Operational	Elections 3rd Party Follow Up	2024 Q2
3	IT/Operational	Data Governance Audit	2024 Q3
4	Operational	Community Development 3rd Party Follow Up	2024 Q4
5	Operational	Constituent Relations and Service Delivery Model	2025 Q1
6	Various	Mid Cycle Risk Assessment Update	2025 Q2
7	Operational	Capital Projects Review	2025 Q3
8	IT	Business Impact Analysis (BIA) follow up	TBD
9	Operational	County-wide Succession Planning Governance	2026 Q2
10	Operational	Fleet Services Monitoring	2026 Q3
11	Various	Full Risk Assessment	2026 Q4
12	Various	Prior Year Audits Follow-Up / Ad Hoc Audit Request	2024 - 26 Q4

*\*Note: "Proposed Audits" were developed using the procedures performed during this year's Risk Assessment (June 2023).*

## Proposed Audit Scopes

Audit	Preliminary Audit Scope
ERP Assistance	TBD – pending County needs during the ERP selection and implementation processes.
Data Governance	Evaluate the data governance framework, data quality, approach for maintaining data flow, monitoring and reporting over the data lifecycle of critical information, and related roles and responsibilities with respect to data governance and data quality.
Elections 3rd Party Follow Up	Follow up on prior 3rd Party review of Elections processes to assess current state and progress made.
Community Development 3rd Party Follow Up	Follow up on prior 3rd Party review of Community Development processes to assess current state and progress made.
Constituent Relations and Service Delivery Model	Obtain and review the County's Public Relations department policies and procedures, evaluate consistency of messaging across all communications functions (brochures and tradeshow materials, social media channels, advertising campaigns, radio and video communications), evaluate the long-term vision of the communications and marketing department to identify integration opportunities, and review accessibility of County's services to understand the current impact they have on the constituents.
Mid Cycle Risk Assessment Update	Mid-cycle risk assessment to determine whether the 3-year audit plan requires updates based on the County's standing and/or other pertinent current events.
Capital Projects Review	Assess the current state of the capital projects program, including Program Governance; Policies, Standards, Procedures; Contract Development, Adherence and Management; Vendor Risk Assessment Process; Knowledge, Skills and Expertise; Communication and Information Sharing; Tools, Measurement and Analysis; and Monitoring and Review.
Business Impact Analysis (BIA) follow up	Evaluate the progress made towards previous BIA Audits and their respective recommendations. Additionally, assess areas that may require additional assistance or guidance necessary to follow through with Internal Audit's recommendations.
County-wide Succession Planning Governance	Evaluate policies, procedures, and tools available to provide succession plan guidance to individual departments, including identifying critical positions, key competencies, and skills necessary for business continuity, and development of individuals to meet future business needs. Review key departments, as agreed upon with County Management, to understand efforts being made to establish succession planning within each department.
Fleet Services Monitoring	Evaluate current fleet inventory monitoring procedures to understand how fleet pools are managed, including, but not limited to, fleet size determination, usage, safety management, etc.

<b>Audit</b>	<b>Preliminary Audit Scope</b>
Full Risk Assessment	Internal Audit will perform a full-cycle risk assessment following the end of the three-year period from the prior full-cycle risk assessment. Internal Audit will interview various personnel within the County and collect surveys to understand and assess the potential risks facing the County.
Prior Year Audits Follow-Up / Ad Hoc Audit Request	Internal Audit will review progress made by County personnel on implementing agreed upon action plans to address prior IA observations, assess the adequacy of Management actions taken in relation to agree upon Management Action Plans (MAPs), and report on progress to County Management and the County Board of Supervisors.

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# Appendix A – Audit Universe

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## Countywide Audit Areas

Accounts Payable  
Accounts Receivable  
Business Impact Analysis  
Cash  
Data Privacy and Security  
Expenditures  
Grants Management

IT - ERP Review  
IT – Disaster Recovery  
IT - NIST Cybersecurity Framework  
Payroll  
Procurement/Purchasing  
Revenues - Grants  
Travel and Expense

## Departmental Audit Areas

Administrative Services  
Adult Probation  
Air Quality - Compliance & Enforcement  
Air Quality - IT Systems  
Air Quality - Permitting  
Animal Care and Control - Other Activities  
Assessor - Administration/Records  
Assessor - IT Systems  
Assessor - Personal Property  
Assessor - Real Property  
Board of Supervisors  
Budget & Research - IT Systems  
Civil Hearing Office  
Clerk of Court - Court Records  
Clerk of the Board  
Communications & Public Information  
Community Development  
Conciliation Court  
Constables  
Correctional Health - Other Activities  
County Attorney - IT Systems  
County Attorney - Prosecution  
County Attorney - RICO  
County Manager's Office  
Economic Development  
Elections - IT Systems  
Elections - Other Activities  
Environmental Health - IT Systems  
Emergency Preparedness  
Facilities - IT Systems  
Facilities - Maintenance  
Finance - Financial Reporting  
Finance - Other Activities  
Finance - Payment Processing  
Housing Department - IT Systems  
Housing Department - Other Activities  
Housing Department - Public Housing  
Human Resource Department - Compensation  
Human Resource Department - IT Systems

Human Resource Department - Other Activities  
Human Resource Department - Payroll  
Information Technology - IT Systems  
Internal Audit  
Justice of the Peace - Cash Management  
Justice of the Peace - IT Systems  
Juvenile Court Services  
Library District - Branch Operations  
Library District - IT Systems  
Medical Examiner - IT Systems  
Medical Examiner - Other Activities  
Non-Departmental - Other Activities  
Planning and Development – Other Activities  
Public Defender - IT Systems  
Public Defender - Other Activities  
Public Fiduciary - IT System  
Public Fiduciary - Other Activities  
Public Health - IT Systems  
Public Health - Other Activities  
Public Works - IT Systems  
Public Works - Other Activities  
Recorder - IT Systems  
Recorder - Public Records  
Risk Management & Fleet Services - Claims  
Risk Management & Fleet Services - IT System  
Risk Management & Fleet Services - Safety  
School Superintendent  
Sheriff - Cash Management  
Sheriff - Patrol  
Sheriff - RICO  
Sheriff - Sheriff/Jail Enhancement  
Strategic Planning & Open Spaces - IT Systems  
Superior Court - Civil Justice  
Superior Court - Court Cash Handling  
Superior Court - Criminal Justice  
Superior Court - IT System  
  
Treasurer - IT Systems  
Treasurer - Tax Services

## Appendix B – Survey and Interview Participants

Name	Title	Department	Survey Participant	Interview Participant
Kevin Cavanaugh	BOS #1	Board of Supervisor	Yes	Yes
Mike Goodman	BOS #2	Board of Supervisor	Yes	Yes
Stephen Miller	BOS #3	Board of Supervisor	Yes	Yes
Jeffrey McClure	BOS #4 Vice-Chairman	Board of Supervisor	Yes	Yes
Jeff Serdy	BOS #5 Chairman	Board of Supervisor	No	Yes
Rebecca Padilla	Clerk	Superior Court	Yes	No
Cathryn Whalen	Public Defense Services	Public Defense Services	Yes	No
Deb Sordahl	Director	Risk Management	Yes	No
Honorable Joseph R. Georgini	Judge	Judicial Branch/Courts	Yes	No
Shawn Flecken	Director	Library	Yes	No
Todd Sweig	Superior Court Administration	Superior Court	Yes	No
Honorable Shaun Babeu	Judge - Precinct 1 Presiding Judge	Justice Courts	No	No
Leo Lew	County Manager	County Manager	No	Yes
Chris Keller	Chief Civil Deputy Attorney	Legal	No	Yes
Mary Ellen Sheppard	Deputy County Manager	County Management	Yes	Yes
Himanshu Patel	Deputy County Manager	County Management	Yes	Yes
Saul Schoon	Director	Adult Probation	Yes	No
Scott DiBiase	Director	Air Quality	Yes	No
Jim Petty	Director	Airport	Yes	No
Audra Michael	Director	Animal Control	Yes	No
Douglas Wolf	Director	Assessor	No	No
Angeline Woods	Director	Budget Office	Yes	Yes
Natasha Kennedy	Clerk	Clerk of the Board	Yes	No
James Daniels	Director	Communications & Marketing	Yes	No
Brent Billingsley	Director	Community Development	No	No
Kent Volkmer	Attorney	County Attorney	Yes	Yes
James Smith	Director	Economic Development	No	No
Kore Redden	Director	Emergency Management	No	No
Geraldine Rolle	Director	Elections	Yes	No
Chris Reimus	Director	Environmental Health	No	No
Hattie Sturgill	Director	Facilities	Yes	No
Randon Riffey	Director	Fleet	Yes	No
Cynthia Valencia	Director	Hearing Office	No	No
Rolanda Cephas	Director	Housing	Yes	No
Robert Stanley	Director	Information Technology	Yes	Yes
Denise Smith	Director	Juvenile Court Services	No	No
John Hu, MD	Medical Director	Medical Examiner	Yes	No
Kent Taylor	Director	Open Space and Trails	Yes	No

<b>Name</b>	<b>Title</b>	<b>Department</b>	<b>Survey Participant</b>	<b>Interview Participant</b>
Kate Milewski	Director	Public Defender	Yes	No
Ernie Appel	Director	Public Fiduciary	Yes	No
Merissa Mendoza	Director	Public Health	Yes	No
Andrew Smith	Director	Public Works	Yes	No
Dana Lewis	Director	Recorder	Yes	No
Jill Broussard	Director	School Superintendent	Yes	No
Mark Lamb	Sheriff	Law Enforcement	No	No
Michael McCord	Treasurer	Treasurer	No	Yes
Matthew Thomas	Deputy	Law Enforcement	No	Yes

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## Appendix C – Previous Audits

<b>Audit Reports</b>	<b>Status</b>	<b>Fiscal Year</b>
Airport - Follow Up	Completed	2012-2013
County Assessor	Completed	2012-2013
Clerk of Superior Court - Cash Handling	Completed	2012-2013
Environmental Health - Follow Up	Completed	2012-2013
Facilities - Custodial Follow Up	Completed	2012-2013
Grant Management	Completed	2012-2013
Immigration and Customs Enforcement Contract (ICE)	Completed	2012-2013
Public Fiduciary	Completed	2012-2013
Recorder Transition	Completed	2012-2013
Accounts Payable - Finance	Completed	2013-2014
Adult Probation	Completed	2013-2014
Air Quality	Completed	2013-2014
Correctional Health Services	Completed	2013-2014
Emergency Planning	Completed	2013-2014
One Stop Shop – Impact Fee	Completed	2013-2014
Library District	Completed	2013-2014
Public Health Clinic – Cash Controls	Completed	2013-2014
Superintendent of Schools	Completed	2013-2014
County Attorney Anti-Racketeering Fund	Completed	2014-2015
Information Technology Disaster Recovery	Completed	2015-2016
Jail Enhancement Fund	Completed	2016-2017
Countywide Travel Expense	Completed	2016-2017
Elections Readiness	Completed	2016-2017
Prior Years Audit Follow-Up	Completed	2017-2018
Justice Courts – Cash Management Review	Complete	2017-2018
Information Security (NIST)	Completed	2017-2018
Fleet Services Review	Completed	2017-2018
Grant Management Review	Completed	2017-2018
Silent Whistle Review (Special Project)	Completed	2017-2018
Human Resources Review	Completed	2018-2019
Vendor Contract Management	Completed	2018-2019
Constables Review	Completed	2018-2019
Justice Courts – Cash Management Review Follow Up	Completed	2018-2019
HIPAA Privacy Gap Assessment	Completed	2020-2021
HIPAA Security Gap Assessment / Security Risk Analysis	Completed	2020-2021
BIA phase 1	Completed	2021-2022
Budgeting and Strategic Planning	Completed	2021-2022
Financial Audit Readiness	Completed	2021-2022
Talent Management - Merit Rule Recruitment	Completed	2022-2023