

Pima County

Report on Internal Control
and on Compliance

Year Ended June 30, 2019



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*

Members of the Arizona State Legislature

The Board of Supervisors of
Pima County, Arizona

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and aggregate remaining fund information of Pima County as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 17, 2019. Our report includes a reference to other auditors who audited the financial statements of the Stadium District, School Reserve Fund, Wireless Integrated Network, Self-Insurance Trust, Health Benefit Trust, Regional Wastewater Reclamation Department, Development Services, and Southwestern Fair Commission, as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2019-01, that we consider to be a significant deficiency.

Compliance and other matters

As part of obtaining reasonable assurance about whether the County's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

County response to finding

The County's response to the finding identified in our audit is presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address the finding. The County's response and corrective action plan were not subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindsey Perry, CPA, CFE
Auditor General

December 17, 2019



SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Financial statement finding

2019-01

Information technology (IT) controls—access and change management

Condition and context—The County sets policies and oversees control procedures for most of its departments' IT operations, systems, and data except for certain departments, such as the Treasurer's Office (Treasurer). The County's and Treasurer's control procedures were not sufficiently designed, documented, and implemented to respond to risks associated with their IT systems and data. The County and Treasurer, as applicable, lacked adequate procedures over the following:

- **Restricting access to its IT systems and data**—Procedures did not consistently help prevent or detect unauthorized or inappropriate access.
- **Managing system changes**—Procedures did not ensure all IT system changes were adequately managed.

Criteria—The County and Treasurer should have effective internal controls to protect their IT systems and help ensure the integrity and accuracy of the data they maintain.

- **Logical access controls**—Help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key systems and data access is monitored and reviewed.
- **Well-defined, documented change management process**—Ensures all changes to the Treasurer's IT systems are identified, documented, evaluated for security implications, tested, and approved prior to implementation. This helps limit the possibility of an adverse impact on the system's security or operation.

Effect—There is an increased risk that the County and Treasurer may not adequately protect their IT systems and data, which could result in unauthorized or inappropriate access and/or the loss of confidentiality or integrity of systems and data.

Cause—The County and Treasurer continue to develop and review their written policies and procedures over IT access and change management; however, some policies and procedures are still lacking critical elements to ensure they are comprehensive and effective.

Recommendations—To help ensure the County and Treasurer have effective policies and procedures over their IT systems and data, the County and Treasurer should follow guidance from a credible industry source such as the National Institute of Standards and Technology. To help achieve these control objectives, the County and Treasurer should develop, document, and implement control procedures in each IT control area described below:

Access

- Assign and periodically review employee user access ensuring appropriateness and compatibility with job responsibilities.
- Enhance authentication requirements for IT systems (County only).

Change management (Treasurer only)

- Establish and follow a documented change management process for all changes.

The County's responsible officials' views and planned corrective action are in its corrective action plan included at the end of this report.

This finding is similar to prior-year finding 2018-02.

COUNTY RESPONSE



December 27, 2019

Lindsey Perry
Auditor General
2910 N. 44th St., Ste. 410
Phoenix, AZ 85018

Dear Ms. Perry:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards. Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Michelle Campagne, Director
Finance and Risk Management

Pima County
Corrective action plan
Year ended June 30, 2019

Financial statement finding

2019-01

Information technology (IT) controls—access and change management

Name of contact person: Dan Hunt, CIO and Beth Ford, Treasurer

Anticipated completion date: June 30, 2020

The Information Technology Department (ITD) is continuously updating its system access procedures to demonstrate the County's procedures are being followed. ITD is also coordinating with departments to ensure system access is appropriate and user accounts are monitored and reviewed periodically for compatibility with job responsibilities. ITD is presently engaged with a vendor to enhance authentication requirements for all County users.

The Treasurer's Office has completed its evaluation of user access and has eliminated access where not required. Procedures are being developed for a continuing review process. The change management policies and procedures are also being modified to address the deficiency found by the audit. These policies and procedures will be implemented prior to June 30, 2020.

