

Pima County

Report on Internal Control
and on Compliance

Year Ended June 30, 2024



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

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 U.S. Comptroller General, 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, 2024, 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 20, 2024. 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 Benefits 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.

Report on 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) as a basis for designing 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 were not 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 and the other auditors identified certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations as items 2024-01 and 2024-02, that we consider to be significant deficiencies.

Report on 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 financial statements. 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 findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit that are presented in its corrective action plan at the end of this report. The County is responsible for preparing a corrective action plan to address each finding. The County's responses and corrective action plan were not subjected to the other 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 A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

December 20, 2024



SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Financial statement findings

2024-01

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm

Condition—The County's process for managing and documenting its risks did not include identifying, classifying, and inventorying sensitive information that might need stronger access and security controls.

Effect—The County's administration and IT management may put the County's operations and IT systems and data at unintended and unnecessary risk of potential harm.

Cause—The County's IT management reported they did not have sufficient time to fully implement procedures for identifying, classifying, and inventorying sensitive information because of competing resource demands while implementing a new enterprise resource planning system to replace their prior system.

Criteria—Establishing a process for managing risk that follows a credible industry source, such as the National Institute of Standards and Technology, helps the County to effectively manage risk related to IT systems and data. Effectively managing risk includes the County's process for identifying, classifying, and inventorying sensitive information that might need stronger access and security controls to address the risk of unauthorized access and use, modification, or loss of that sensitive information.

Recommendations—The County's administration and IT management should:

1. Plan for where to allocate resources and where to implement critical controls.
2. Evaluate and manage the risks of holding sensitive information by identifying, classifying, and inventorying the information the County holds to assess where stronger access and security controls may be needed to protect data in accordance with State statutes and federal regulations.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

2024-02

The County Treasurer's Office control procedures over IT systems and data were not sufficient, which increases the risk that the County Treasurer's Office may not adequately protect those systems and data

Condition—The County Treasurer's Office control procedures for restricting access were not sufficiently developed, documented, and implemented to consistently help prevent or detect unauthorized or inappropriate access to its IT systems and data.

Effect—There is an increased risk that the County Treasurer's Office may not adequately protect its 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 Treasurer's Office IT management reported that they did not prioritize developing, documenting, and implementing policies and procedures to enhance authentication requirements that restrict access to its IT systems because they focused their resources on making critical system upgrades.

Criteria—Implementing effective internal controls that follow a credible industry source, such as the National Institute of Standards and Technology, helps the County Treasurer's Office to protect its IT systems and ensures the integrity and accuracy of the data it maintains as it seeks to achieve its financial reporting, compliance, and operational objectives. Effective internal controls include restricting access through logical controls, which help to ensure systems and data are accessed by users who have a need, systems and data access granted is appropriate, and key system data access granted is monitored and reviewed.

Recommendations—The County Treasurer's Office IT management should:

1. Make it a priority to develop and document comprehensive IT policies and procedures and develop a process to ensure the procedures are consistently followed.
2. Develop, document, and implement processes to restrict access and enhance authentication requirements for IT systems.

The County's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to audit and have not audited these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

COUNTY RESPONSE



December 20, 2024

Lindsey A. Perry
Arizona 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,

A handwritten signature in red ink that reads "E. Moulton". The signature is fluid and cursive, with a long horizontal stroke at the end.

Ellen Moulton, Director
Finance and Risk Management

Ellen Moulton, Director

Financial statement findings

2024-01

The County's deficiencies in its process for managing and documenting its risks may put its operations and IT systems and data at unintended and unnecessary risk of potential harm.

Name of contact person: Javier Baca, Chief Information Officer

Anticipated completion date: June 2025

To ensure the County maintains a robust process for identifying, classifying, and inventorying sensitive information, the County will implement the following corrective measures for FY 2025. These measures are designed to manage risks effectively and align with County policies.

Task	Resource Tasked	Timeline
1. Update the County Data Classification Policy	Data Classification Committee	Began September 2023; ongoing; annual review.
2. Conduct Annual Inventory of County-Supported Data Systems and Applications	Business Systems Managers, Analysts, Department Staff	Begins January 2025; annual updates.
3. Classify and Evaluate Sensitivity of Data Systems - Identify appropriate security controls per policy.	Data Classification Committee	Concurrent with Task 2; ongoing thereafter.
4. Record and Maintain Data Classifications in a Centralized Management System	Business Systems Managers, Analysts, Department Staff	Quarterly planning meetings; ongoing departmental reviews.
5. Implement Security Controls and Risk-Mitigation Measures	ITD Technical Leads	Ongoing; addressed in departmental meetings.
6. Conduct Periodic Review and Revision of Policies and Procedures	ITD Leadership, Data Classification Committee, Finance Internal Audit	Integrated into ITD quarterly reviews.

Implementation Notes:

- The above measures are incorporated into the periodic ITD review process and will be established prior to the FY 2025 audit cycle.

Additional Involved Parties:

- Finance and Risk Management Department, Internal Audit
- Ad-Hoc Data Governance Committees
- Pima1 Executive Committee
- County Administration

Next Steps:

- Continue implementation as scheduled.
- Communicate roles, responsibilities, and timelines to all stakeholders.
- Ensure progress is reported during quarterly planning meetings.

2024-02

The County Treasurer's Office control procedures over IT systems and data were not sufficient, which increases the risk that the County Treasurer's Office may not adequately protect those systems and data.

Name of contact person: Doug Truman, IT Systems and Programming Manager, Pima County Treasurer's Office

Anticipated completion date: June 2025

In regard to recommendation 1, the Pima County Treasurer's Office (PCTO) will update documentation for Security and Control Policies to meet industry standards. Checklists, Computer Access Forms, and Onboarding documentation have been created to help facilitate these procedures while ensuring they are followed and carried out according to department policy.

In regard to recommendation 2, the PCTO will update password policies and develop step-by-step instructions to create and store passwords.

