

Recoveries, Savings, & Cost Avoidance

Potential Dollar Recoveries & Identified Savings

The following table lists FY10 audits with a quantifiable economic impact, including actual and identified increases in revenues, cost recoveries, and other savings. The table on the opposite page lists potential savings and cost avoidance that could be realized, although the dollar impact is more difficult to measure.

For additional information on projects that have yielded benefits over time, see Audit Impact (Appendix E, page 37).

Audit	Impact	Description
Assessor	\$527,194	Increased revenue from parcels that were incorrectly classified and rental registration fees that were uncollected.
Vehicle Usage	\$294,480	Ten agencies could save \$292,000 by expanding the fleet versus reimbursing employees for mileage. In addition, the County could save \$2,480 in fuel costs if County fuel stations are used instead of commercial stations.
Justice Court Minimum Accounting Standards	\$37,440	Cost savings attained by not using outside consultants for this mandated review (dollars reflect the variance between internal and external costs).
Adult Probation Minimum Accounting Standards	\$24,492	Cost savings attained by not using outside consultants for this mandated review (dollars reflect the variance between internal and external costs).
Single Audit Review	\$13,250	Cost savings attained by not using outside consultants for this mandated review (dollars reflect the variance between internal and external costs).
Contract: Election Ballots	\$6,875	Overpayment of sales tax (net of \$1,301 underpayment of separate invoice line item)
Total Identified Savings:	\$903,731	

Other Potential Savings/Cost Avoidance

Our audit work is not always measurable and may not result in quantifiable dollar recoveries or cost savings. Many times, audit recommendations result in unquantified efficiencies that improve service delivery or program quality. In other cases, audit recommendations result in a quantifiable cost avoidance.

For example, our annual review of Internet usage is believed to increase employee productivity. When employees and management are aware that Internet usage is being monitored, inappropriate usage is expected to decline. This cost avoidance can be quantified by a few calculations using average hourly pay and number of Internet users as its basis.

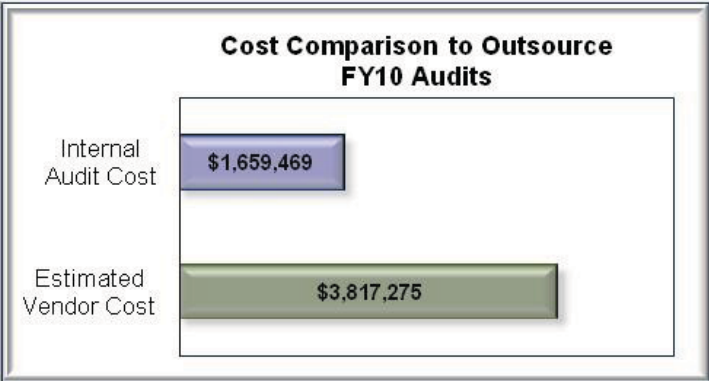
FY10 audits with a quantifiable cost avoidance appear below.

Audit	Impact	Description
IT Contracts & Agreements	\$4,000,000	Compliance reviews could result in cost avoidance for penalties and other charges at various County agencies.
Continuous Monitoring: Internet Usage	\$3,013,564	<p>The County could save an estimated \$3 million in personnel costs annually by reducing non-productive Internet use by 5 minutes a day.</p> <p><i>Non-productive use is defined as personal use believed to be conducted on "company" time. Internal Audit conducts recurring, unannounced monitoring of Internet use. This type of monitoring decreases the amount of non-productive Internet usage in organizations.</i></p>
County Financial System (Advantage)	\$451,647	If a data breach occurred, the County could incur notification and investigation costs required by Arizona Revised Statutes.
Total Cost Avoidance:	\$7,465,211	

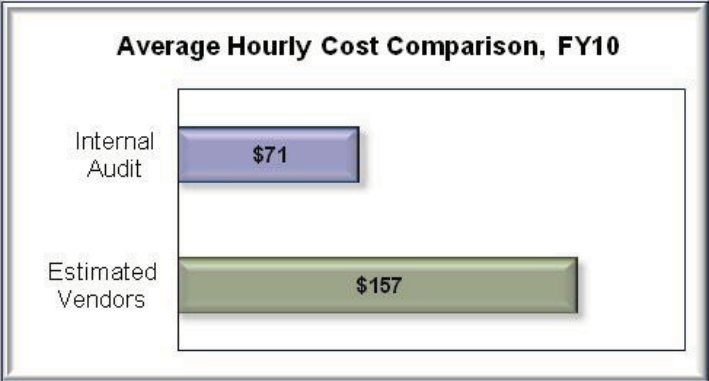
Internal Audit—A Good Investment

Our Cost vs. the Cost to Outsource the Audit Function

FY10 audit work would have cost the County more than twice as much if external auditors had been used instead of Internal Audit staff.



The average hourly rate for an external auditor was \$157 vs. \$71 for Internal Audit.



One indicator of Internal Audit efficiency is the evaluation of whether or not it is more cost effective to provide the County function in-house or contract it to external consultants.

Our Cost vs. Cost Savings to the County

Over the past 10 years, Internal Audit produced \$23 million in savings (and \$50 million in potential savings/cost avoidance) to the County. During the same period, our costs (including co-sourcing dollars) totaled \$16 million, resulting in a net savings of \$7 million to the County.



Our savings averaged \$2.3 million per year compared with average annual resources of approximately \$1.6 million.

Internal Audit identifies potential savings to the County by detecting weak controls that can lead to waste and abuse and by deterring fraud.

A well run internal audit function is an investment that benefits County management and citizens.

Internal Audit is a Good Investment

Audit Recommendations

Internal Audit provides independent analysis and assurance that operations are efficient, economical, and effective. We track implementation of audit report recommendations that identify efficiency gains, provide economical guidance, improve operational effectiveness, and ensure controls are in place to prevent fraud, waste, and abuse.

Internal Audit Issued 3,361 Recommendations in 10 Years

During the past 10 years, we made 3,361 recommendations of which 3,308 (98%) were agreed to by the audited departments. To date, 2,389 (76%) of these recommendations have been implemented, as shown below. We allow up to 3 years for a recommendation to be implemented.

Ten Years of Audit Recommendations and Implementations

Fiscal Year	# of Recommendations	Agreed		Implemented **	
		#	%	#	%
FY01	388	383	99%	382	98%
FY02	205	200	98%	194	97%
FY03	755	750	99%	720	97%
FY04	108	108	100%	101	100%
FY05	130	125	96%	98	94% *
FY06	365	361	99%	344	99% *
FY07	184	174	95%	129	71% *
FY08	169	168	99%	138	84% *
FY09	836	820	98%	244	34% *
FY10	221	219	99%	39	18% *
FY01—FY10	3,361	3,308	98%	2,389	76%

* Recommendations are in the process of being implemented

** Implementation percentages are based upon 3,153 recommendations, which is the total of all recommendations less recommendations that could not be implemented