Maricopa County Office of Enterprise Technology
Audit of Outsourced IT Services: Controls
By Maricopa County Internal Audit
September 2022

Why This Audit Is Important

Maricopa County increasingly relies on outsourced IT services/applications (e.g., cloud, financial, payroll). These outsourced IT services can expose the County to operational and security issues if a vendor does not meet industry standards for internal controls. Insufficient controls could result in compromised county IT applications, lost data, and loss of citizen trust.

IT service providers often have independent reviews performed to identify strengths and weaknesses of their internal controls. The independent reports can help the County assess and manage IT and vendor related risks.

We performed this audit to assess certain county controls over outsourced IT services, specifically: (1) contractual requirements for the vendors to provide reports on their controls, and (2) county efforts to obtain and review the reports. Our work involved the cooperation of the Office of Enterprise Technology (OET) and the Office of Procurement Services (OPS).

Key Results

- Contracts for outsourced IT services can be improved by including standardized language requiring IT service providers to supply independent reports on their controls (e.g., SOC 2 or equivalent).

- Outsourced IT service risks can be better managed by (1) establishing formal policies and procedures addressing requirements for independent reports on controls, and (2) formalizing an automated process for obtaining the independent reports.

All key findings requiring corrective action were addressed through agreed-upon management action plans.

What We Audited

Following is a summary of work performed and recommendations. The responses were approved by Ed Winfield, Chief Information Officer, on August 23, 2022, and Kevin Tyne, Chief Procurement Officer, on August 17, 2022. We also communicated detailed observations and recommendations to management throughout the audit process.

Contractual Requirements

Background – Contract requirements are an effective way to ensure IT service providers meet industry standards when accessing, processing, and protecting county data. Independent reports on vendor controls (e.g., SOC 2 or equivalent) help the county to identify and manage third-party risks.

Observations – We conducted interviews and reviewed contracts for a sample of software applications across county agencies to determine if the contract included requirements for providing independent reports on controls to the County on an annual basis. We determined that the County does not have standardized contract language requiring IT service providers to provide independent reports on controls to the County.

Recommendation to OPS	Response
In collaboration with OET, draft standardized IT contract and purchase order agreement terms and conditions that require vendors to provide independent reports on controls (e.g., SOC 2 or equivalent) annually. Incorporate the changes for: • New and renewing IT service provider contracts • New purchase order agreements	Concur – in progress OPS will collaborate with OET to define acceptable terms and conditions for inclusion in Purchase Order Standard Terms and Conditions, and contract templates. OPS will include updated clause in relevant existing IT services contracts upon renewal or amendment. Target Date: 12/31/2022

Independent Report on Controls

Background – Obtaining and reviewing a vendor's independent report on controls informs the County regarding the effectiveness of controls established by the vendor, including security, application availability, processing integrity, confidentiality, and privacy controls. The reports may also provide information regarding complimentary controls that the County needs to implement to help ensure the vendors controls are operating effectively.

Observations – We conducted interviews and reviewed applicable documentation and determined that the County does not have policies or procedures for obtaining and reviewing vendor independent reports on controls. In addition, we selected a sample of software applications and determined that a report was not obtained or reviewed for a majority of the sample.

Recommendation to OET	Response
Establish county policies and procedures for reviewing independent reports on controls (e.g., SOC 2 or equivalent) for outsourced IT service providers, including: • Roles and responsibilities. • Risk-based approach, based on computer application, to determine the required frequency for reviewing a report.	Concur – in progress OET will establish an OET policy for receiving and reviewing the reports. Target Date: 4/1/2023

Recommendation to OET	Response
Formalize a process for ensuring IT service providers have supplied the required independent reports on control (e.g., SOC 2 or equivalent) on an annual basis.	Concur – in progress OET will prepare a checklist of service providers from which a report is to be delivered on an annual basis. Information Security will oversee the checklist and delivery of the reports. Target Date: 4/1/2023

Additional Information

This audit was authorized by the Maricopa County Board of Supervisors and was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. This report is intended primarily for the County Board of Supervisors. However, this report is a public record, and its distribution is not limited. If you have any questions about this report, please contact Mike McGee, Internal Audit Director, at 602-506-1585.