CITY OF SURPRISE
City Audit Committee
16000 N. Civic Center Plaza
Surprise, AZ 85374
Wednesday, November 10, 2021 @ 3:30 PM
COUNCIL CHAMBERS OVERFLOW ROOM

A. Call To Order

B. Roll Call

C. Pledge of Allegiance

D. Current Events and Reports

E. Staff Reports

F. City Audit Committee Agenda

CALL TO THE PUBLIC:

INSTRUCTIONS: In order to address the Board\Commission, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the Secretary before the meeting begins.

Note: A.R.S. 38-431.01(H) - During this time members of the public may address the Board\Commission only on issues within the jurisdiction of the Board\Commission which are not an item on the agenda. At the conclusion of the open call, the Board\Commission may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

CONSENT AGENDA:

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

1.	Citywide	Consideration and action pertaining to approval of the August 16, 2021 City Audit Committee meeting minutes.	None City Manager Office
2.	Citywide	Discussion and action pertaining to changes to the approved FY2021-2022 Annual Audit Plan.	None City Manager Office
3.	Citywide	Discussion and possible action pertaining to the Quarterly Audit Recommendations Status report.	City Manager Office
4.	Citywide	Presentation and discussion of the Annual Internal Audit Activity Report for FY2020-2021.	Connie Bowers City Manager Office

G. Other Business and Future Agenda Items

H. Executive Session

For information purposes: Upon a public majority vote of a quorum (“Commission”), the Commission may hold an executive session, which will not be open to the public, but for only the following purposes: discussion or consideration of records exempt by law from public inspection (A.R.S. §38-431.03(A)(2));

or discussion or consultation for legal advice with the attorney or attorneys of the public body (A.R.S. §38-431.03(A)(3)).

Confidentiality Requirements: Pursuant to A.R.S. §38-431.03(C)(D), any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney or by agreement of the Commission, or as otherwise ordered by a court of competent jurisdiction.

The Commission may vote to hold an executive session for the purpose of obtaining legal advice from the Commission’s attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

I. Adjournment

SHERRY ANN AGUILAR, CITY CLERK, MMC

POSTED:Friday, November 5, 2021 @ 3:42 p.m.

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK’S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.

CITY OF SURPRISE
City Audit Committee

Council Meeting Date: November 10, 2021
Submitting Department: City Manager Office
Staff Recommendations: None

Contact Person:
District: Citywide

Consent: No   Regular: No   Public Hearing: No   Report/Discussion: No

Agenda Wording:

Consideration and action pertaining to approval of the August 16, 2021 City Audit Committee meeting minutes.

Motion:

I move to approve the minutes of the August 16, 2021 City Audit Committee meeting.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY 2020-2021 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

Objective Analysis:

The mission of the City Audit Committee is to provide advice to city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the internal auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion and possible action will lend itself to the oversight and advisory components of the mission statement. City staff does not anticipate any negative impacts at this time.

Policy Compliant:

Sec. 2-304 (c) (6-8) of the Surprise Municipal Code directs the Audit Committee to: In coordination with the internal auditor, review significant audit findings and monitor responses thereto; provide independent review and oversight of the internal and external auditor including any audits either performs; and evaluate internal and external audits for performance and compliance with accepted professional standards.

Financial Impact:

There is no financial impact with this item.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. 2021-08-16 Summary AC-Draft

CITY OF SURPRISE
Audit Committee Meeting
16000 North Civic Center Plaza
Surprise, AZ 85374

Monday, August 16, 2021 – 3:30 p.m.

CALL TO ORDER

Chair Connie Bowers called the **Audit Committee Meeting** to order at 3:30 p.m. at Surprise City Hall, Overflow Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Monday, August 16, 2021.

ROLL CALL

Connie Bowers, Chair, Councilmember Chris Judd, Councilmember Ken Remley, Seth Dyson HSCV Director, Eric Boyles, Acting Asst Director of Finance

PLEDGE OF ALLEGIANCE

CURRENT EVENTS AND REPORTS

None.

STAFF REPORTS

None.

STAFF PRESENT

Carol Holley, Internal Auditor-Sr., Michael Frazier, City Manager, Tom Abbott, Fire Chief, Breanne Lorefice, Staff Liaison, Jackie Moucheron, Staff Liaison.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

1. **Action item: Consideration and action pertaining to approval of March 31, 2021, Audit Committee meeting minutes:**
   Councilmember Ken Remley moved to approve the March 31, 2021, Audit Committee Meeting minutes, and Councilmember Chris Judd seconded the motion. Motion carried 3-0.

2. **Action item: Discussion and possible action pertaining to Fire-Medical Pharmaceutical Safeguards and Contracts Audit.**

Councilmember Remley asked for clarification on where the pharmaceuticals are stored currently with Surprise Fire-Medical. Carol Holley answered that it depends on what type of pharmaceutical it is and what type of supply it is that will dictate where they are storing it.

Chair Bowers asked about the timeframe for completing a high-risk item. Carol Holley answered that it is based upon the department's work schedule and when they can get those requests completed. It is up to the department.

Councilmember Remley asked about the pricing for pharmaceuticals that are being dispensed. Carol Holley said that pricing and invoicing were not audited.

Much discussion was had on the Surprise Fire-Medical handling procedures for controlled substances, and discussion and action was postponed until Fire Chief Abbott could join.

3. **Action item: Discussion and possible action pertaining to the City-Wide Exit Process Audit.**

Chair Bowers asked about the retention timeframe, and Carol Holley clarified they should look at their schedules each month.

Councilmember Chris Judd moved to approve the City-Wide Exit Process Audit, and Councilmember Ken Remley seconded the motion. Motion carried 3-0.

4. **Action item: Discussion and possible action pertaining to Form I-9 and E-Verify Compliance Audit.**

Chair Bowers pointed out that many contractors failed and asked if that should have triggered a larger sample. Carol Holley stated that an objective was to determine whether or not the random procurement review procedures were being performed. The audit procedures confirmed that the random procurement review for E-Verify was not being performed. Additional sampling would not have changed the finding or recommendation.

Councilmember Chris Judd asked about the I-9 forms and what ID was required. Carol Holley mentioned that it is either a state ID or Passport.

Chair Bowers asked about the staff turnover, and Carol Holley said they did not go back to check staff levels. The recommendations should mitigate the risk.

Councilmember Chris Judd moved to approve the Form I-9 and E-Verify Compliance Audit, and Councilmember Ken Remley seconded the motion. Motion carried 3-0.

Action item: Discussion and possible action pertaining to Fire-Medical Pharmaceutical Safeguards and Contracts Audit.

Chair Bowers asked to return to agenda item two, Fire-Medical Pharmaceutical Safeguards and Contracts Audit discussion since Fire Chief Abbott is now present.

Chair Bowers stated that a high-risk item should take 3-6 months to fix, low risk to take a year, and moderate between 6-9 months. So if it’s a high-risk item she asked, why we wouldn’t move the date sooner, rather than taking a year to correct. Fire Chief Abbott responded that he has already revised that policy and procedure by setting up a process in place with our software records management system Operative IQ.

Councilmember Chris Judd moved to approve the Fire-Medical Pharmaceutical Safeguards and Contracts Audit, and Councilmember Ken Remley seconded the motion. Motion carried 3-0.

5. **Action item: Discussion and possible action pertaining to the FY2019-2020 and FY2020-2021 Summary and Audit Recommendations.**

Councilmember Chris Judd moved to approve the FY2019-2020 and FY2020-2021 Summary and Audit Recommendations, and Councilmember Ken Remley seconded the motion. Motion carried 3-0.

6. **Action item: Consideration and action pertaining to FY2021-2022 Annual Audit Plan.**

Councilmember Ken Remley asked if it would take three months to complete utility billing. Carol Holley said that the 720 hours would accommodate two auditors that will focus on collecting, recording, and reconciling billing payments.

Seth Dyson asked if the PTO/ PSO number was accurate. Carol Holley answered yes

Councilmember Chris Judd moved to approve the FY2020-2021 Annual Audit Plan, and Councilmember Ken Remley seconded the motion. Motion carried 3-0.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

The next Audit Committee Meeting will be held on November 10, 2021 at 3:30 p.m.

EXECUTIVE SESSION

None.

ADJOURNMENT

Councilmember Chris Judd moved to adjourn. Committee Chair Bowers seconded the motion. Motion carried 3-0. The meeting was adjourned at 4:36 p.m.

ATTEST:

Connie Bowers, Chair

Jackie Moucheron, Staff Liaison

CERTIFICATION:

I, Sherry Ann Aguilar, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Audit Committee Meeting of **Wednesday, January 29, 2020.**

Sherry Ann Aguilar, City Clerk, MMC

CITY OF SURPRISE
City Audit Committee

Council Meeting Date: November 10, 2021
Submitting Department: City Manager Office
Staff Recommendations: None

Contact Person:
District: Citywide

Consent: No   Regular: No   Public Hearing: No   Report/Discussion: No

Agenda Wording:
Discussion and action pertaining to changes to the approved FY2021-2022 Annual Audit Plan.

Motion:
I move to approve the changes to the FY2021-2022 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

Background:
This item has been placed on the agenda to discuss Internal Audit projects updated as part of the FY2021-2022 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

Objective Analysis:
The mission of the City Audit Committee is to provide advice to city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the internal auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion and possible action will lend itself to the oversight and advisory components of the mission statement. City staff does not anticipate any negative impacts at this time.

Policy Compliant:
Sec. 2-304 (c) (6-8) of the Surprise Municipal Code directs the Audit Committee to: In coordination with the internal auditor, review significant audit findings and monitor responses thereto; provide independent review and oversight of the internal and external auditor including any audits either performs; and evaluate internal and external audits for performance and compliance with accepted professional standards.

Financial Impact:
This item relates to work performed as part of the FY 2021-2022 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:
There is no budget impact associated with this item.

FTE Impact:
There is no FTE impact associated with this item.

ATTACHMENTS:
1. Updated FY2022 Audit Plan 2Nov21

. Activities	Department	Preliminary Objectives	Assigned Staff	Estimated Audit Hours
FY2021-2022				
Court Fee Waivers	City Court	Determine if fee waivers are processed in compliance with the Courts Compliances Assistance Program (CAP)	CH	400
A/P Trends PCard Trends Payroll Trends	Citywide	Review expenditures trends to identify high-risk transactions and to determine compliance with City policies and procedures	CH/CN	600
Projects Contingent on Staffing Level				
Procurement	Finance	Determine whether or not city's procurement process is in compliance with city policies, procedures, municipal code, and laws and regulations	CN/CH	600
Carryover from FY2020-2021 Utility Billing	Finance	Evaluate controls in place for collecting, recording and reconciling utility billing statements	CH/CN	640
Total Direct Hours				***2,240***
Direct Hours%				***54%***
Administrative				
Audit Committee/City Council	NA	Preparation and attendance for periodic meetings	CH	50
Annual Audit Reports	NA	Annual Audit Plan Annual Audit Activity Report	CH	100
ALGA Peer Review	NA	Complete Internal Audit's second ALGA Peer Review in compliance with Governmental Auditing Standards (Yellow Book) – **3/2022** ***<u>Participate as ALGA Team member:</u>*** **Deschutes County, Oregano – 10/17/21 to 10/21/21** **Long Beach, CA – 12/5/2021 to 12/10/2021**	CH	120 80 80
Meetings/Misc./Westside Auditors Networking	NA	Misc. Meetings/Administrative Tasks/Unplanned management requests for service / Participate in an external Peer Review as a team member	CH	160
Professional Development				
GAGAS 3.76 Requires auditors to obtain 80 CPEs every two years	NA	To meet Government Auditing Continuing Professional Education standards/ On the job training for new staff member	CH/CN	220
Benefit Hours				
Holidays/City Closure	NA	City Holidays (10 holidays per auditor)	CH/CN	160
Paid Leave (PTO/PSO)	NA	PTO/PSO (7/1/2021 to 6/30/2022)	CH/CN	950
Total Indirect				1,920
Indirect Hours %				**46%**
Total Audit Hours				**4,160**

CITY OF SURPRISE
City Audit Committee

Council Meeting Date: November 10, 2021
Submitting Department: City Manager Office
Staff Recommendations:

Contact Person:
District: Citywide

Consent: No | Regular: No | Public Hearing: No | Report/Discussion: No

Agenda Wording:

Discussion and possible action pertaining to the Quarterly Audit Recommendations Status report.

Motion:

I move to approve and distribute the Quarterly Audit Recommendations Status report.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2021-2022 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

Objective Analysis:

The mission of the City Audit Committee is to provide advice to city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the internal auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion and possible action will lend itself to the oversight and advisory components of the mission statement. City staff does not anticipate any negative impacts at this time.

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Financial Impact:

This item relates to work performed as part of the FY 2021-2022 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. Quarterly Audit Recommendations Status Report 4Nov21

Audit Recommendation Status Report

November 4, 2021

Carol Holley, Sr. Internal Auditor

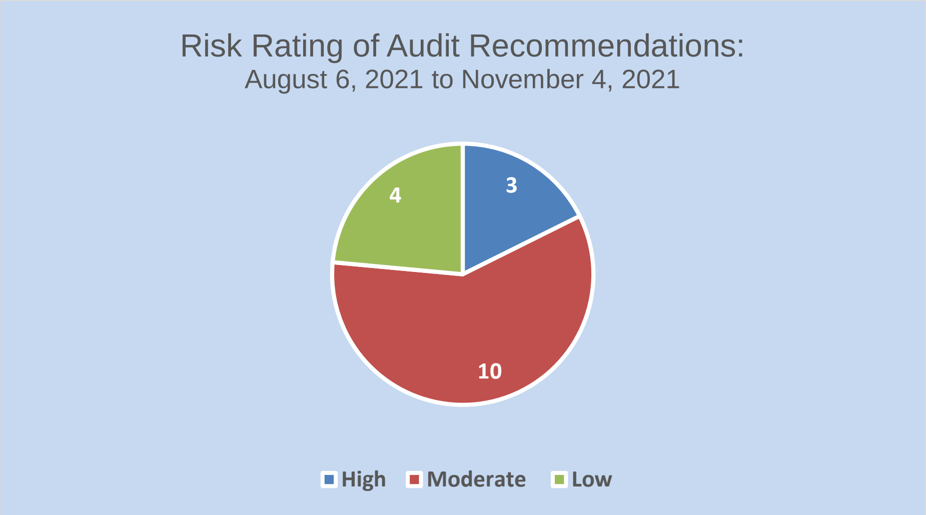
Summary

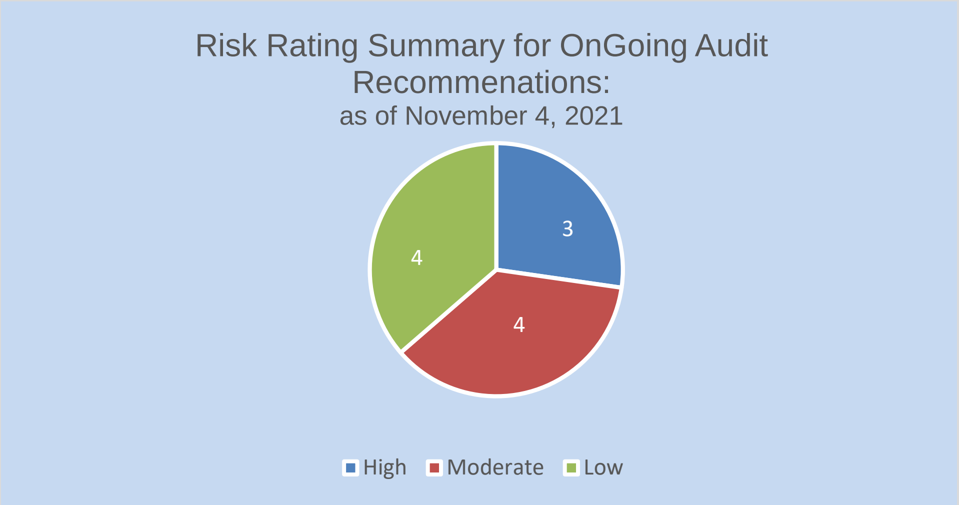
Periodically, Internal Audit (IA) reports to the Audit Committee on actions taken by staff to address audit recommendations. This report summarizes actions taken by staff for the period of August 6, 2021 to November 4, 2021.

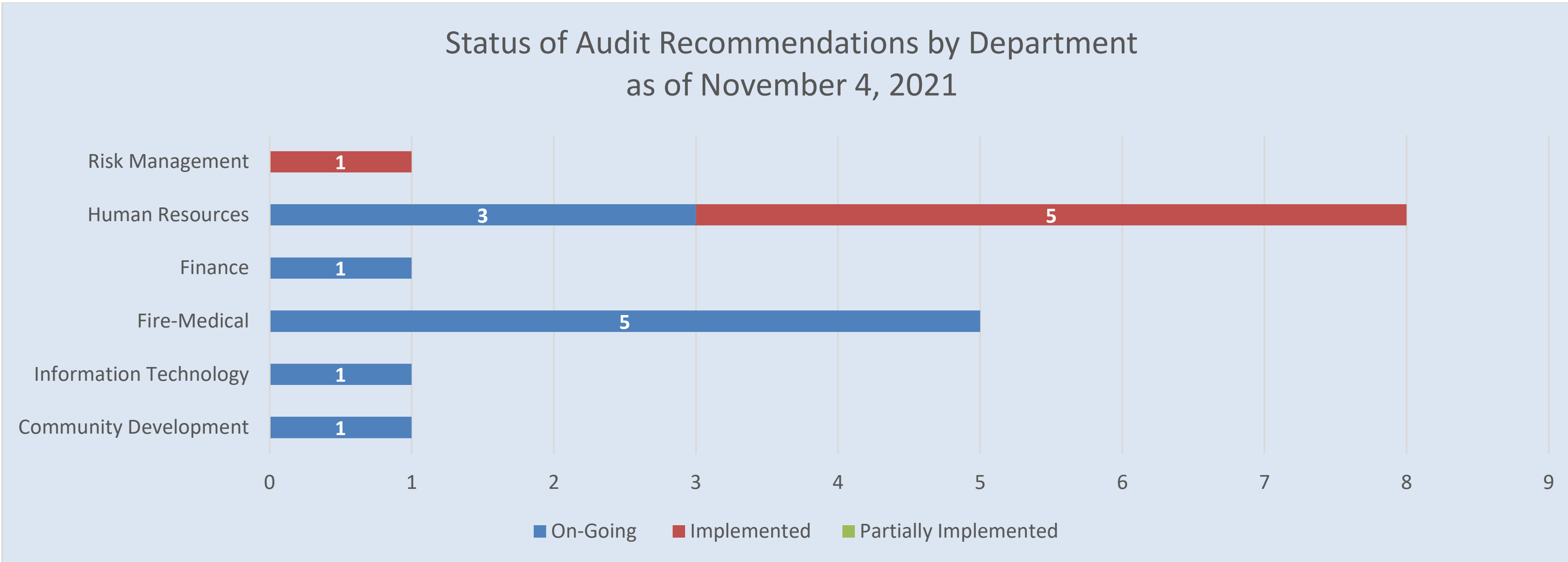
During the period, out of 17 recommendations, six recommendations were implemented, and 11 recommendations continue to be monitored by IA staff. Exhibit A summarizes the 11 OnGoing audit recommendations.

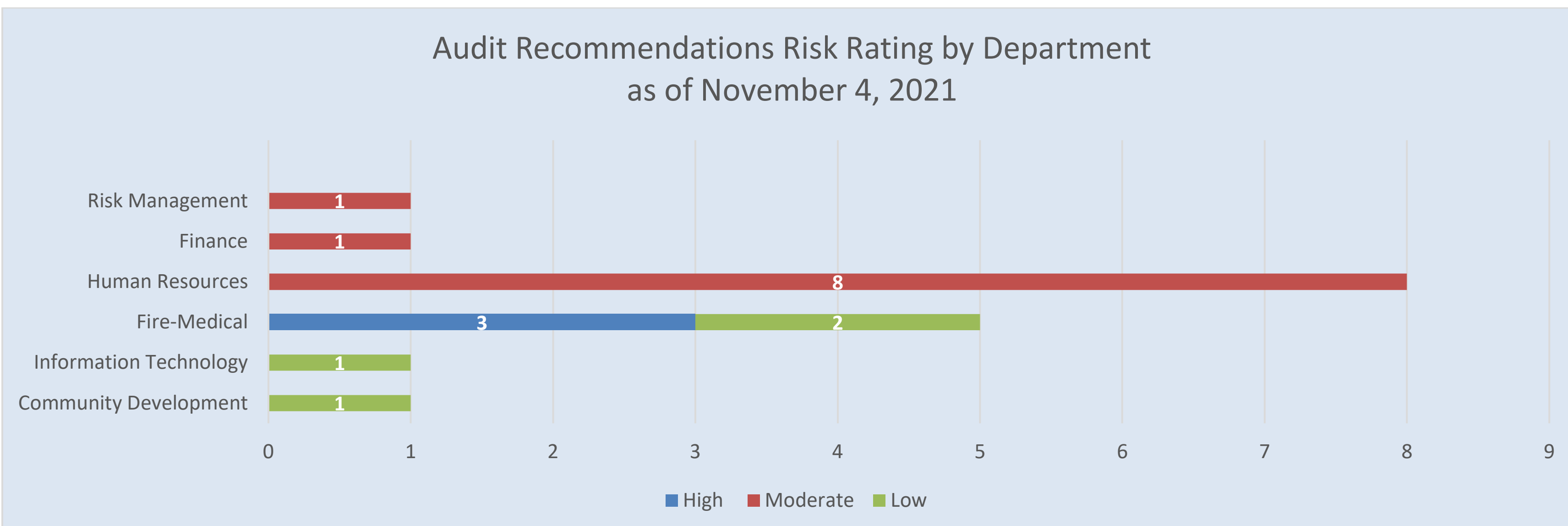
IA appreciates the time and resources allocated by City of Surprise (City) departments to reduce the number of open audit recommendations and to limit risk to City assets and resources.

Contents






Status of Audit Recommendations by Department
as of November 4, 2021
Risk Management
Human Resources
Finance
Fire-Medical
Information Technology
Community Development
1
3
5
1
5
1
1
0 1 2 3 4 5 6 7 8 9
On-Going
Implemented
Partially Implemented


Audit Recommendations Risk Rating by Department
as of November 4, 2021
Risk Management
Finance
Human Resources
Fire-Medical
Information Technology
Community Development
1
1
8
3
2
1
1
0 1 2 3 4 5 6 7 8 9
High
Moderate
Low

2

Purpose and Standards

The recommendations referenced in each audit report were designed to decrease the risk to City assets and improve the efficiency and effectiveness of operations. In response to each audit recommendation, management developed an action plan to address identified risks.

The purpose of performing audit follow-up procedures is to determine the status of management action plans. *Governmental Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing* reference the need for audit follow-up procedures:

Governmental Auditing Standards:

GAGAS 8.30 *– "Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives."*

International Standards for the Professional Practice of Internal Auditing:

2500 – Monitoring Progress
"The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management."

2500.A1 – *"The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action."*

Methodology

After completing each audit, audit observations and recommendations are tracked in SharePoint by IA. Periodically, IA performs follow-up procedures on the status of audit recommendations with the appropriate City departments. Departments self-report the status of management action plans via SharePoint. Testimonial or documentary evidence is obtained and reviewed by IA. In some cases, IA will go beyond the standard process and perform more in-depth verification of the extent to which specific audit recommendations have been implemented and issue a separate report on this work.

All recommendations reviewed were categorized as follows:

OnGoing – City staff partially concurred or concurred with the audit recommendation. Staff is currently working on implementing the audit recommendation by the management assigned completion date **(See Exhibit A.)**

Partially Implemented – City staff partially concurred or concurred with the audit recommendation and provided some evidence of progress on the recommendation; however, either element of the audit recommendation was not addressed, or the department reported it has begun to implement the audit recommendation and has not yet completed the implementation of the management action plan.

Implemented – City staff concurred with audit recommendations and provided sufficient and appropriate evidence to support elements of implementing the audit recommendation.

Current Status	Audit ID	Section ID	Department	Contact	Report Date	Recommendation	Current Status	Management Update Comments	Risk Level
Not Implemented									
	2021-01	Fire-Medical Pharmaceutical Safeguards and Contracts Audit							
		1A	Fire - Medical	Tom Abbott	12/30/2020 12:00:00 AM	Collaborate with the Surprise Police Department to conduct a security assessment of SFMD. Where feasible, implement assessment recommendations to ensure the safety of the City's first responders and City assets.	Not Implemented	SFMD Administration concurs and will conduct a security assessment in collaboration with Surprise Police Department (SPD) by December 31, 2021. Implementation of any recommendation will be based on the completed SPD report.	High
		1B	Fire - Medical	Tom Abbott	12/30/2020 12:00:00 AM	Ensure staff's compliance with Arizona Department of Health Services regulation for documenting the custodial transfer of SFMD dug box at shift change.	Not Implemented	SFMD concurs with this recommendation, as the department will review the current drug box inspection policy and custody log for any improvement on documentation workflow. The department will assign the task to the Administrative Assistant Fire Chief for completion and develop a tutorial for department members on how to complete a daily drug box inspection by December 31, 2021.	High
		1C	Fire - Medical	Tom Abbott	12/30/2020 12:00:00 AM	Ensure compliance with the DEA pharmaceutical refrigerator protocol.	Not Implemented	SFMD Administration concurs and will revise policies to comply with items contained in this recommendation and has assigned this to the Administrative Assistant Fire Chief with completion anticipated when the new Readiness Center and Fire Station 308 opens	High
		2A	Fire - Medical	Tom Abbott	12/30/2020 12:00:00 AM	Combine and streamline certification tracking into a single record management system.	Not Implemented	SFMD concurs with this recommendation and is researching integration methods to combine all training and certification records into one records management system. This task is assigned to the Administrative Assistant Fire Chief and will be completed by December 31, 2021.	Low
		3A	Fire - Medical	Tom Abbott	12/30/2020 12:00:00 AM	Review and update EMS written policies and procedures, as necessary.	Not Implemented	SFMD concurs with this recommendation. SFMD reviewed and revised the policies for Station Security in December 2020, Drug Box Accountability in March 2021, Electronic Patient Care Records in March 2021, and will update existing policies as well as develop new policies as appropriate within the limitation of current staffing. The balance policies require review have been assigned to the Medial Services Battalion Chief for completion by December 31, 2021.	Low

Audit Observation Risk Rating

High	Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to city assets.
Moderate	Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate potential risk of loss to city assets.
Low	Represents an observation for consideration by management for correction or implementation associated the process being audited. Low risk observations should be implemented to improve efficiency and effectiveness of operations.

Current Status	Audit ID	Section ID	Department	Contact	Report Date	Recommendation	Current Status	Management Update Comments	Risk Level
	2021-03	**Form I-9 and E-Verify Compliance**							
		1A	Human Resources	Connie Welsch	4/14/2021 12:00:00 AM	Establish a formalized Form I-9 training that all applicable City staff is required to complete annually.	Not Implemented	Concur. HR Manager provided I-9 training on 05/10/2021 and purchased a recording of a live webinar I-9 training that took place 05/20/2021 (pending receipt). Staff will be trained by 08/15/2021, and annual training will be established annually beginning in January 2022.	***Moderate***
		1C	Human Resources	Connie Welsch	4/14/2021 12:00:00 AM	Periodically, review and update EPM Section 2.8 to ensure consistency with the USCIS rules and responsibilities for Form I-9 and E-Verify, including but not limited to updating: • Section 2.8(A)(3) to include the term "rehires" • Section 2.8 (B)(d) to include the completion of Form I-9 Section 3 for rehires	Not Implemented	Concur. HR Manager will ensure EPM 2.8 is reviewed for potential updates annually. HR Manager will update EPM 2.8 as indicated by 10/15/2021.	***Moderate***
		2A	Human Resources	Connie Welsch	4/14/2021 12:00:00 AM	Establish a formalized E-Verify training that staff is required to complete annually.	Not Implemented	Concur. HR Manager will establish that E-Verify refresher training will be conducted annually beginning January 2022.	***Moderate***
		3A	Finance	Andrea Davis	4/14/2026 12:00:00 AM	Develop and document a policy and procedure for randomly verifying City contractors and subcontractors compliance with the federal E-Verify Program.	Not Implemented	Concur - Finance will implement a policy and process to satisfy state requirements by 12/31/2021.	***Moderate***

Audit Observation Risk Rating

High	Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to city assets.
Moderate	Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate potential risk of loss to city assets.
Low	Represents an observation for consideration by management for correction or implementation associated the process being audited. Low risk observations should be implemented to improve efficiency and effectiveness of operations.

Current Status	Audit ID	Section ID	Department	Contact	Report Date	Recommendation	Current Status	Management Update Comments	Risk Level
OnGoing - OnTrack									
	2020-01					**Building Safety Permit Processing**			
		3A	Community Development	Chris Boyd	6/16/2019 12:00:00 AM	3.A. At least annually, request a printout of the database fee tables from IT and perform a comprehensive review of the tables for accuracy and completeness. • The LIS "End Date" field should be updated when fees expire. • Any corrections should be submitted to IT for processing.	OnGoing - OnTrack	Management requested an extension of February 1, 2023. The extenstion date correlates with the implementation of LIS upgrades.	Low
		3B	Information Technology	Tammie Hollowell	9/16/2019 12:00:00 AM	3.B.Work with the developer to address database duplications, such as in the LIS Development Fee and LU_Flat_Fee tables. Assess how redundancy in tables might impact future data migration efforts, time and impact of making adjustments now. Any potential updates should be discussed with the Division.	OnGoing - OnTrack	Community Development has completed the final stages of contract negotiation to develop enhancements to the LIS software from the EMS vendor which will address the recommendations of the audit.	Low

Audit Observation Risk Rating	
High	Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High risk observations should be implemented to mitigate current gaps in areas with a significant impact or
Moderate	Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate risk observations should be implemented to strengthen or increase efficiency in the internal control
Low	Represents an observation for consideration by management for correction or implementation associated the process being audited. Low risk observations should be implemented to improve efficiency and effectiveness of operations.

CITY OF SURPRISE
City Audit Committee

Council Meeting Date: November 10, 2021
Submitting Department: City Manager Office
Staff Recommendations:

Contact Person: Connie Bowers
District: Citywide

Consent: No Regular: No Public Hearing: No Report/Discussion: No

Agenda Wording:

Presentation and discussion of the Annual Internal Audit Activity Report for FY2020-2021.

Motion:

NA

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2021-2022 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

Objective Analysis:

The mission of the City Audit Committee is to provide advice to city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the internal auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion and possible action will lend itself to the oversight and advisory components of the mission statement. City staff does not anticipate any negative impacts at this time.

Policy Compliant:

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Financial Impact:

This item relates to work performed as part of the FY2021-2022 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. FY2021 Annual Activity

SURPRISE

ARIZONA

Annual Internal Audit Activity Report

FY2020-2021

November 3, 2021

Carol Holley, Sr. Internal Auditor

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Background

The City of Surprise (City) established the current Internal Audit (IA) Program in November 2015. From November 2015 to June 2021, IA has completed and distributed 33 audit and informational reports.

In FY2018-2019, IA received budgetary authorization to increase staffing size from one to two full-time auditors. The increase in staffing has allowed IA to expand auditing operations and raise awareness of opportunities to address City operational risks identified in audit reports.

In FY2020-2021, IA experienced a transition in staffing as one auditor resigned, and a new auditor was hired in October 2020. During this period, IA has seen a temporary decrease in completed audit projects as IA works to fully train audit staff.

IA continues to develop an internal audit program that adds value to City operations and departments. Technology is used as a resource to increase efficiency and effectiveness in audit procedures and processes. This includes the continued use of SharePoint to automate the monitoring process for audit recommendations. Caseware IDEA software is used to analyze 100% of the audit population versus sampling to provide auditors with a more precise understanding of audit data reviewed.

Surprise Internal Audit

Vision

The development of people, systems, and processes that delivers innovative and effective auditing services to the City of Surprise.

Mission

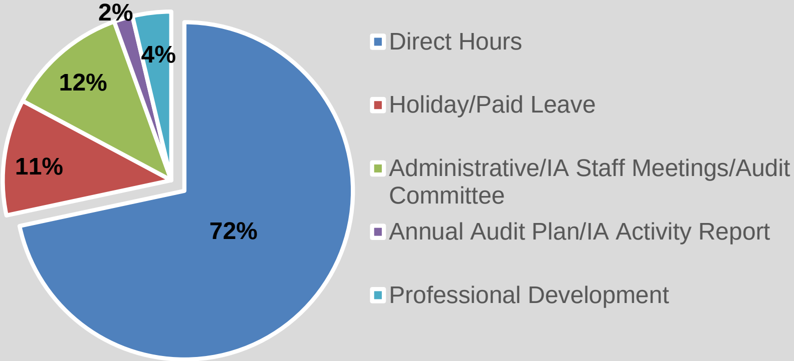
To provide independent, objective, accurate, and timely auditing services that are designed to improve operations, cultivate transparency, and accountability.

For more information or to contact Internal Audit:
https://www.surpriseaz.gov/2561/Internal-Auditor

Productivity

Available Audit Hours

During FY2020-2021 **72%** of Available Audit Hours Were **Directly** Related to Conducting Audits:



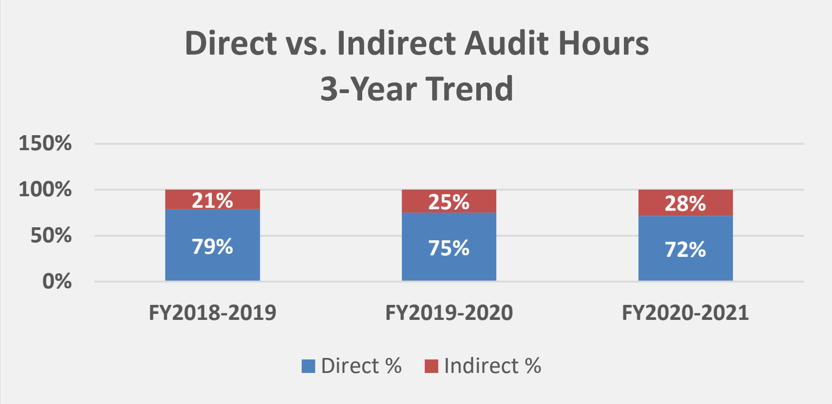
Internal Audit Efficiency & Quality Assurance

Generally Accepted Government Auditing Standards (GAGAS) require IA to establish a quality control system to assess compliance with GAGAS. IA verify conformance to GAGAS by:

- Using the Association of Local Government Auditors (ALGA) "Peer Review of Audit Engagement" checklist for completed audit report
- Conducting periodic self-assessments – During FY2020-2021, IA reviewed 100% of completed projects and found a few deficiencies related to working papers. Deficiencies were corrected. No deficiencies impacted the finalized audit report.
- External peer assessments – Representatives from ALGA conducted our last evaluation in March 2018, and IA earned a passing status.

Direct vs. Indirect Audit Hours

IA's % of direct audit hours decreased from the prior fiscal year from 75% to 72%. The decrease is temporary and will adjust upwards with the completion of staff training.



Continuing Professional Education (CPEs)

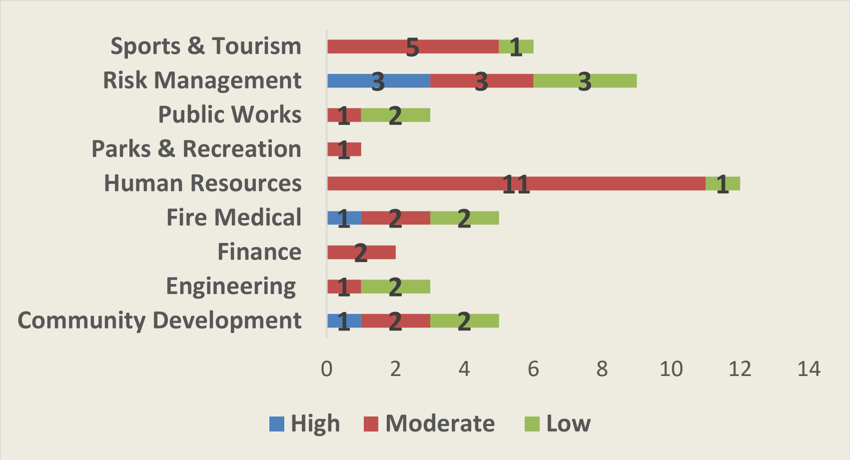
GAGAS Section 4.16 requires auditors to maintain professional competence through at least 80 hours of CPEs every two years. During FY2020-2021, IA staff meet GAGAS professional competency requirements by participating and receiving at least 40 CPEs per staff member for FY2020-2021. An example of training topics taken by staff included:

- Business Ethics
- Data Analytics and Data Ethics
- Fraud Awareness
- Information Technology Security
- GAGAS Virtual Boot Camp

In addition to GAGAS CPE compliance, in FY2020-2021, each IA staff member maintained a professional certification and or an advanced degree.

Summary of Audit Recommendations

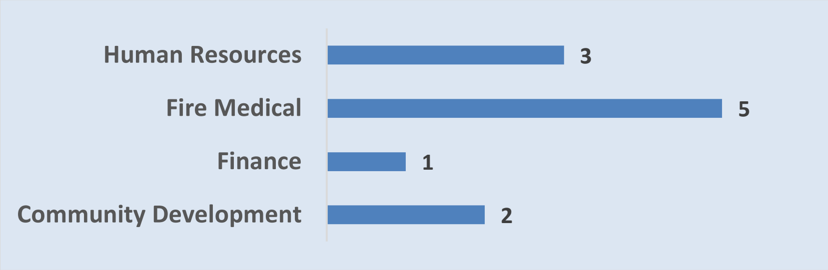
Audit Recommendations Monitored During FY2020-2021



Total Recommendations Monitored for the FY - 46

Summary of Audit Recommendations Pending Completion as of November 3, 2021

City departments are generally completing audit recommendations in a timely manner. 82% (9 out of 11) of the pending completion recommendations were issued during FY2020-2021. The remaining two recommendations were issued in FY2019-2020 and are pending a system implementation that is currently in process.



Total Pending Recommendations - 11

Recommendation Concurrence

During FY2020-2021, IA audits contained eight findings and resulted in 21 audit recommendations designed to:

- Strengthen internal control over personal identifiable information and City assets
- Address excessive access to City systems and data
- Promote compliance with City and Arizona state policies and regulations related to the Federal E-Verify Program, the Drug Enforcement Administration, and state-approved retention schedules

Auditees concurred with audit recommendations and worked to develop action plans to address identified risks.

On the Horizon

GAGAS Section 5.60 requires an audit organization conducting engagements in accordance with GAGAS to obtain an external peer review conducted by reviewers independent of the audit organization being reviewed. Peer reviews should occur at least once every three years. Internal Audit received and successfully passed its first peer review in March 2018.

As a result of the COVID-19 pandemic, the U.S. Government Accountability Office granted the ALGA the authority to extend peer review deadlines temporally. ALGA has lifted the temporary extension and will coordinate the City's second ALGA peer review in March 2022.