CITY OF SURPRISE
City Audit Committee Meeting
16000 N. Civic Center Plaza
Surprise, AZ 85374
Wednesday, February 16, 2022 @ 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 the November 10, 2021 City Audit Committee meeting minutes.	None City Manager Office
2.	Citywide	Discussion and possible action pertaining to the Quarterly Summary of Audit Recommendations Status Report.	City Manager Office
3.	Citywide	Presentation and status discussion of current audit projects.	City Manager Office
4.	Citywide	Discussion pertaining to the Association of Local Government Auditors (ALGA) 2022 Peer Review.	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: February 14, 2022 at 8:25 AM

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 Meeting

Council Meeting Date: February 16, 2022
Submitting Department: City Manager Office
Staff Recommendations: None

Contact Person:
District: Citywide

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

Agenda Wording:

Consideration and action pertaining to the November 10, 2021 City Audit Committee meeting minutes.

Motion:

I move to approve the minutes of the November 10, 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 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 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. 2021-11-10 Summary AC-Draft

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

Wednesday, November 10, 2021 – 3:30 p.m.

CALL TO ORDER

Chair Connie Bowers called the **Audit Committee Meeting** to order at 3:33 p.m. at Surprise City Hall, Overflow Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Wednesday, November 10, 2021.

ROLL CALL

Connie Bowers, Chair, Alan Meyer, Committee Member, Brenda Kiner, Committee Member, Councilmember Chris Judd, Seth Dyson HSCV Director, Andrea Davis, Director of Finance, Councilmember Ken Remley (Absent)

PLEDGE OF ALLEGIANCE

CURRENT EVENTS AND REPORTS

None.

STAFF REPORTS

None.

STAFF PRESENT

Carol Holley, Internal Auditor-Sr., Michael Frazier, City Manager, Donna Meuse, Human Resources Director, Connie Welsch, HR Manager, Jackie Moucheron, Staff Liaison Genevieve Martin Del Campo, Staff Liaison.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

1. **Action item: Consideration and action pertaining to approval of August 16, 2021, Audit Committee meeting minutes:**
   Councilmember Judd moved to approve the August 16, 2021, Audit Committee Meeting minutes, and Chair Bowers seconded the motion. Motion carried 4-0.

2. **Action item: Discussion and action pertaining to changes to the approved FY2021-2022 Annual Audit Plan.**

Committee Member Meyer asked are you recommending a virtual audit, onsite audit or not making a recommendation? Carol Holley answered she would prefer the virtual because it would save the city money and with COVID it would be the safer choice.

Councilmember Judd asked about this year's annual audit and if you don't have time to get to an item(s), do they roll over to next year's plan, and Carol Holley answered yes.

Committee Member Meyer moved to approve the changes to the approved FY2021-2022 Annual Audit Plan, and Committee Member Kiner seconded the motion. Motion carried 4-0.

3. **Action item: Discussion and possible action pertaining to the Quarterly Audit Recommendations Status report.**

   Committee Member Meyer asked how are the audit tasks/projects selected, and Carol Holley answered that she usually provides a suggested recommendation to the committee and then the committee votes on those projects. The committee also has the option to make recommendations.

   Committee Member Kiner asked if there is an ROI evaluation for each one of the changes that would be made, and Carol Holley answered yes.

   Committee Member Kiner asked if there was community feedback on the projects selected to audit, and Carol Holley answered not as of date there hasn't been community feedback.

   Councilmember Judd moved to approve the Quarterly Audit Recommendations Status report, and Committee Member Meyer seconded the motion. Motion carried 4-0.

4. **Presentation & Discussion item: Presentation and Discussion of the Annual Internal Audit Activity Report for FY 2020-2021.**

   Committee Member Meyer asked if the suggestion was made that we do something to help the auditors minimize the work cases, and Carol Holley answered we do meet with the auditor, but that would be up to the external auditors. Committee Member Davis continued to explain the external auditing process within the Finance Department.

Committee Member Kiner asked if the public can come in and say we want you to focus on a certain item and shift and add projects to the audit plan. Carol Holley replied we are required to base our audit plan on risk factor.

Councilmember Judd asked if the 1st & 2nd agenda items were part of the plan for the year and Carol Holley replied yes. Councilmember Judd then asked so going through those items, if there was something we as a committee were concerned about this is where we can make that move and Carol Holley answered yes.

Committee Member Meyer asked if there was a standard audit program so that you don't have to reinvent the wheel with every new project and Carol Holley answered no and the reason why is because each department is uniquely different so we have to create and assess each time we go into a department.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

Committee Member Kiner requested a copy of the audit risk assessments for current and recently completed projects.

The next Audit Committee Meeting will be held on February 16, 2022 at 3:30 p.m., and after that the Audit Committee Meeting will be held on March 31, 2022 at 3:30 p.m.

EXECUTIVE SESSION

None.

ADJOURNMENT

Councilmember Judd moved to adjourn. Committee Member Meyers seconded the motion. Motion carried 4-0. The meeting was adjourned at 4:09 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, November 10, 2021.**

____
Sherry Ann Aguilar, City Clerk, MMC

CITY OF SURPRISE
City Audit Committee Meeting

Council Meeting Date: February 16, 2022
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 Summary of Audit Recommendations Status Report.

Motion:
I move to approve and distribute the Quarterly Summary of Audit Recommendation Status Report.

Background:
This item has been placed on the agenda to discuss the results of work performed as part of the Annual Audit Plan approved by the Audit Committee at the start of each 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.

Policy Compliant:
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Financial Impact:
This item relates to work performed as part of the 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. Audit Recommendation Status Report-3Feb2022

SURPRISE
ARIZONA

Audit Recommendation Status Report

February 3, 2022

Carol Holley, Sr. Internal Auditor

Summary

Periodically, Internal Audit (IA) reports to the City of Surprise (City) Audit Committee on actions taken by staff to address audit recommendations. This report summarizes actions taken by staff from November 4, 2021 to February 3, 2022.

During the period, 11 audit recommendations were tracked and monitored by IA. Seven (64%) recommendations were implemented, and four (36%) recommendations continue to be monitored by IA staff. Exhibit A summarizes the four OnGoing audit recommendations.

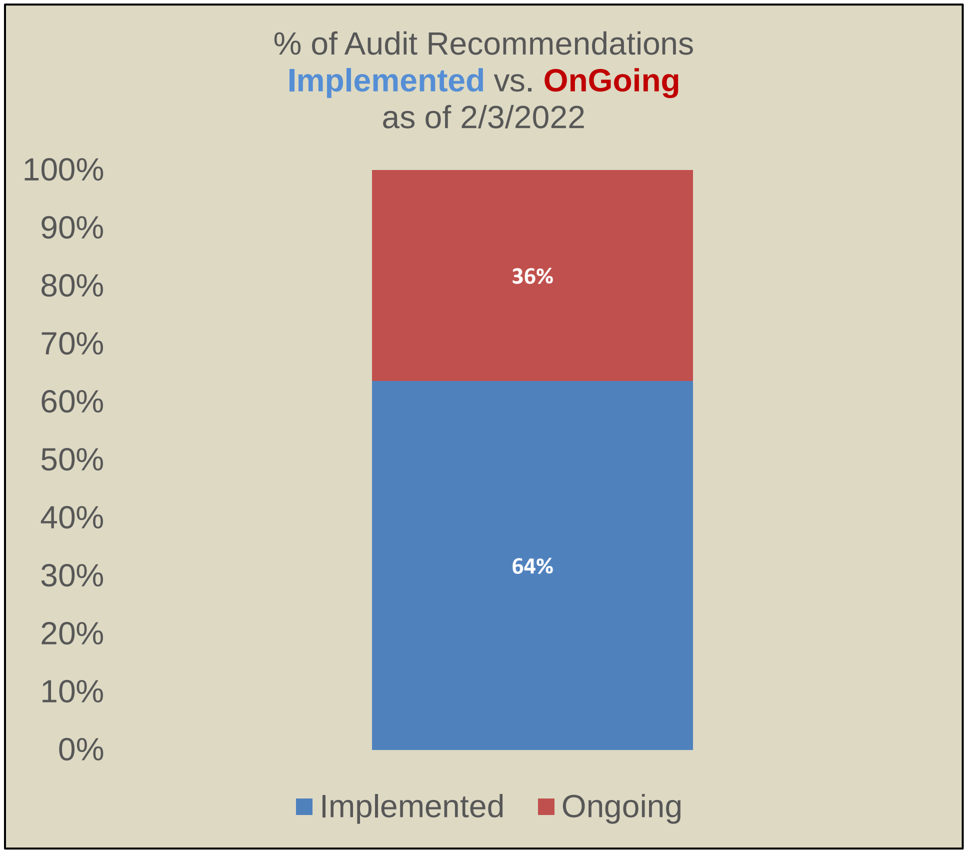
The Finance Department closed out a prior quarter audit recommendation by developing and documenting a policy and procedure requiring staff to periodically audit city contractors and subcontractors to ensure compliance with the federal E-Verify Program and the related Arizona Revised Statutes.

The Fire-Medical Department completed three out of five (67%) audit recommendations. Management's action plan included streamlining the staff certification tracking program. Policies and procedures were updated to comply with the Arizona Department of Health Services regulations for documenting the custodial transfer of drug boxes at shift changes.

Human Resources (HR) closed three prior period audit recommendations that included developing and documenting a formalized training program to guide staff on complying with the federal E-Verify Program.

IA appreciates the time and resources allocated by the Finance, Fire-Medical, and HR departments to reduce the number of open audit recommendations.

Contents



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.)**

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	Report Date	Recommendation	Current Status	Management Update Comments	Risk Level
OnGoing - OnTrack								
	2020-01	**Building Safety Permit Processing**						
		3A	Community Development	6/16/2019 12:00:00 AM	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 extension date correlates with the implementation of LIS upgrades.	Low
		3B	Information Technology	9/16/2019 12:00:00 AM	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	See Audit ID 2020-01, Section ID 3A. The estimated completion date was extended to February 1, 2023 as this item is directly related to the LIS upgrades.	Low
	2021-01	**Fire-Medical Pharmaceutical Safeguards and Contracts Audit**						
		1A	Fire - Medical	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.	OnGoing - OnTrack	This recommendation is still valid and will be completed by July 1, 2022	High
		1C	Fire - Medical	12/30/2020 12:00:00 AM	Ensure compliance with the DEA pharmaceutical refrigerator protocol.	OnGoing - OnTrack	When the Property Evidence and Readiness Center is finally completed, then the DEA pharmaceutical refrigerator will be installed.	High

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.

CITY OF SURPRISE
City Audit Committee Meeting

Council Meeting Date: February 16, 2022
Submitting Department: City Manager Office
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:
Presentation and status discussion of current audit projects.

Motion:
NA

Background:
This item has been placed on the agenda to discuss the results of work performed as part of the Annual Audit Plan approved by the Audit Committee.

Objective Analysis:
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FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

CITY OF SURPRISE
City Audit Committee Meeting

Council Meeting Date: February 16, 2022
Submitting Department: City Manager Office
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:
Discussion pertaining to the Association of Local Government Auditors (ALGA) 2022 Peer Review.

Motion:
NA

Background:
This item has been placed on the agenda to discuss the status of the March 2022 external peer review required by the U.S. Government Accountability Office Generally Accepted Government Auditing Standards 5.60.

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.

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