SURPRISE
ARIZONA

Audit Committee
16000 North Civic Center Plaza
Council Overflow Room
Surprise, AZ 85374

September 25, 2019

MEETING MINUTES – Draft (updated 10/29/19)

CALL TO ORDER

The meeting was called to order at 3:30 pm by Chair Holdaway, followed by the Pledge of Allegiance.

ROLL CALL

Chair Melissa Holdaway, Vice-Chair Connie Bowers, Councilmember Ken Remley, John Holland, Andrea Davis, Finance Director, Tammie Hollowell, IT Director and Councilmember Chris Judd (arrived 3:45 p.m.)

STAFF PRESENT:

Carol Holley, Internal Auditor-Sr., Alison Matthees, Internal Auditor, Robert Wingo, City Attorney, Mark Schott, Assistant City Manager and Gloria Bianco, Committee Secretary,

1. **Action item: Approval of June 19, 2019, Audit Committee meeting minutes** – Vice-Chair Connie Bowers motioned to approve the minutes. Second, by John Holland. Four yes votes, motion carried.

2. **Presentation to the Audit Committee by the City Attorney's Office pertaining to the Arizona Open Meeting Law.** – Robert Wingo, City Attorney, provided a brief overview of the Open Meeting Law. He reminded the committee that they are a public body and as such all laws in the state of Arizona will apply to them. Additional items touched on:
No meetings either sequential, via a technological device or at a meeting place of a majority of the committee should not occur even over time. If you respond to an email, do not respond via reply all. One exception to this if any of you feel that an item should be placed on a future agenda, there can be a request however, no additional discussion can occur.
Executive Session, what is said in Executive Session, is confidential by law. City Attorney will generally be there if this committee should have one.
Conflict of interest, if a matter comes before the board that would impact you financially or property interest, you must recuse yourself from discussion and voting. Arizona law requires

you to do this in writing. The City of Surprise has a conflict of interest form that should be filled out and submitted to the Secretary of this board. If you ever have a question about a matter, feel free to contact the City Attorneys office to assist in identifying whether you do have a conflict of interest.
Gifts, you are prohibited from accepting any gifts.
The City has adopted Robert Rules of order. Conduct your meetings in an efficient and civil matter. Robert's rules can be summed up in one rule "Do onto others as you would have them do unto you."

3. Presentation and discussion of changes to the Surprise Municipal Code Chapter 2, Article VIII, Section 2-204 pertaining to Audit Committee Membership. – Carol Holley advised the changes made to the Municipal Code and approved by Mayor and Council at their September 5, 2019 Council meeting, as it pertains to the Audit Committee.

a. Appointment to the Audit Committee is made by the Mayor.
   Two Department employee committee staff member are now non-voting members
b. Deleted a statement in the ordinance related to the administrative purpose statement.
c. Redefined a quorum as 3 voting members, one of whom shall be a City Council member.

4. Consideration and action approving September 25, 2019, changes to the Audit Committee Bylaws. –
CM Ken Remley, Motioned to approve the Audit Committee bylaws as written with these following amendments.

a. Add language to annually select and vote for a Chair and Vice-Chair.
b. Add language to include The Chair can delegate authority to staff to present Audit Committee reports at a Council Meeting after every quarterly meeting.

CM Remley mentioned that the external audit, when presented to Council, should be presented by the External Auditor and Finance Director at either a Work Session or Council meeting.

Motion Second, by Vice-Chair Connie Bowers. Five yes votes, motion carried.

5. Discussion and action pertaining to the Bond Summary Report – Allison Matthees provided a summary on how bond funds were spent. This audit is part of our continuous review procedures. The focus was on pavement preservation. It was determined by the Internal Auditors that the funds for payment preservation were spent in alignment with voter-approved purposes.
Comment by CM Remley if any money was leftover from bond projects that leftover money would be used to pay down the bond and not used for another project.

John Holland motioned to approve and distribute the Bond Summary report. Second, by Councilmember Chris Judd. Five yes votes, motion carried.

6. Discussion and action pertaining to approval of the Benefits and Enrollment Audit Report – Mrs. Matthees advised that this was a full audit report on HR's internal controls around benefits and enrollment, focusing on effectiveness and efficiency of benefits processes, safeguarding of financial assets, adequacy of information technology, and compliance with regulations. The observations were split into High Medium or Low risk. High-risk observations focused on establishing or enhancing payroll changes and some pieces on regulatory compliance, Medium-risk areas focused on things that we are doing, but we need to formalize and document detailed policy and procedures, and segregation of duties. The lowest risk area focused on things to think about, to increase efficiencies.

Councilmember Chris Judd motioned to approve and distribute the Benefits and Enrollment Internal Audit Report. Second, by Vice-Chair Connie Bowers. Five yes votes, motion carried.

7. Discussion and action pertaining to FY2019-20 1st Quarter summary of Audit recommendations – Ms. Holley updated the Commission on open audit recommendations. We have 7 high risks, 8 moderate risks, and 7 low-risk items that the IA team is monitoring. 2 common trends identified in the audit recommendations are:

a. Reconcile and review transactions and account balances to ensure the accuracy and completeness of data.
b. Document policies and procedure to provide staff guidance.

CM Remley was concerned that the Clerks public records request recommendations have not been adopted. Mrs. Davis advised that Finance has had an opportunity over the summer to review the fee schedule; the schedule will be reorganized for a better understanding of them.

CM Remley also had a concern about Parks and Recreation's financial system. Finance has been working with Parks & Recreation and the vendor to have changes done to the software. We are now showing a balance and match with the Cities accounts receivable GL. We are now working on the credit piece.

John Holland motioned to approve and distribute the 1st Quarter summary of audit recommendations. Second, by Vice-Chair Connie Bowers. Five yes votes, motion carried.

Open Discussion:

No further discussion

Date and Time of Next Meeting:

It was decided to have our next meeting on Wednesday, January 29, 2020, at 3:00 pm. Gloria will send meeting notices to everyone.

Discussion topic: The external audit, presented by Heinfeld, Meech & Co., P.C.

Adjournment:

Vice-Chair Connie Bowers motioned to adjourn the meeting. Second, by Councilmember Remley. Five yes votes, motion carried.

The meeting adjourned at 4:25 p.m.

Submitted by

Carol Holley

Carol Holley, Internal Auditor – Sr.

The foregoing instrument is a full, true, and correct copy of the original document on file in the office of the City Clerk, City of Surprise, Arizona.

ATTEST BY: April R. Jeie

Gloria Bianco, Committee Secretary

DATE: 2/3/2020

Mission statement:

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