SURPRISE
ARIZONA

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

June 19, 2019

MEETING MINUTES – Approved

CALL TO ORDER

The meeting was called to order at 3:31 pm by Vice-Chair Bowers followed by the Pledge of Allegiance.

ROLL CALL

Vice-Chair Connie Bowers, Councilmember Chris Judd, Councilmember Ken Remley Andrea Davis, Finance Director John Holland (welcome to our new member) and Tammie Hollowell, IT Director

ABSENT

Chair Melissa Holdaway, excused absent

STAFF PRESENT:

Carol Holley, Internal Auditor-Sr., Gloria Bianco, Committee Secretary, Terry Lowe, Assistant City Manager.

Action item: Approval of March 13, 2019, Audit Committee meeting minutes – Councilmember Ken Remley motioned to approve the minutes. Second, by Councilmember Chris Judd. Six yes votes, motion carried.

Discussion and action pertaining to a 4th Quarter summary of Audit recommendations:

This report is a summary of outstanding audit recommendations. Currently, there are seven on-going recommendations. Two are related to the City Clerk's Public Records Request audit. Five are related to the Community Recreation & Services (CRS) Program Registration audit. The estimated completion of the recommendations is in October 2019. CRS is close to completing the recommendations related to the CRS Program Registration Audit. The department is working with the Finance Department to develop a revenue policy and to reconcile their Accounts Receivables.

CRS now have policies in place to review their collectible accounts promptly. Councilmember Remley asked the Internal Auditor for a status update on how many CRS accounts have been sent to collections since October 2018. The Internal Auditor will provide this information at a later date.

Councilmember Judd motion to approve and distribute the 4th Quarter summary of audit recommendation. Second, by Councilmember Remley. Six yes votes, motion carried.

Discussion and action pertaining to the Payroll Error Review Memo:

This review is part of our Continous Review Program. A staff member noticed an error on their check and we wanted to determine if this was a one-time error or perhaps a more comprehensive issue. We looked at 100% of payroll adjustments made for part-time employees for the period of July 1, 2018 to April 24, 2019 and could not find another instance of this error. The error occurred due to a manual process to modify staff members hours from part-time worked in a full-time position. Additional details of payroll processes will be shared at the next Audit Committee meeting as part of the payroll benefit audit. Currently, the payroll benefit audit is in the Management response stage.

Recommendations from our Audit team was to review pay rate changes during each bi-weekly payroll process, define procedures when there are payroll changes outside Munis workflow and if there is a significate change to an employees paycheck, a notification would be sent to the employee advising of the change.

Mrs. Davis motioned to approve and distribute the Payroll Error review memo. Second, by Mr. Holland. Six yes votes, motion carried.

Discussion and action pertaining to the Accounts Payable Continuous Review Report:

This is another Continuous Review Program. IDEA audit software allowed us to look at 100% of the transactions. The objective was to identify possible accounts payable (A/P) invoice duplicate payments, any conflicts of interest, missed discounts, noncompliance with purchase order (PO) dollar threshold, and duplicate vendors.

Findings: Electronic medical documents with employee personal identifiable information, three duplicate payments, PO and/or contract number are not always updated in Munis to assist with monitoring the authorized spending levels, and POs are not always obtained as required by City procurement policy.

Internal Audit noted best practices were implemented by Finance to reduce errors and to enforce segregation of duties.

The next status report will include an update to these items. This report will be on-going and possibly automated report.

Councilmember Remley moved to approve and distribute the Accounts Payable Continuous Review Report. Second, by Mrs. Davis. Six yes votes, motioned carried.

Discussion and action pertaining to the FY2018-2019 Annual Internal Audit Activity Report:

The purpose of this report is to summarize Internal Audit FY2018-2019 activities, discuss issues or concerns, and to identify where staff sees Internal Audit in the future.

The FY2018-2019 Annual Audit Plan allocated 82% of available audit hours to direct hours. Internal Audit used 79% of available audit hours as direct hours. Reasons contributing to not meeting the 82% goal included the hiring of a new employee, additional training, and unscheduled meetings.

During FY2018-2019, 11 reports were generated, six completed with one pending.

Internal Audit's future primary challenge is to leverage additional technology.

Mrs. Hollowell moved to approve and distribute the FY2018-2019 Annual Audit Activity Report. Second, by Councilmember Judd. Six yes votes, motioned carried.

Consideration and action pertaining to the FY2019-2020 Annual Audit Plan:

Ms. Holley discussed next fiscal year audit plan. More time will be spent on our Continuous Review Program, special requests, and requests from the Audit Committee. The big project for FY2019-2020 will be the Internal Control Assessment. This is a citywide project designed to identify potential high-risk activities that might impact City assets. The Internal Control Assessment project, tentatively, will overflow to the next fiscal year's audit plan.

More than 4,000 available audit hours will be spent on audits this next fiscal year.

Mr. Holland motioned to approve the FY2019-2020 Annual Audit Plan. Second, by Tammi Hollowell. Six yes votes, motioned carried.

Discussion pertaining to the engagement letters for the City of Surprise's June 30, 2019, annual external audit conducted by Heinfeld Meech:

Mrs. Davis advised the committee that the external audit is underway. Cost for the audit is approximately $100,000 the amount fluctuates depending on any additional audits the auditors are asked to perform.

Executive Session:

Councilmember Judd moved to enter into executive session for the presentation and discussion of the Information Technology documents deemed confidential by law. Second, by Andrea Davis. 6 yes votes, motion carried at 4:21 pm

Reconvened the regular meeting at 4:42 pm.

Action pertaining to approval of the Information Technology Internal audit report:

Mrs. Davis motioned to approve the confidential Information Technology audit report. Second, by Councilmember Remley. Six yes votes, motioned carried.

Open Discussion:

No further discussion

Date and Time of Next Meeting:

It was decided to have our next meeting on Wednesday, September 25, 2019, at 3:30 pm. Gloria will send meeting notices to everyone.

Adjournment:

Councilmember Remley motioned to adjourn the meeting. Second, by Mrs. Davis. Six yes, votes, motion carried.

The meeting adjourned at 4:50 p.m.

Submitted by

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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: ____________________________________
Gloria Bianco, Committee Secretary

DATE: ____________________________________

Mission statement:

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