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

Wednesday, August 12, 2020 – 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, Council Chambers, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Wednesday, August 12, 2020.

ROLL CALL

Connie Bowers, Chair, John Holland, Aaron Bacon, Seth Dyson HSCV Director, Vice Mayor Chris Judd, Councilmember Ken Remley, Andrea Davis, Finance Director

PLEDGE OF ALLEGIANCE

CURRENT EVENTS AND REPORTS

None.

STAFF REPORTS

None.

STAFF PRESENT

Carol Holley, Internal Auditor-Sr., Mike Gent, Deputy City Manager, Lloyd Abrams, Assistant Planning Director, Breanne Lorefice, Staff Liaison.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

1. **Action item: Consideration and action pertaining to approval of January 29, 2020, Audit Committee meeting minutes:**
   Vice Mayor Judd moved to approve January 29, 2020, Audit Committee Meeting minutes, Committee Member Holland seconded. Motion carried 5-0.

2. **Action item: Consideration and action pertaining to the Building Safety Permit audit report:**

Carol Holley presented the Building Safety Permit audit report. There was a discussion around the recommendation that a new enterprise system is needed before the audit could be completed.

There was a discussion involving the cost of the new system if the system would be new or a newer version of the current LIS system, and what the timeline would be for the implementation of the new system and when the next audit would take place.

Committee Member Holland moved to approve the Building Safety audit report. Councilmember Ken Remley seconded the motion. Motion carried 5-0.

3. **Discussion and Action pertaining to the Land Information System Plan Review and Permit Records memo:**
Carol Holley presented on the Land Information System (LIS) Plan Review and Permit Records memo. Ms. Holley stated that based on the review of the Community Development Department, the audit team identified some information that needed to be accessed separately. When looking at the Community Development audit they pulled a large selection of transactions and noticed that some of those transactions were related to the Engineering Department. It was decided that the Engineering Department should assess those transactions because not all of them had payment information associated with them. The conclusion is that reconciliation and review procedures are in place for materially managing plan reviews and permit records. A change in accounting procedures and undocumented policies and procedures for updating payments has resulted in some inconsistency in updating payment information. It is recommended that Engineering assess the status of the LIS Engineering plan review and permit records updated with a permit "Issued Date" but without updated payment information. Engineering should research to determine the next course of action. Develop and document a policy and procedure for monitoring invoices generated, pending payment and permit pickup.

There was a discussion to clarify the information in the report.

Committee Member Bacon moved to approve and distribute the Land Information System Plan Review Permit Records. Vice Mayor Judd seconded the motion. Motion carried 5-0.

4. **Action item: Discussion and action pertaining to the Ottawa License Agreement Report:**
Carol Holley presented on the Ottawa License Agreement Report. It was concluded that the contract was processed in compliance with City policies and procedures. No high-risk exceptions were noted. There were two recommendations: include a specific

payment due date and a late payment penalty clause as part of agreement terms, and submit copies of agreement documents to the City Clerk's Office for filing.

There were no questions.

Committee Member Bacon moved to approve and distribute the Ottawa License Agreement report. Councilmember Ken Remley seconded the motion. Motion carried 5-0.

5. **Action item: Discussion and action pertaining to the Workers' Compensation Audit:**
   Carol Holley presented on the Workers' Compensation Audit. It was concluded that the procedures performed indicate that defined controls exist around claim management and required documentation retention, regulatory compliance and city-wide payment processing to materially ensure the accuracy and completeness of the Workers Compensation process. There were two high-risk recommendations: The Risk Division should formalize and document procurement relationships with frequent providers and establish effective claim review procedures.

   A discussion was had about the enterprise system used for claims processing. There was further discussion about the process for how audit recommendations are followed up on by departments.

   Councilmember Ken Remley moved to accept the Worker's Compensation audit report. Vice Mayor Chris Judd seconded the motion. Motion carried 5-0.

6. **Action Item: Discussion and action pertaining to the Subrogation Error Memo:**
   Carol Holley presented on the Subrogation Error Memo. During the Worker's Compensation audit process, it was discovered that a claim for an auto accident was processed outside of the best processes of the City. It was recommended that the Risk Management Division should implement a secondary review of incoming subrogation payments to verify the transaction is processed appropriately including, but not limited to, all supporting documentation is saved with the claim in the Origami system, and consider implementing relevant recommendations from the forthcoming Worker's Compensations audit which are relevant to other claims processing including, but not limited to, establishing periodic supervisor reviews of ongoing and closed claims, and documenting enhanced policies and procedures.

   There was a discussion on how the claim was handled and what the ultimate outcome of the situation was.

   Committee Member Holland moved to approve and distribute the Subrogation Error memo. Vice Mayor Judd seconded the motion. Motion carried 5-0.

7. **Action Item: Discussion and action pertaining to the Bond Summary Continuous review report:**
   Carol Holley presented on the Bond Summary continuous review report. It was concluded that the bond funds for traffic mitigation were being spent in alignment with voter-approved purposes. No material observations or recommendations for improvement were noted.

   A discussion was had related to providing the audit committee with a report of what the bond projects actual cost was compared to what was estimated originally and whether there were bond funds that were unspent that needed to be applied back to the principle and the reduction of people's property taxes. There was also some discussion to clarify some numbers provided in the report.

   Committee Member Bacon moved to approve and distribute the Bond Summary Continuous Review Report. John Holland seconded the motion. Motion carried 5-0.

8. **Action Item: Discussion and action pertaining to the Fleet Management audit report:**
   Carol Holley presented on the Fleet Management audit report. It was concluded that procedures performed indicate that controls exist around asset acquisition and disposal, inventory receipt, and work order management. It was recommended that Fleet Management should develop and document asset management procedures to ensure the security of parts and tools during the departmental move to the new fleet facility in April 2020. Establish formal inventory records and procedures around parts on hand pending return to suppliers for credit or sale as surplus goods. Ensure sufficient systematic user access restriction and segregation of duties exist to safeguard City fleet assets.

   A discussion was had related to the facility move and how inventory was accounted for. Mike Gent, Deputy City Manager, spoke to this. Further discussion was had related to fleet inventory and how we account for assets citywide.

   Committee Member Holland moved to approve and distribute the Fleet Management audit report. Committee Member Bacon seconded the motion. Motion carried 5-0.

9. **Action Item: Discussion and action pertaining to the Cash Handling-Surprise Stadium Box Office audit report.**
   Carol Holley presented on the Cash Handling-Surprise Stadium Box Office audit report. It was concluded that defined controls exist around recurring training of employees, dual custody of cash, recurring cash counts, physical security of the controlled area, and safe deposit and change management procedures to materially ensure the accuracy and completeness of the Box Office's cash.

   A discussion was had related to if the City has city-wide policies and procedures.

Committee Member Bacon moved to approve and distribute the Cash Handling-Surprise Stadium Box Office audit report. Vice Mayor Judd seconded the motion. Motion carried 5-0.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

None.

EXECUTIVE SESSION

Vice Mayor Judd moved to recess into executive session. Committee Member Holland seconded the motion. Motion carried 5-0.

Chair Bowers, called the meeting back to order at 4:50 p.m.

A discussion was had on the date for the next Audit Committee Meeting. It was decided that the next Audit Committee Meeting will be held on November 19, 2020, at 3:30 p.m.

ADJOURNMENT

Councilmember Ken Remley moved to adjourn. Committee Member Bacon seconded the motion. Motion carried 5-0. The meeting was adjourned at 4:53 p.m.

ATTEST:

Connie Bowers

Connie Bowers, Chair

Breanne Lorefice

Breanne Lorefice, 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

Sherry Ann Aguilar, City Clerk, MMC