



**CITY OF SURPRISE
City Audit Committee
16000 N. Civic Center Plaza
Surprise, AZ 85374**

Wednesday, September 7, 2022 @ 3:30 PM
COMMUNITY 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 June 8, 2022 meeting minutes. | City Auditor |
| 2. | Citywide | Consideration and action pertaining to the amendment of the Audit Committee Bylaws. | City Auditor |
| 3. | Citywide | Discussion and action pertaining to the FY2021-2022 Annual Audit Activity Report. | City Auditor |
| 4. | Citywide | Discussion and action pertaining to the FY2022-2023 Annual Audit Plan. | City Auditor |
| 5. | Citywide | Discussion and updates about pending internal audit recommendations as of August 29, 2022. | City Auditor |

- 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: August 30, 2022 at 2:30 PM

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: September 7, 2022
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Consideration and action pertaining to approval of the June 8, 2022 meeting minutes.

Motion:

I move to approve the minutes of the June 8, 2022, 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 2021-2022 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 the 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 city 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 city 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:

No financial impact.

Budget Impact:

No budget impact.

FTE Impact:

No FTE impact.

ATTACHMENTS:

1. 2022-06-08 Summary AC-Draft
-

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

Wednesday, June 8, 2022 – 3:30 p.m.

CALL TO ORDER

Vice-Chair Alan Meyer called the **Audit Committee Meeting** to order at 3:34 p.m. at Surprise City Hall, Overflow Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Wednesday, June 8, 2022.

ROLL CALL

Brenda Kiner, Chair (Absent), Alan Meyer, Vice-Chair, Connie Bowers, Committee Member (Absent), Councilmember Chris Judd, Councilmember Patrick Duffy, Holly Osborn, Director of Parks and Recreation, Andrea Davis, Director of Finance

PLEDGE OF ALLEGIANCE

CURRENT EVENTS AND REPORTS

None.

STAFF REPORTS

None.

STAFF PRESENT

Carol Holley, Internal Auditor-Sr., Genevieve Martin Del Campo, Staff Liaison.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

1. **Action item: Consideration and action pertaining to the March 31, 2022 Audit Committee meeting minutes:**

Councilmember Judd moved to approve the March 31, 2022, Audit Committee Meeting minutes, and Councilmember Duffy seconded the motion. Motion carried 3-0.

2. **Action item: Discussion and action pertaining to the March 30, 2022 ALGA External Quality Control Review Report:**

Committee Member Meyer commented that having done peer reviews in the past, it is unusual for a result to be favorable with no comments. He further said that Carol Holley did better than most and then congratulated her on a job well done.

Councilmember Judd said that he wished to echo Committee Member Meyers's comment. He further said that Carol Holley did a nice job and thanked her for her hard work.

Councilmember Judd moved to approve the March 30, 2022, ALGA External Quality Control Review Report, and Councilmember Duffy seconded the motion. Motion carried 3-0.

3. Action item: Consideration and action pertaining to the amended Audit Committee Bylaws approved by a majority vote on March 31, 2022:

Carol Holley states that an additional amendment to the Audit Committee Bylaws is needed before they can be signed and distributed. She further states that the amendment will be to include language indicating that the Director of Finance will be a permanent non-voting member of the Audit Committee.

Councilmember Judd asked if the new language will replace the language regarding the financial expert being appointed to the Audit Committee. Carol Holley responds no, that the financial expert language will remain in the Bylaws. She continued by saying the part that will be changed is contained on page 4 where it says, "the terms for councilmembers appointed by the Mayor will expire at the discretion of the Mayor." The additional language will be added there stating that the Director of Finance will become a permanent member at the discretion of the City Manager.

Councilmember Judd asked if Carol Holley sees any issues with that. He said that he can see a scenario where Andrea Davis, Director of Finance might be out of the office, in which case the Deputy Finance Director will be able to provide high-quality advice. Andrea Davis said that instead of saying it has to be the Finance Director, the language could say "Finance Director or designee". She further stated that if she were to be absent during a meeting, and an issue with the County or an ACFR were to come up, the other appointed staff member may not have the detailed knowledge of that side to answer questions or provide insight. Adding the term "or designee" would allow her to send the Deputy Director of Finance in her place.

Councilmember Judd asked if any additional changes to the Bylaws needed to be made regarding Carol Holley's new independence as an appointed position. Carol Holley responds no. She continued that she reflected that in the Policies and Procedures but it is not something that needs to be approved by the Audit Committee.

Councilmember Judd moved to amend the Audit Committee Bylaws to include the language indicating that the Director of Finance, or designee, will be a permanent

non-voting member of the Audit Committee, and Councilmember Duffy seconded the motion. Motion carried 3-0.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

The next Audit Committee Meeting will be held on September 7, 2022, at 3:30 p.m.

EXECUTIVE SESSION

None.

ADJOURNMENT

Councilmember Duffy moved to adjourn, and Councilmember Chris Judd seconded the motion. Motion carried 3-0. The meeting was adjourned at 3:48 p.m.

ATTEST:

Brenda Kiner, 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, June 8, 2022.**

Sherry Ann Aguilar, City Clerk, MMC



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: September 7, 2022
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Consideration and action pertaining to the amendment of the Audit Committee Bylaws.

Motion:

I move to sign and distribute the amended Audit Committee Bylaws approved by the Committee's majority vote.

Background:

This item was placed on the March 31, 2022, agenda to discuss changes to the Audit Committee Bylaws to clarify Audit Committee terms. The changes to the Audit Committee Bylaws were approved on March 31, 2022, by a 4-0 majority vote. The Surprise Municipal Code, Sec. 2-304(b) authorizes the Audit Committee to: "adopt bylaws which will at a minimum include and address voting rights, meetings, and member terms. The bylaws may include any rules or policies which enable the audit committee to perform and carry out any of the duties enumerated herein."

Objective Analysis:

The mission of the City Audit Committee is to provide advice to the 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 city 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 (b) of the Surprise Municipal Code directs the Audit Committee to adopt bylaws that will, at a minimum, include and address voting rights, meetings, and member terms. The bylaws may include any rules or policies which enable the audit committee to perform and carry out any of the duties enumerated herein.

Financial Impact:

No financial impact.

Budget Impact:

No budget impact.

FTE Impact:

No FTE impact.

ATTACHMENTS:

1. Audit Committee By Laws -Revised 7Sept2022
 2. Audit Committee By Laws -Revised(Signature Line)7Sept2022
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SURPRISE

ARIZONA

Audit Committee **Bylaws**

Revised: September 7, 2022

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I. Ordinance

On September 6, 2016, Ordinance #2016-25 of the Mayor and Council of the City of Surprise amended Chapter 2, Article VIII of the Surprise Municipal Code by adding Section 2-304, Audit Committee, that formally established an Audit Committee and its powers and duties.

II. Purpose

The purpose of the Audit Committee (AC) shall be to provide advice to City Council in respect to fulfilling its oversight responsibilities regarding the integrity of the financial statements of the City of Surprise, Arizona (City). The AC will further assist and advise the ~~Internal Auditor (IA)~~ City Auditor (CA) 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. Consistent with this function, the AC endeavors to encourage continuous improvement of, and foster adherence to, City policies, procedures and practices at all levels.

III. Composition

The AC shall consist of seven (7) members: two (2) elected City council members appointed by the Mayor, three (3) citizens, and two (2) City department executives appointed by the City Manager. **The Finance Director (or designee) will serve as a permanent member of the AC as the financial expert at the discretion of the City Manager.**

AC members should have an understanding of financial reporting, accounting, auditing, or related business field(s), be familiar with local government operations, and have sufficient time to effectively perform the duties listed herein. At least one (1) member shall be designated as the "financial expert."

The **voting** members of the AC will designate a Chairperson and Vice-Chairperson by majority vote. The Chairperson has the authority to sign correspondence and resolutions as the official representative of the AC. During the absence of the Chairperson, the Vice-Chairperson shall act as the presiding officer over all AC meetings and activities.

Members will be appointed for a period not exceeding two (2) years, after which they will be eligible for re-appointment for one (1) additional term. Each term shall start on

July 1st of the applicable year. Any vacancy shall be filled in a timely manner. Members shall be appointed to achieve staggered two (2) year terms. Nevertheless, members appointed to fill a vacancy in an unexpired term will serve through the immediately succeeding June 30th of the vacancy's unexpired term, and then automatically serve a full two (2)-year term starting on July 1st of the respective year. Terms for council members appointed by the Mayor will expire at the discretion of the Mayor.

IV. Voting

Each **voting** member of the AC shall have one (1) vote. AC members must be present at the time of the vote. The act of the majority of AC members present at the meeting, at which a quorum is present, is the act of the AC. A quorum shall consist of **three (3) voting** AC members, one (1) of whom shall be a City council member. **A majority shall mean more than half of the voting members present at a meeting. The two city department executive members shall be non-voting members.**

AC members cannot vote on any matter in which they, directly or indirectly, have a material interest.

~~V. Conflict of Interest~~

~~AC members will annually provide written declarations to the Chairperson stating they do not have any conflicts of interest that would preclude them from being members of the AC.~~

VI. Responsibility

The AC's primary duties and responsibilities include:

- ❖ Reporting to the City Council on problem areas as deemed appropriate
- ❖ Reviewing and approving the **City Auditor Department's (CAD)** Annual Audit Plan. In making its pre-approval determination, the AC shall consider whether providing any non-audit services is compatible with maintaining the **CAD's** independence.
- ❖ Considering and reviewing with the **CA**:
 - ✓ Significant audit findings during the year and management's responses to them
 - ✓ Monitoring follow-up on reported findings to assure corrective action is taken
 - ✓ Any difficulties encountered during the performance of an audit conducted, including any restrictions or limitations on audit scope or access to required information
 - ✓ Any changes required in the planned scope of the Annual Audit Plan
 - ✓ The **CAD's** Audit Charter

- ✓ The CAD's overall performance and its compliance with accepted standards for the professional practice of internal auditing
- ❖ Evaluating findings and recommendations resulting from the CAD's peer review
- ❖ Meeting at least once annually with the City's external auditor to discuss the City's Comprehensive Annual Financial Report and other applicable risk management and City financial concerns.
- ❖ The AC may, in its discretion, also review reports from City management on other finance, legal, and administrative issues to the extent that it deems appropriate or necessary.
- ❖ Periodically assess the AC's performance under the bylaws, reassess the adequacy of the bylaws, and report to the City Council the results of the evaluation and any recommendations for proposed changes to the bylaws
- ❖ Performing other functions as requested by City Council

VII. Compliance

The AC shall:

- ❖ Discuss significant risk exposures periodically with the independent external auditor, City management and the CA
- ❖ Review the steps and programs that City management and the CA have taken to identify, monitor, control and report such exposures
- ❖ Establish procedures whereby employees can confidentially and anonymously submit to the AC concerns or issues regarding the City's accounting, compliance, ethical, or auditing matters
- ❖ Periodically require City management, the CA and the independent external auditor to review, report and comment on significant City risks or exposures and actions needed to minimize such risks or exposures
- ❖ Review the City code of ethics and recommend any changes or additions
- ❖ Consider any emerging issues that the AC should become involved with in the future

VIII. Other Responsibilities

The AC shall oversee the CA's receipt, retention and treatment of fraud, **hotline waste, and abuse** complaints regarding accounting, internal accounting controls, or auditing matters **reported to the CA**. The CA shall keep a record of complaints and inform the AC periodically of complaints received and actions taken for resolution.

IX. Meetings

The AC shall meet as frequently as circumstances dictate, but no less than four times annually. All AC members are expected to attend each meeting, in person or via tele or

video-conference. The AC will invite members of City management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and executive sessions. The AC shall name a Chairperson, who shall prepare and/or approve an agenda in advance of each meeting. A majority of the members of the AC shall constitute a quorum. The AC shall maintain minutes or other records of meetings and activities of the AC.

The AC shall, through its Chairperson (or designee), report regularly to the City Council following the meetings of the AC, addressing such matters as the quality of the City's financial statements, compliance with legal or regulatory requirements, the performance and independence of the external auditors, the performance of the internal audit function or other matters related to the AC's functions and responsibilities.

X. Access

The AC may request reports from the Chief Financial Officer or City department heads. The AC may retain (and determine the funding for) experts to advise or assist it, including outside counsel, accountants, financial analysts or others, and the organization shall provide sufficient funding therefore.

XI. Limitation of Audit Committee's Role

While the AC has the responsibilities and powers set forth in the bylaws, it is not the duty of the AC to plan or conduct audits or to determine that the City's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulation. These are the responsibilities of City management and the independent external auditor.

Members of the AC are entitled to rely on the expertise, knowledge, and professional judgment of City management, the CA, the independent external auditor(s), and any consultant or expert retained by the AC. The AC's responsibilities are not to be interpreted as a substitute for the professional obligations of others.

Nothing contained in the bylaws are intended to expand the applicable standards of liability under statutory or regulatory requirements for the City Council.

XII. Authority

The AC has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- ❖ Advise City Council on the appointment, and compensation, and oversee the work of any registered public accounting firm hired by the City

- ❖ Resolve any disagreements between City Management and the independent external auditor regarding financial reporting, and other non-auditing services
- ❖ Resolve any disagreements between City Management and the CA regarding audit scope, observations, and recommendations
- ❖ Obtain any information it requires from any City employee, volunteer, or other external parties, subject to legal confidentiality restrictions, necessary to complete AC responsibilities
- ❖ Request attendance of any employee or volunteer of the City and its enterprises at AC meetings
- ❖ Pre-approve all auditing and non-audit services
- ❖ Retain independent counsel or others to advise the AC or assist in the conduction of an investigation
- ❖ Request from City Council, sufficient funds to exercise the powers and duties set forth herein

These bylaws and the policies therein become effective immediately upon adoption by the Audit Committee.

Audit Committee Chair	Date
Audit Committee Vice Chair	Date
Audit Committee Councilmember	Date
Audit Committee Councilmember	Date
Audit Committee Member	Date



SURPRISE

ARIZONA

Audit Committee Bylaws

Revised: September 7, 2022

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succeeding June 30th of the vacancy's unexpired term, and then automatically serve a full two (2)-year term starting on July 1st of the respective year. Terms for council members appointed by the Mayor will expire at the discretion of the Mayor.

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V. Responsibility

The AC's primary duties and responsibilities include:

- ❖ Reporting to the City Council on problem areas as deemed appropriate
- ❖ Reviewing and approving the City Auditor Department's (CAD) Annual Audit Plan. In making its pre-approval determination, the AC shall consider whether providing any non-audit services is compatible with maintaining the CAD's independence.
- ❖ Considering and reviewing with the CA:
 - ✓ Significant audit findings during the year and management's responses to them
 - ✓ Monitoring follow-up on reported findings to assure corrective action is taken
 - ✓ Any difficulties encountered during the performance of an audit conducted, including any restrictions or limitations on audit scope or access to required information
 - ✓ Any changes required in the planned scope of the Annual Audit Plan
 - ✓ The CAD's Audit Charter
 - ✓ The CAD's overall performance and its compliance with accepted standards for the professional practice of internal auditing
- ❖ Evaluating findings and recommendations resulting from the CAD's peer review
- ❖ Meeting at least once annually with the City's external auditor to discuss the City's Comprehensive Annual Financial Report and other applicable risk management and City financial concerns.
- ❖ The AC may, in its discretion, also review reports from City management on other finance, legal, and administrative issues to the extent that it deems appropriate or necessary.
- ❖ Periodically assess the AC's performance under the bylaws, reassess the adequacy of the bylaws, and report to the City Council the results of the evaluation and any recommendations for proposed changes to the bylaws

- ❖ Performing other functions as requested by City Council

VI. Compliance

The AC shall:

- ❖ Discuss significant risk exposures periodically with the independent external auditor, City management and the CA
- ❖ Review the steps and programs that City management and the CA have taken to identify, monitor, control and report such exposures
- ❖ Establish procedures whereby employees can confidentially and anonymously submit to the AC concerns or issues regarding the City's accounting, compliance, ethical, or auditing matters
- ❖ Periodically require City management, the CA and the independent external auditor to review, report and comment on significant City risks or exposures and actions needed to minimize such risks or exposures
- ❖ Review the City code of ethics and recommend any changes or additions
- ❖ Consider any emerging issues that the AC should become involved with in the future

VII. Other Responsibilities

The AC shall oversee the CA's receipt, retention and treatment of fraud, waste, and abuse complaints regarding accounting, internal accounting controls, or auditing matters reported to the CA. The CA shall keep a record of complaints and inform the AC periodically of complaints received and actions taken for resolution.

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The AC shall meet as frequently as circumstances dictate, but no less than four times annually. All AC members are expected to attend each meeting, in person or via tele or video conference. The AC will invite members of City management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and executive sessions. The AC shall name a Chairperson, who shall prepare and/or approve an agenda in advance of each meeting. A majority of the members of the AC shall constitute a quorum. The AC shall maintain minutes or other records of meetings and activities of the AC.

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Members of the AC are entitled to rely on the expertise, knowledge, and professional judgment of City management, the CA, the independent external auditor(s), and any consultant or expert retained by the AC. The AC's responsibilities are not to be interpreted as a substitute for the professional obligations of others.

Nothing contained in the bylaws are intended to expand the applicable standards of liability under statutory or regulatory requirements for the City Council.

XI. Authority

The AC has the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- ❖ Advise City Council on the appointment, and compensation, and oversee the work of any registered public accounting firm hired by the City
- ❖ Resolve any disagreements between City Management and the independent external auditor regarding financial reporting, and other non-auditing services
- ❖ Resolve any disagreements between City Management and the CA regarding audit scope, observations, and recommendations
- ❖ Obtain any information it requires from any City employee, volunteer, or other external parties, subject to legal confidentiality restrictions, necessary to complete AC responsibilities
- ❖ Request attendance of any employee or volunteer of the City and its enterprises at AC meetings
- ❖ Pre-approve all auditing and non-audit services

- ❖ Retain independent counsel or others to advise the AC or assist in the conduction of an investigation
- ❖ Request from City Council, sufficient funds to exercise the powers and duties set forth herein

These bylaws and the policies therein become effective immediately upon adoption by the Audit Committee.

Audit Committee Chair	Date
Audit Committee Vice Chair	Date
Audit Committee Councilmember	Date
Audit Committee Councilmember	Date
Audit Committee Member	Date



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: September 7, 2022
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Discussion and action pertaining to the FY2021-2022 Annual Audit Activity Report.

Motion:

I move to approve and distribute the FY2021-2022 Annual Audit Activity Report.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY 2021-2022 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 the 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 city 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 city 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. Qrtly Audit CMTE 7Sept2022
 2. FY2021-2022 Annual Audit Activity29Aug22
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SURPRISE
ARIZONA

AUDIT COMMITTEE

September 7, 2022
3:30 PM

NEW STAFF MEMBERS

Athena DoBell-Garcia, Internal Auditor Sr.:

- Certified Fraud Examiner, Certified Internal Auditor
- Internal Audit for over ten years
- Before the City of Surprise: Full-Time Faculty with the Colangelo College of Business at Grand Canyon University, teaching Auditing and Accounting.

Angela Hanson, Internal Auditor:

- Seven years of auditing experience with the Office of the Auditor General
- Seven years of teaching experience at Arizona public schools
- Bachelor of Science, Accountancy
- Bachelor of Arts, Education
- Two daughters, two dogs, and weakness is sour jellybeans

FY2021-2022 ANNUAL AUDIT ACTIVITY REPORT

Highlights

- Organizational independence strengthened with the appointment of a City Auditor who reports administratively to the Mayor and Council
- Presented four audit reports and two informational reports
- Passed Association of Local Government Auditors (ALGA) Peer Review – Next Peer Review 2025
- Team Member for two ALGA Peer Reviews
 - Deschutes County Internal Audit Program
 - City of Long Beach Auditor’s Office
- 44% temporary decrease in direct audit hours
- Met Government Auditing Standards CPE requirements
- 60% of Audit recommendations monitored during FY2021-2022 were implemented
 - Continue to monitor 12 Audit recommendations
 - 10 High-risk related to protecting City data

FY2021-2022 ANNUAL AUDIT ACTIVITY REPORT

FY2022-2023 Horizon

- Update Department's Citywide Risk Assessment
- Development of a periodic newsletter
- Network with professional organizations and local Internal Audit shops
- Software update for tracking audit recommendations

FY2022-2023 ANNUAL AUDIT PLAN

- Each auditor is required to complete one audit report per quarter
 - 11 audit projects
 - All audit projects completed by March 31, 2023
- April 1, 2023, through June 30, 2023
 - Citywide Risk Assessment
 - Newsletter
 - Annual audit reports
 - Contingency audits, if time allows; if not, projects moved to FY2023-2024 Annual Audit Plan
- KPI of 75% direct audit hours will not be met for FY2022-2023
 - New staff training and acclimation with City processes and procedures
 - Fourth quarter allocated to indirect CAD projects

FY2022-2023 ANNUAL AUDIT PLAN

Current Audit Projects In Progress

As of August 29, 2022

- Continuous Monitoring P-Card Transactions – Draft report with management responses is completed
- Continuous Monitoring Payroll Transactions – September 16, 2022
- Vendor Master File – September 30, 2022
- Signature Authorization – October 14, 2022
- Utility Billing – October 31, 2022

AUDIT RECOMMENDATIONS SUMMARY

as of August 29, 2022

Department	Report Name	Report Date	High	Moderate	Low
FY2019-2020					
Community Development	Building Safety Permit Processing	9/16/2019			1
FY2020-2021					
Fire-Medical	Fire-Medical Ambulance Contracts Audit	12/30/2020	3		
FY2021-2022					
Human Resources (HR)	AP Trends and Analysis	9/8/2021	1		
Information Technology (IT)	AP Trends and Analysis	9/8/2021	2		
Finance	AP Trends and Analysis	9/8/2021	4		
FY2022-2023					
Finance	Continuous Monitoring P-Card Transactions	8/16/2022	2	7	
Total			12	7	1

➤ **Community Development**

- Pending Implementation of Land Information System

➤ **HR/IT/Finance – AP Trends and Analysis**

- Joint recommendations related to PII – Estimated completion date 10/31/2022

➤ **Finance – Continuous Monitoring P-Card Transactions**

- Initiated during FY2021-2022 and completed in FY2022-2023 – Draft report in the distribution review process



SURPRISE

ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You



S U R P R I S E
A R I Z O N A

Annual City Auditor Activity Report
FY2021-2022

July 19, 2022
Carol Holley, City Auditor

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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>

Year in Review

The purpose of this report is to highlight the accomplishments of the City Auditor Department (Department) for FY2021-2022.

During FY2021-2022, the Department’s organizational independence was strengthened when the newly appointed City Auditor was designated to report administratively to the Mayor and Council and functionally to the City’s Audit Committee (AC).

With a temporary decrease in staffing during FY2021-2022, three audit reports, carried forward from FY2020-2021, were presented to the AC during the first quarter of FY2021-2022. Three additional audit and informational reports were presented throughout FY2021-2022. As of June 30, 2022, the Department continued to monitor 15 out of the 30 audit recommendations tracked throughout FY2021-2022. The audit recommendations were designed to reduce risk to City data, assets, and resources.

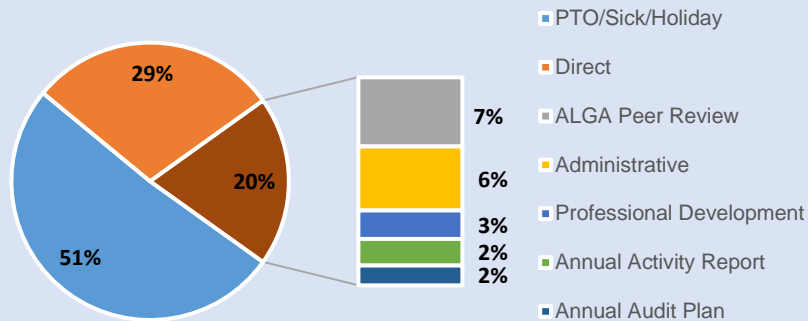
Generally Accepted Government Auditing Standards (GAGAS) require audit organizations conducting engagements in accordance with GAGAS to obtain an external peer review conducted by reviewers independent of the audit organization being reviewed. On March 30, 2022, the Department received a “Pass” rating from the Association of Local Government Auditors (ALGA). The “Pass” rating attests that the Department’s “...internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards for audit and attestation engagements during the period January 1, 2019, through December 31, 2021.” GAGAS requires the Department to complete its next peer review in 2025.

Through ALGA’s GAGAS peer review program, the City Auditor served as a team member on the GAGAS peer review for the Deschutes County Internal Audit Program and the City of Long Beach Auditor’s Office.

Productivity & Training

Available Audit Hours

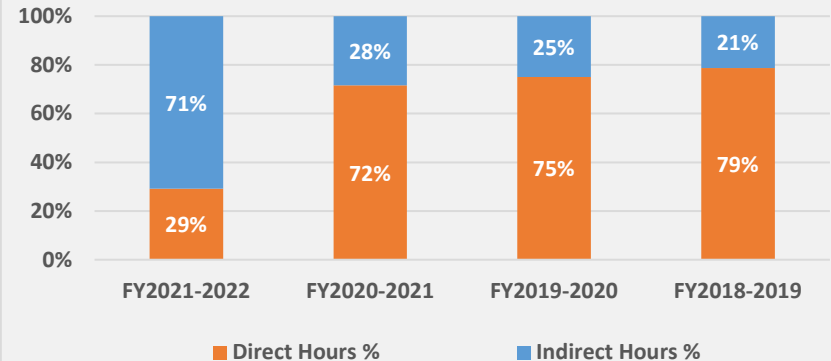
FY2021-2022 Use of Available Audit Hours



A temporary 44% increase in PTO and sick leave and time allocated to the required GAGAS peer review impacted the number of direct audit hours available to complete audit projects for FY2021-2020.

Direct vs. Indirect Audit Hours

4-Year Trend of Direct vs. Indirect Use of Audit Hours



Active FTEs for FY2021-2022 decreased from two to one. The vacancy was filled in July 2022.

Professional Associations

During FY2021-2022, the Department continued to network with local West Valley internal audit shops and professional organizations as an avenue to share auditing best practices, experience, and knowledge:

- Association of Local Government Auditors (ALGA)
 - ✓ Awards Program Committee
 - ✓ Peer Review Team
- Information Systems Auditor and Control Association (ISACA)
- Institute of Internal Auditors (IIA)

Continuing Professional Education (CPEs)

GAGAS Section 4.16 requires auditors to maintain professional competence through at least 80 hours of CPEs every two years. A minimum of 20 CPEs is required each year.

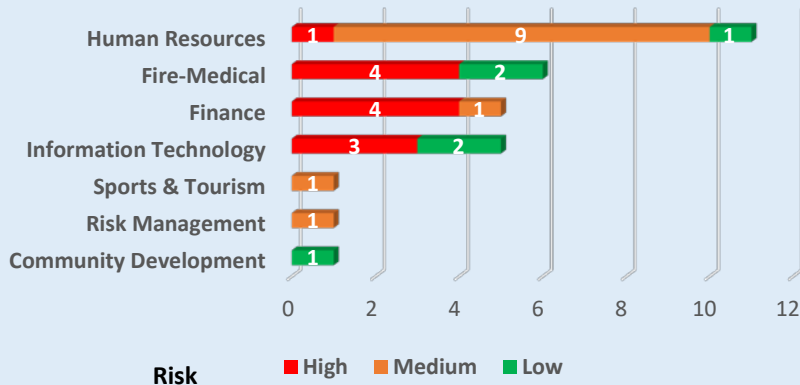
During FY2021-2022, the City Auditor met the GAGAS professional competency requirements by participating and receiving 71 CPEs for the calendar years of 2021 and 2022. An additional nine hours of CPEs are scheduled for 2022. An example of training topics taken by the City Auditor included:

- Computer Security
- Government Auditing - Risk Assessment and Control Activities
- Fraud Detection and Prevention

Summary of Audit Recommendations & Horizon

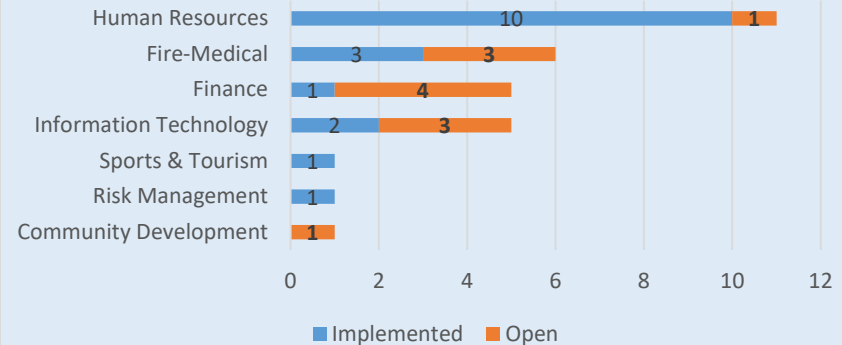
30 Audit Recommendations Monitored During FY2021-2022

Audit Recommendations by Department



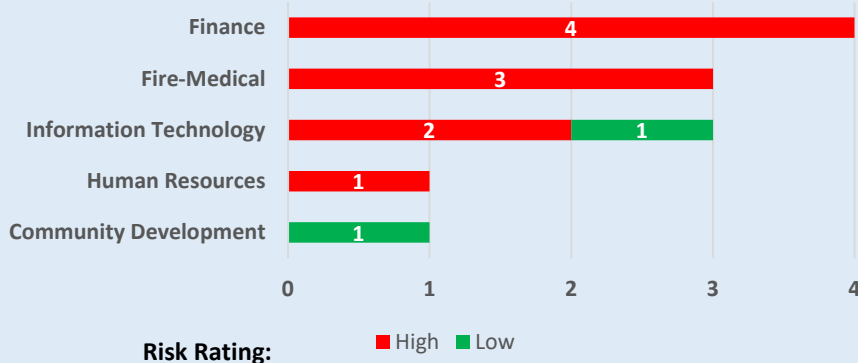
60% of Audit Recommendations Monitored During FY2021-2022 were Implemented

Audit Recommendations Implemented vs. Open as of June 30, 2022



Risk Rating for Open Recommendations

As of June 30, 2022 12 Recommendations Carried Forward to FY2022-2023 for Monitoring



On the Horizon

With the approval of the FY2022-2023 City budget, the Department's staff level increased to three full-time employees. The additional staff will help to support the Department's initiative of:

- Updating the risk assessment process and performing a citywide risk assessment for the use of audit planning
- Networking with professional organizations and local internal audit shops to identify and share ideas related to best practices and new trends that will add value to the audit process and increase efficiencies
- Developing a periodic newsletter geared toward providing City departments with helpful suggestions on internal controls and the internal auditing process
- Software update for tracking audit recommendations





**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: September 7, 2022
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Discussion and action pertaining to the FY2022-2023 Annual Audit Plan.

Motion:

I move to approve and distribute the FY2022-2023 Annual Audit Plan.

Background:

This item has been placed on the agenda to discuss the internal audit work scheduled by the City Auditor Department during FY2022-2023.

Objective Analysis:

The mission of the City Audit Committee is to provide advice to the 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 city 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 city 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 internal audit projects scheduled as part of the FY 2022-2023 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. FY2022-2023 Audit Plan
-



**City Auditor Department
Annual Audit Plan
FY2022-2023**

Activities	Department	Objectives	Estimated Hours
I. Projects expected to be completed within FY2022-2023:			
Utility Billing	Finance	Evaluate controls in place for collecting, recording, and reconciling utility billing statements	400
Court Fee Waivers	City Court	Determine if fee waivers are processed in compliance with the Courts Compliance Assistance Program (CAP)	200
Non-Capital Assets	Citywide	Assess the effectiveness of citywide management of assets under \$5,000	500
Accounts Payable	Finance	Determine whether procedures and processes comply with City policies, procedures, municipal code, and laws and regulations	500
Procurement	Finance	Determine whether the city's procurement process complies with city policies, procedures, municipal code, and laws and regulations	500
Management of Policies and Procedures	Citywide	Determine the status and effectiveness of Citywide documented policies and procedures and determine if they are robust enough to achieve City and departmental objectives.	500
Fleet Repairs & Maintenance	Fleet Management	Assess the effectiveness and efficiency of vehicle maintenance & fleet operating services	500
Desk Audits	Citywide	Analytical review of financial trends and transactional data, including but not limited to: Vendor Master File, Signature Authorization, Payroll, Travel, P-Card, Tuition Reimbursement, Mileage Reimbursement, Contracts, and Expenditures	600
II. Projects contingent for FY2022-2023 based on available time after completion of Part I projects:			
Payroll	HR	Determine whether Payroll processes comply with City policies and procedures	-
Solid Waste Operations	Public Works Solid Waste Division	Determine whether adequate and effective controls, risk management, and governance processes are in place over critical areas of operations	-
Total Estimated Direct Hrs.			3700
Estimated Direct Hrs. %			62%
Administrative			
Audit Committee/City Council	City Audit	Preparation and attendance for periodic meetings	50
Annual Audit Reports	City Audit	Annual Audit Plan Annual Audit Activity Report	100
ALGA Peer Review	City Audit	ALGA Peer Review Participation as a team member	80
Meetings/Misc./Westside Auditors Networking	City Audit	Misc. Meetings/Administrative Tasks/Unplanned management requests for service/Participate in an external Peer Review as a team member	100
Citywide Risk Assessment	Citywide	Assessment of City risk by audit unit in preparation for the development of the FY2023-2024 Annual Audit Plan	1080
Initial training for newly hired auditors	City Audit	Review of City Audit Departmental policies & procedures, auditing standards, city operations,	240
Internal Audit Team Retreat	City Audit	Review and discussion of FY2022-2023 activities, assessment and discussion of Internal Audit growth opportunities, and planning for FY2023-2024	60
GAGAS 3.76 Requires auditors to obtain a total of 80 CPEs every two years	City Audit	To meet Government Auditing Continuing Professional Education standards	120
Holidays/City Closure	City Audit	City Holidays	310
Paid Leave (PTO/PSO)	City Audit	Estimated PTO/PSO (7/1/2022 to 6/30/2023)	160
Total Estimated Indirect			2,300
Estimated Indirect Hrs. %			38%
Estimated Total Audit Hrs.			6,000



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: September 7, 2022
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Discussion and updates about pending internal audit recommendations as of August 29, 2022.

Motion:

There is no motion associated with this item.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY 2021-2022 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 the 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 city 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 city 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:
