



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

Wednesday, December 7, 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 approval of the September 7, 2022 meeting minutes. City Auditor
2. Citywide Discussion and possible action pertaining to the Continuous Monitoring: Citywide Procurement Cards Audit Report. City Auditor
3. Citywide Discussion and possible action pertaining to the Quarterly Audit Recommendations Status Report. 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: December 02, 2022 at 9:40 AM - Amended December 02, 2022 at 10:08 AM (updated the meeting room)

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: December 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 September 7, 2022 meeting minutes.

Motion:

I move to approve the minutes of the September 7, 2022 City Audit Committee meeting.

Background:

N/A

Objective Analysis:

N/A

Policy Compliant:

N/A

Financial Impact:

N/A

Budget Impact:

N/A

FTE Impact:

N/A

ATTACHMENTS:

1. 2022-09-07 Minutes Summary AC-Draft
-

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

Wednesday, September 7, 2022 – 3:30 p.m.

CALL TO ORDER

Vice-Chair Alan Meyer called the **Audit Committee Meeting** to order at 3:30 p.m. at Surprise City Hall, Overflow Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Wednesday, September 7, 2022.

ROLL CALL

Brenda Kiner, Chair (Absent), Alan Meyer, Vice-Chair, Tatiana Young, Committee Member, 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, City Auditor, Angela Hanson, Internal Auditor, Athena DoBell-Garcia, Internal Auditor-Sr. (Remotely listened in), Erick Martin, Accounting Manager, Jackie Moucheron, Staff Liaison.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

1. **Action item: Consideration and action pertaining to the approval of the June 8, 2022 Audit Committee meeting minutes:**

Councilmember Duffy moved to approve the June 8, 2022, Audit Committee Meeting minutes, and Alan Meyer seconded the motion. Motion carried 4-0.

2. **Action item: Consideration and action pertaining to the amendment of the Audit Committee Bylaws:**

Carol pointed out the changes that were made to the Audit Committee Bylaws. There were no additional questions about the changes that were made.

Alan Meyer moved to approve the amendment of the Audit Committee Bylaws, and Councilmember Judd seconded the motion. Motion carried 4-0.

3. Action item: Discussion and action pertaining to the FY2021-2022 Annual Audit Activity Report:

Carol gave an overview of the FY2021-2022 Annual Audit Activity Report.

Councilmember Judd asked what are some of the other cities using if they are not using SharePoint. Carol responded that for tracking their audits some of them have actual auditing software such as TeamMate. Councilmember Duffy asked if SharePoint was auditing stuff. Carol responded no, SharePoint is not auditing software the only thing we use it for is to track our audit recommendations, but we do have an auditing tracking system. Tatiana Young asked how many people have access to SharePoint. Carol replied that it depends on how many audits we have going at that time.

Councilmember Judd moved to approve the FY2021-2022 Annual Audit Activity Report, and Alan Meyer seconded the motion. Motion carried 4-0.

4. Action item: Discussion and action pertaining to the FY2021-2022 Annual Audit Plan:

Carol gave an overview of the FY2021-2022 Annual Audit Plan. Carol stated that after they complete all of their regular audits if there is additional time there are two areas considered contingent audits. If all audit reports are complete, on April 1st, they will start the risk assessment as a team. If there is still time left in that last quarter they will start on one of the contingent audits. Tatiana Young asked if procurement regulates all city services. Carol answered yes.

Councilmember Duffy moved to approve the FY2021-2022 Annual Audit Plan and Alan Meyer seconded the motion. Motion carried 4-0.

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

Carol gave an update on the status of audit recommendations. Carol stated that they started out with thirty audit recommendations that were being managed in FY2021-2022. At this time they have narrowed it down to twelve high-risk audits, seven moderate, and one low-risk audit. The majority of the high-risk transactions are related to data security and PII controls. IT is working to come up with a management action plan that they will be implementing sometime in October.

Councilmember Duffy asked if IT has data security issues. Carol replied that when they were doing their audits they found instances where the data itself that was

stored inside of some of the systems was not adequately protected. The city has a policy that states if we have sensitive information it has to be encrypted in transit and at rest. Staff is currently working to assess how much data potentially has sensitive information and what will be done about it. This is why Finance and IT are working on a plan to determine how the city is going to manage this information in our system as well as retrain our employees on how to handle confidential/sensitive data.

Councilmember Duffy asked how the information is stored now compared to how it was before. Andrea replied that it's all electronic, it's just a matter of redacting the sensitive information that goes in.

Councilmember Judd asked if the information is stored electronic local or cloud. Andrea replied servers right now, but switching to the cloud.

Councilmember Duffy asked if there was a system that can detect automatically if it is confidential information. Carol replied that these are pictures and isn't sure if the system can detect the confidential information.

Tatiana Young stated that in her organization they have a records management department that monitors sensitive information because finance cannot handle that. Carol replied correct, but we don't have a records department which is why we are going with the staff training aspect.

Carol stated that they have one old recommendation from Community Development. We are leaving it there until 2023. Community Development was supposed to get a new system this year, but has decided to keep its current LIS system and do some upgrades and modifications to it. Once it's complete we will go back and do a full audit on Community Development for developmental services.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

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

EXECUTIVE SESSION

None.

ADJOURNMENT

Alan Meyer moved to adjourn, and Councilmember Duffy seconded the motion. Motion carried 4-0. The meeting was adjourned at 4:27 p.m.

ATTEST:

Brenda Kiner, Vice-Chair
Alan Meyer

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

DRAFT



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: December 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 possible action pertaining to the Continuous Monitoring: Citywide Procurement Cards Audit Report.

Motion:

I move to approve and distribute the Continuous Monitoring: Citywide Procurement Cards Audit Report.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY 2022-2023 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.

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 FY 2022-2023 Annual Audit Plan approved by the Audit Committee to identify 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. Continuous Auditing_Citywide PCard Audit Report
 2. Qrtly Audit CMTE 7Dec2022
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S U R P R I S E

A R I Z O N A

**Continuous Auditing: Citywide
Procurement Cards
Audit Report**

August 16, 2022

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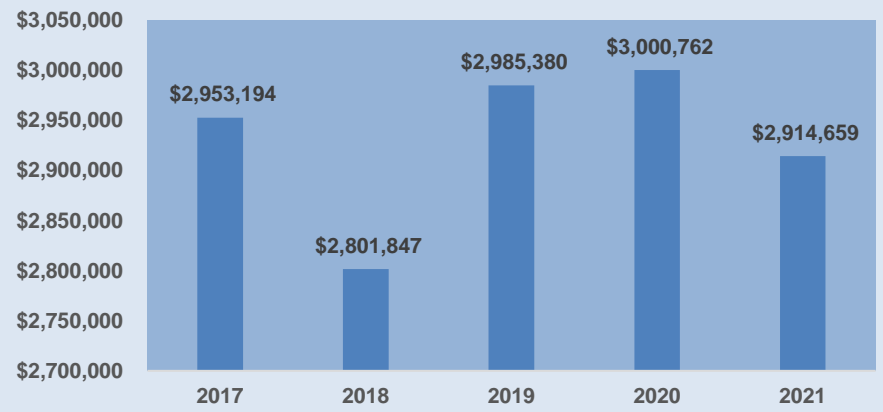
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City	# of P-Cards	Annual Amount Spent	# of Transaction
Mesa	735	\$ 26,416,564	42,883
Glendale	400	\$ 6,000,000	12,000
Scottsdale	336	\$ 3,950,000	20,400
Surprise	329	\$ 3,869,629	14,741
Peoria	230	\$ 1,640,436	8,466
Phoenix	50	\$ 1,504,827	1,131

The above benchmarked data was provide by the various cities and was not audited by the CAD.

Five-Year Procurement Card Annual Spending Trend by Munis General Ledger Effective Posting Date



Executive Summary and Observations

Executive Summary

As part of the City Auditor Department's (CAD) FY 2021-2022 Annual Audit Plan, an audit of procurement card (P-Card) transactions for the period of July 1, 2020, to December 31, 2021, was performed to determine whether the transactions were processed in compliance with the Finance Department's Standard Operating Procedures (SOP) Procurement Card Manual (Manual). The audit was part of the CAD's continuous monitoring program in which professional judgment and CaseWare IDEA software were used to periodically test a sample of high-risk transactions based on the nature of the transaction type. Previous P-Card transaction audits were conducted in FY2015-2016 and FY2018-2019.

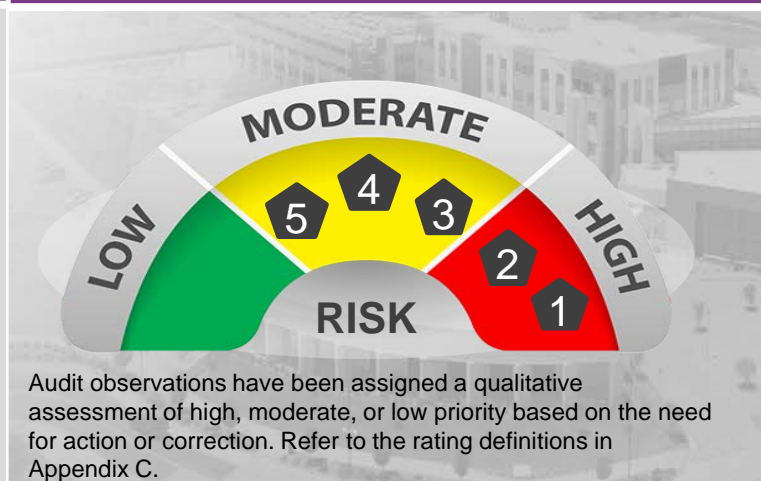
Our audit demonstrates the continued need to strengthen P-Card controls and accountability of the P-Cardholders, department management, and the Manual. Although the Manual requires review and approval of the P-Cardholders' monthly statements and purchases by the P-Cardholder and management, the audit found that secondary department reviews are not adequately being performed by all City of Surprise (City) departments to identify and timely address transactions not processed in compliance with the Manual. Further, consequences established in the Manual are not enforced to encourage compliance with P-Card policies and procedures. Additionally, the audit determined that due dates pertaining to monthly reconciliation deadlines have been extended without updating the Manual. In April 2022, CAD identified \$158,818 in unreconciled charges for seven departments dating back to July 31, 2021. To its credit, departments began to work on the unreconciled statements during the audit, and CAD has noticed an improvement in the documentation related to food purchases. Protecting Personal Identifiable Information (PII), timely reconciliation of monthly P-Card statements, and appropriate documentation of all P-Card purchases continued to be an area requiring improvement, as identified in previous audits. Management and storage of PII continue to be a concern that requires additional training and the enforcement of accountability measures. The Detailed Observations Section and Appendix E summarize the audit findings and recommendations.

The CAD's analytical procedures and judgmental sample testing indicate that the City has documented controls to manage the P-Card Program effectively. The lack of appropriate monitoring and review of transactions and the override of established policies and procedures weakened the controls and increase the potential of not identifying fraud and correcting errors promptly, if at all.

Observations

1. Deadlines for reconciling P-Cards should be followed.
2. Accurate and complete P-Card User Agreements and spending limits documentation are not on file in Munis for all P-Cardholders.
3. P-Cardholder information recorded in the City's financial system (Munis) should agree with the data reflected in the P-Card Service Provider's (Vendor) system.
4. One P-Cardholder exceeded their monthly spending limit recorded in Munis by \$1,344.
5. Finance P-Card policies and procedures should be enforced to foster compliance and accountability.

Observation Risk Rating

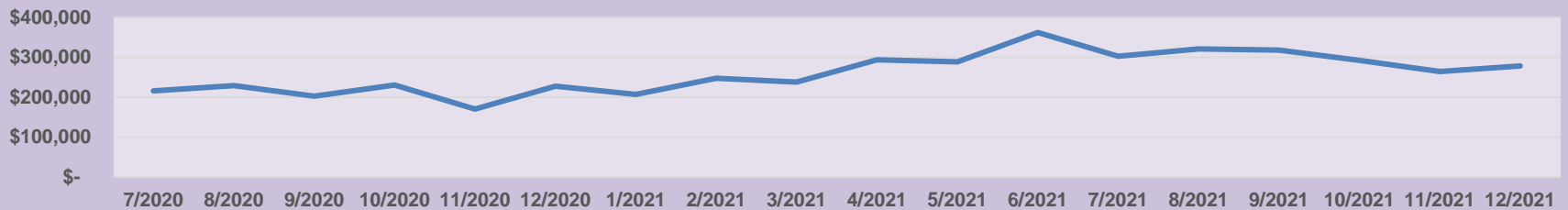


Background, Objective, and Scope

Background

The citywide P-Card Program is designed as a fast, flexible, economical, and efficient alternative for purchasing small-dollar (under \$5,000) goods or services. At the time of the audit, the City had over 300 active P-Cards reflected in Munis. This is an approximate increase of 131% from our November 20, 2018, audit report, which reported over 130 active P-Cards. This number continuously changes as staff separate from the City or transfer to different City departments or positions. P-Cardholders' monthly authorized spending limits range from \$250 to \$45,000. Two of the top authorized spenders are responsible for citywide computer purchases and paying citywide monthly cellular services. (See Appendix B for a summary of P-Cardholders by monthly credit limits.)

Monthly P-Card Spending for All Departments
July 1, 2020 to December 31, 2021



The Finance Accounts Payable Division is primarily in charge of the overall administration of the P-Card Program. The established Manual provides P-Cardholders, reconcilers, and approvers with guidelines on effectively managing City-issued P-Cards in compliance with City policies and procedures. The P-Card Administrator is the liaison between the City and the P-Card Vendor and functions as an additional resource for City P-Cardholders and City departments. A workflow process is established in Munis that requires P-Cardholders and reconcilers to ensure that appropriate documentation for each P-Card purchase is saved in Munis and that each purchase was made in compliance with City policies and procedures. The audit work performed in this report was based on the P-Card Manual in effect at the initiation of this audit. The Finance Department is in the process of updating the P-Card Manual.

Objective

The objective of the audit was to assess the internal controls, processes, and procedures of the P-Card Program to ensure that P-Cardholders, departmental liaisons, reconcilers, authorizers, and the Program Administrator comply with the Manual and other applicable City policies and procedures when using City issued P-Cards.

Scope

The CAD developed continuous monitoring procedures around high-risk transactions. This includes the City's P-Card Program. The CAD obtained P-Card transaction data from the Vendor's system and Munis for the period July 1, 2020, to December 31, 2021, for review and assessment of compliance with City policies and procedures.

Detailed Observations – High-Risk

Observation	Recommendations	Management Responses
<p>1 – Deadlines for reconciling P-Card statements should be followed.</p> <p>The Manual Section 31 states that P-Card statements must be reconciled monthly by the 15th of the month following the billing period.</p> <p>On April 12, 2022, \$158,818 in P-Card monthly statements for seven City departments were three to seven months past the reconciliation date required by the Manual. One City department represented 96% (\$152,428) of the total unreconciled monthly P-Card statements. P-Card monthly statement expenditures are not included in the City’s financial statement reports until they have been reconciled.</p> <p>Finance sends email reminders to City departments regarding the monthly reconciliation of P-Card statements. The informal monthly email extends the Manual due date by two weeks and is inconsistent with established policies and procedures.</p> <p>The Manual does not establish a deadline date when Finance is required to finalize the reconciliation process.</p> <p>Risk:</p> <ul style="list-style-type: none"> • Increase in the potential risk of errors not being identified and/or addressed promptly, resulting in the possibility that management might base operating decisions on understated expenditure data. 	<p>The Finance Department should:</p> <p>A. Work with applicable City departments to ensure that all applicable unreconciled P-Card statements are promptly reconciled and reflected in the City’s financial data to comply with Section 31 of the Manual.</p> <p>B. Update the Manual to include a deadline date for Finance staff to finalize reconciling monthly P-Card statements and hold City departments and Finance staff accountable for complying with the Manual.</p>	<p>A. Concur. The City P-Card Manual will be updated to allow P-Cardholders to reconcile by the last day of the month following the billing period. This will allow departments enough time to reconcile their statements and submit their support to Accounts Payable for review. P-Cards will be shut off if not reconciled within the required time frame. The estimated completion date is by November 30, 2022.</p> <p>B. Concur. The City P-Card Manual will be updated to allow P-Cardholders to reconcile by the last day of the month following the billing period. This will allow departments enough time to reconcile their statements and submit their support to accounts payable for review. P-Cards will be shut off if not reconciled within the required time frame. The policy will also be updated to clarify that the Finance staff has three weeks to move the P-Card through the workflow once the P-Card is completely reconciled.</p>

Detailed Observations – Moderate-Risk

Observation	Recommendations	Management Responses
<p>2 – Accurate and complete P-Card User Agreements and spending limits documentation are not on file for all P-Cardholders.</p> <p>Section 2 and Section 4 of the Manual require P-Cardholders to sign a P-Card User Agreement (Agreement) and require the department director or designee to establish the P-Cardholder’s credit limit via a Request of P-Card Form.</p> <p>Agreements and credit limit Request of P-Card forms stored in Munis for 75 of 329 (23%) P-Cardholders were selected and reviewed. Forty-one exceptions were identified:</p> <ul style="list-style-type: none"> • 36 out of 75 (48%) accounts did not have the required Request of P-Card Form saved in Munis, or the purchase limits reflected in Munis did not agree with the Request of P-Card Form or notification of limits from the appropriate authorizer. • 2 out of 75 (3%) accounts did not have an Agreement saved in Munis. • 2 out of 75 (3%) accounts contained an Agreement for a different P-Cardholder. • 1 out of 75 (1%) accounts contained two Agreements with the same truncated P-Card number and different P-Cardholder’s names. <p>The Manual does not establish concise monitoring controls for the P-Card Administrator to ensure the accuracy and completeness of the Agreement and Request of P-Card forms.</p> <p>Risk:</p> <ul style="list-style-type: none"> • Incorrect or incomplete credit limits reflected in P-Card systems might allow P-Cardholders to exceed their authorized spending levels. 	<p>Finance should:</p> <p>A. Work with the applicable P-Cardholders to ensure that the required Procurement Card User Agreement and the Request of P-Card Form are completed, accurate, and saved in Munis.</p> <p>B. Incorporate monitoring controls for the Finance P-Card Administrator or designee in the Manual to provide assurance that the P-Card Program is operating as intended.</p>	<p>A. Concur. We have begun the process of auditing the records that we have stored within Munis. We will have our audit completed for current P-Cardholders by November 30, 2022. We have also updated the P-Card Manual to instruct all P-Cardholders/department heads to prepare and send a Procurement Card User Agreement, request of P-Card Form, and/or request for limit increase for each needed change. Each employee will acknowledge that they read the P-Card Manual through Training Solutions.</p> <p>B. Concur. The P-Card Manual will be updated to note that the Agreement and the Request of P-Card Forms are completed by the P-Cardholder/supervisor and that the forms will be documented in Munis by Accounts Payable staff.</p>

Detailed Observations – Moderate-Risk

Observation	Recommendations	Management Responses
<p>3 – P-Cardholder information recorded in Munis should agree with the data reflected in the P-Card Vendor’s system.</p> <p>The Finance Department Accounts Payable (AP) Guideline 103_ P-Card Monitoring requires the AP Division to annually compare active P-Cardholder records from the City’s financial system to the active P-Cardholder information obtained from the City’s P-Card Vendor to ensure information matches.</p> <p>A review of P-Cardholders reflected in Munis on April 12, 2022, was compared with a list of P-Cardholders from the P-Card Vendor’s system. A judgmental sample of 51 out of 329 active P-Cardholders’ records from Munis was reviewed and compared to the P-Card Vendor’s records. The review identified 29 exceptions. Several cards had multiple exceptions:</p> <ul style="list-style-type: none"> • 13 Active cards in Munis were reflected as inactive in the P-Card Vendors’ system • 8 P-Cardholders’ daily spending limits were not updated in Munis • 4 Active P-Cards had expired dates or inconsistent expiration dates updated in Munis • 1 Active P-Cardholder’s total monthly spending limit was less than their single transaction purchase limit • 1 Active P-Cardholder has a transaction spending limit of \$20,000 in Munis and a transaction spending limit of \$31,000 in the P-Card Vendor’s system. No supporting documentation authorizing the limits was saved in Munis. • 2 P-Cardholder names differ between Munis and the P-Card Vendor’s system <p>A process is not in place to ensure that established review and monitoring procedures are performed.</p> <p>Risk:</p> <ul style="list-style-type: none"> • Incorrect and inconsistent data increase the potential for fraud and errors. 	<p>Finance should:</p> <p>A. Ensure that the Finance P-Card Administrator or designee complies with established reconciliation and monitoring controls outlined in the AP Guideline 103. This should include correcting P-Cardholder data identified during the audit.</p> <p>B. Develop a process for routinely reviewing and monitoring P-Cardholder data in Munis and the P-Card Vendor’s system.</p>	<p>A. Concur. We have begun the process of auditing the records that we have stored within Munis. We will have our audit completed for current P-Cardholders by November 30, 2022. We have also updated the P-Card Manual to instruct all P-Cardholders/department heads to prepare and send a P-Card User Agreement, request of P-Card Form, and/or request for limit increase for each needed change. Each employee will acknowledge that they read the P-Card Manual through Training Solutions.</p> <p>B. Concur. We will begin reviewing P-Cardholder data on a sample basis at least quarterly by November 30, 2022.</p>

Detailed Observations – Moderate-Risk

Observation	Recommendations	Management Response
<p>4 – System controls should prevent P-Cardholders from exceeding authorized limits.</p> <p>The Manual requires P-Cardholder credit limits to be authorized by their department director or designee. Adjustments to credit limits require the approval of the department director or designee.</p> <p>The CAD compared the monthly statement total for P-Cardholders for the period of July 1, 2020, to December 31, 2021, with the recorded Munis Monthly Limit. A combination of professional judgment and a random number generator was used to select 46 monthly statements for 44 P-Cardholders. One P-Cardholder exceeded their monthly spending limit in Munis by \$1,344 for the period of July 2021. On August 16, 2022, the Program Administrator agreed that the P-Cardholder exceeded their Monthly Limit. The Vendor was unable to identify who requested or completed the credit increase. No documentation was on file in Munis to support an increase in spending authority. The Program Administrator stated that she would continue to research the issue.</p> <p>Fourteen additional monthly statements did not have documentation in Munis to support the monthly statement amounts and potential overages in spending limits. The Program Administrator began the research process during the audit.</p> <p>Munis P-Card limits are not being reconciled to supporting documentation and against the Vendor’s system to ensure accuracy. In July 2021 and August 2021, the Program Administrator relied on temporary staffing to assist with P-Card reconciliation procedures.</p> <p>Risk:</p> <ul style="list-style-type: none"> Incorrect and inconsistent spending limits recorded in Munis and the P-Card Vendor’s system increase the potential that P-Cardholders will exceed their authorized spending levels in direct contrast to management wishes. 	<p>Finance should:</p> <p>A. Reconcile P-Card limits in Munis and the P-Card Vendor’s system against applicable documentation and make adjustments as warranted.</p> <p>B. Develop a policy and procedure to ensure that P-Cardholder limits are consistent and accurate in Munis and the P-Card Vendor’s system. Assign the responsibility to a designated Finance staff member.</p>	<p>A. Partially Concur. P-Cardholders cannot exceed authorized limits as set in the P-Card Vendor’s system. Munis was used as a tracking device but does not accurately reflect the actual credit limits authorized for some P-Cardholders as Munis wasn’t consistently updated when a P-Cardholder limit increase is requested. Finance will no longer use Munis to track P-Cardholder limits as listing the limits in Munis do not add value to the program.</p> <p>B. Partially Concur. As noted above, Finance will no longer track spending limits in Munis as it does not add value to the program, and limits in Munis are not consistently updated. Spending Limits will be tracked and authorized in the P-Card Vendor’s system.</p>

Detailed Observations – Moderate-Risk

Observation	Recommendations	Management Response
<p>5 – Finance P-Card Manual policies and procedures should be enforced to foster compliance and accountability for City staff.</p> <p><i>Departmental Findings</i></p> <p>The CAD noted several transactions that did not comply with the Manual and other City policies and procedures through the analytical procedures detailed in Appendix A-Methodology and Analytical Procedures. Exceptions were followed up with the P-Cardholders or departmental liaisons– Refer to Appendix E – Departmental Findings Detail for additional information and management’s response. Areas that require further clarification in the Manual were discussed with the Finance staff. In summary, these findings include, but are not limited to:</p> <ul style="list-style-type: none"> • P-Cardholders sometimes function as the custodian of purchased gift cards in violation of the Finance Department’s Gift Cards and Gift Certificate SOP • Gifts accepted in violation of the City EPM Conflict of Interest policy • Liability insurance purchased for car rentals in violation of the City’s Travel Policy • Amazon Prime individual membership purchased instead of the discounted City corporate Amazon Prime memberships managed by the Procurement Division. The purchase of Amazon Prime membership was not referenced in the P-Card Manual. • Purchase Order not obtained for a \$13,209 purchase split into three P-Card transactions. The Procurement Division identified and addressed the error after the purchase was completed. • Prohibited utility purchases are not clearly defined in the Manual. <p>Annually, the Finance Department requires P-Cardholders to read the Manual and evidence their review by signing the Agreement.</p> <p>Risk:</p> <ul style="list-style-type: none"> • Policies and procedures that are not enforced will not foster compliance with the Manual. 	<p>The Finance Department should:</p> <p>A. Review and update the Manual to provide P-Cardholders with additional guidance, such as Amazon Prime membership purchases and utility payments.</p> <p>See Appendix E – Departmental Findings Detail for individual City department recommendations and liaison/management responses.</p>	<p>A. Concur. The Manual will be updated to state that employees should apply for memberships through already existing City contracts/agreements and also to list utility payments as a prohibited P-Card purchase.</p>

Appendix A – Methodology – Analytical Procedures

Citywide P-Card Audit Sampling Procedures - July 1, 2020, through December 31, 2021

As summarized below, the CAD reviewed citywide P-Card usage trends for departments and frequent or high-dollar-value users and judgmentally reviewed unusual transactions identified for indicators of misuse or fraud. In addition to reviewing usage trends and performing inquiries with Finance Department personnel responsible for P-Card administration, the CAD performed several analytical procedures. The CAD performed high-level analytical procedures on 100% of P-Card transactions from July 1, 2020, through December 31, 2021, using CaseWare IDEA and utilized professional judgment and a random number generator to select samples to perform thorough testing and review of transaction supporting documentation.

The CAD reviewed P-Card usage for compliance with City policy, including appropriate receipt retention, authorized individual transaction and monthly spending limits, split transactions, and appropriate authorization for large purchases. Additionally, the CAD judgmentally reviewed the data for common indicators of errors or misuse. Below is a list of the risks the CAD reviewed, and the procedures performed for each. For procedures that identified notable observations, see the Summary of Observations Section and Appendix E for additional details.

Below are the policies outlined for specific types of purchases and the procedures the CAD performed to test compliance with the Manual and applicable City policies and procedures.

Risk of P-Cardholders' usage greater than authorized monthly limits.

Manual: *“The Department Director or his/her designee is responsible for approving and setting the credit limit for each authorized cardholder...”*

For a sample of 44 (13%) out of 329 P-Card users, the CAD used professional judgment and a random number generator to compare a sample of monthly statement totals to limits reflected in Munis.

Risk of insufficient authorization for large purchases or bypassing the typical procurement process.

Manual: *“The single purchase amount must not exceed \$5,000. Transactions greater than \$5,000 require issuance of a purchase order or check request. Purchases cannot be split in order to fall below this limit.”*

The CAD reviewed all transactions greater than \$5,000 and followed up with the P-Cardholder/department liaison for any transactions noted over \$5,000. Additionally, the CAD reviewed transactions between \$2,000 to \$5,000 to identify possible split transactions utilized by users to stay below-authorized limits.

Appendix A – Methodology – Analytical Procedures

Citywide P-Card Audit Sampling Procedures - July 1, 2020, through December 31, 2021

Risk of incomplete documentation of food purchases.

Food Purchasing Policy: *“Itemized receipts are required for all food/restaurant purchases. Further, when a P-Card is used for the purchase of food, the cardholder must also attach a list of the attendees for whom the food was purchased and the business purpose of the purchase. When food is purchased for events open to the general public, a flyer or notice of the event will meet this requirement.”*

The CAD reviewed the transactions made from food-related merchant categories (eating places, restaurants, fast food restaurants, and bakeries) and judgmentally reviewed a selection of 27 out of 274 transactions to verify that an itemized receipt was included along with a flyer for the event or listing of attendees.

Risk of required forms to receive a City issued P-Card are not complete and saved in Munis.

Required Forms to Receive a P-Card Policy: *“To obtain a P-Card, an employee must send an approved Request for P-Card Form to the Accounts Payable Division...All cardholders and reconcilers must complete and sign the Procurement Card User Agreement...This form must be submitted to the Accounts Payable Division via email which will attach the signed agreement to the cardholder’s account information in the City’s financial system.”*

The CAD used a random number generator to select and review 75 out of the 329 P-Cardholders reflected on a Munis Active P-Cardholder report generated on April 12, 2022. The City’s financial system was reviewed to confirm the existence of a complete and current Request for P-Card Form and a Procurement Card User Agreement for each selected P-Cardholder.

Risk of monthly P-Cardholder statement is not reconciled by the due date.

Monthly P-Cardholder and Reconcilers Expectation Policy: *“...the P-Cards are to be reconciled on a monthly basis by the 15th of the month following the billing period end which is the last business day of the month. The Accounts Payable Division will follow up with all cardholders and reconcilers for any cards not reconciled by this date. If a P-Card is repeatedly not reconciled by the 15th the card may be closed and the cardholder’s P-Card privileged.”*

The CAD generated a Munis P-Card Statement Report on April 12, 2022, to identify any P-Cardholder statements that were unreconciled as indicated by a status of “Released” or “New.”

Appendix A – Methodology – Analytical Procedures

Citywide P-Card Audit Sampling Procedures - July 1, 2020, through December 31, 2021

Risk of inappropriate documentation and management of gift card purchases.

Gift Cards and Gift Certificates: *“For a proper segregation of duties, the City employee who obtains a Department Director’s authorization to purchase gift cards must be a different employee than the custodian...Department staff who distribute gift cards must require the recipient to provide a printed name and a signature on the Gift Card Log Form (Exhibit II) to indicate receipt where administratively practical...Gift cards of any value which are purchased with City funds and distributed to a City employee for any reason require that the amount be reported to Payroll Division in Human Resources. The gift card value must be included in the employee’s taxable income for the period as required by the Internal Revenue Service.*

The CAD reviewed 14 (20%) out of 70 transactions within the scoping period with a merchant category code including the phrase “gift” or “gift card.” Documents supporting the transactions were reviewed for compliance with the Finance Department Standard Operating Procedure for Gift Cards and Gift Certificates.

Risk of prohibited categories of goods and services purchased with a P-Card.

Manual: *“P-Cards may not be used for prohibited categories of goods and services. Prohibited categories include...utilities...”*

The CAD reviewed all transactions within the scoping period with a merchant category code including the phrase “utility.”

Vehicle Travel Policy: *“Additional liability and damage insurance provided by rental car agencies is not authorized.”*

The CAD reviewed all transactions within the scoping period with a merchant category code including the phrase “rental car” and a vendor name associated with a commonly known rental car agency (i.e., Dollar, RentalCars.com, Enterprise Rent-A-Car, Price Line Fox Rent a Car and Budget.) Documentation for 20 out of 27 rental car-associated transactions was reviewed for the potential purchase of supplemental liability or roadside service.

Risk of misuse by terminated employees.

On February 28, 2022, a list of terminated employees was generated in Munis and compared to a current list of P-Cardholders listed in Munis. Terminated P-Cardholder names were traced to the Vendor’s P-Card system for purchases made after the P-Cardholder’s termination date.

Appendix B – P-Card Spending Trends

Citywide P-Card Trends: July 1, 2020, through December 31, 2021

From July 1, 2020, through December 31, 2021, City departments processed P-Card transactions totaling over \$4.6 million.

Top P-Card Usage by Department, Vendor, and Goods/Services

Department		Total	Vendor		Total	Goods/Services		Total
Information Technology		\$ 1,353,330	One Time P-Card		\$ 1,622,341	UtilSvc-Cell Phone Pagers		\$ 506,242
Parks and Recreation		\$ 574,168	Verizon Wireless		\$ 483,264	Operational Supplies		\$ 502,372
Public Works		\$ 484,178	Amazon Marketplace		\$ 263,924	Travel and Training		\$ 477,610
Police		\$ 468,045	Dell Marketing LP		\$ 254,008	Op Equip Tool Part Under 10K		\$ 447,287
Water Resource Management		\$ 439,424	Home Depot USA		\$ 172,048	Computer Supplies		\$ 224,460
Fire - Medical		\$ 379,404	Cox Communications LLC		\$ 147,392	Furn Fixture Equip Under 10K		\$ 175,770
Human Svcs and Comm Vitality		\$ 241,533	Office Depot		\$ 127,814	UtilSvc-Telephone Service		\$ 160,021
Sports and Tourism		\$ 190,072	Paypal		\$ 118,674	Repair Maintenance Supplies		\$ 154,484
City Manager Office		\$ 120,579	Amazon.Co		\$ 116,095	Dues and Memberships		\$ 120,072
Economic Development		\$ 107,504	Square		\$ 108,829	Prof Svc-Service Agreements		\$ 114,354

Top Used Cardholders by Total Spent

Cardholder Title	Department	Amount
Accounting Specialist - Lead	Finance	\$ 703,099
IT Tech - Sr	Information Technology	\$ 213,659
Battalion Chief	Fire-Medical	\$ 107,173
IT Tech - Sr	Information Technology	\$ 92,785
Application Analyst	Information Technology	\$ 86,496
IT Network Administrator	Information Technology	\$ 86,351
Administrative Specialist	Police	\$ 82,064
Police Sergeant	Police	\$ 77,187
Recreation Coordinator	Parks and Recreation	\$ 65,113
Broadcast Administrator	Marketing & Communications	\$ 62,093

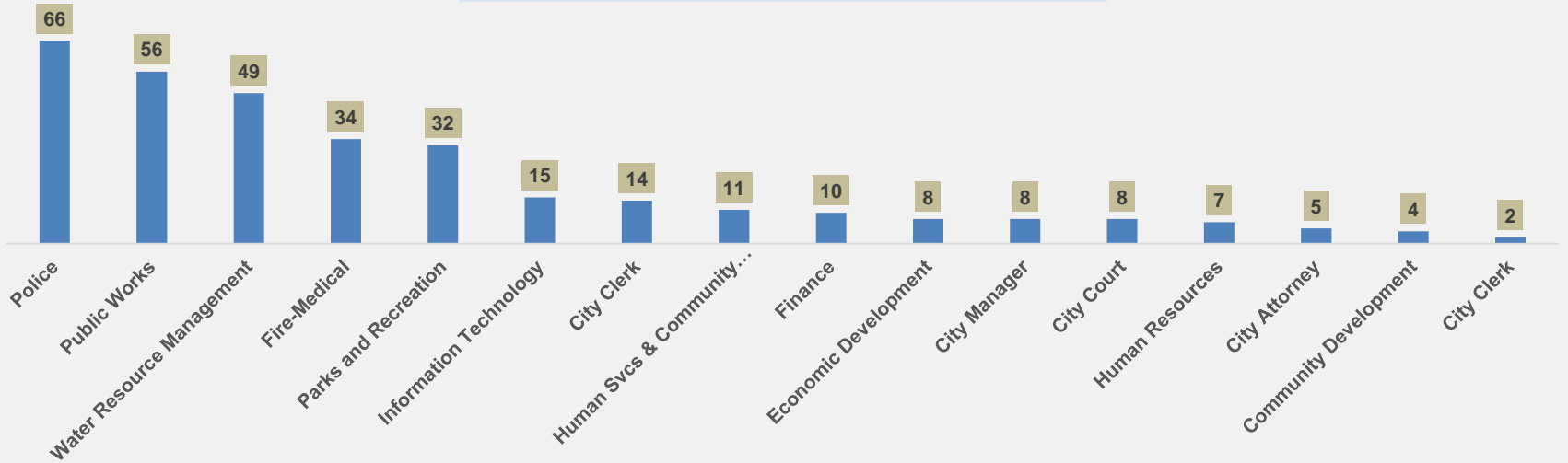
Least Used Cardholders by Total Spent

Cardholder Title	Department	Amount
Maintenance Tech - Sr	Parks and Recreation	\$ 37
Police Sergeant	Police	\$ 108
Field Customer Service Representative	Finance - Utility Billing	\$ 125
Police Officer	Police	\$ 126
Police Officer	Police	\$ 149
Human Resources Specialist	Human Resources	\$ 150
Fire Chief	Fire-Medical	\$ 150
Court Supervisor	City Court	\$ 167
Police Officer	Police	\$ 188
Police Sergeant	Police	\$ 189

Appendix B – P-Card Spending Trends

Citywide P-Card Trends: July 1, 2020, through December 31, 2021

Number of P-Cards by Department as of April 12, 2022



Monthly Credit Limit	No. of Cardholders
\$250 - \$4,500	128
\$5,000	151
\$6,000 - \$8,000	5
\$10,000	33
\$12,500	1
\$15,000	4
\$20,000	5
\$25,000	1
\$45,000	1

- ❖ \$17,964 – Highest Single Purchase Amount for the Period
- ❖ 15 – P-Cardholders have Two P-Cards
- ❖ 19,166 General Ledger Lines were Posted in Munis from July 1, 2020, to December 31, 2021

Appendix C – Data Reliability and Risk Rating

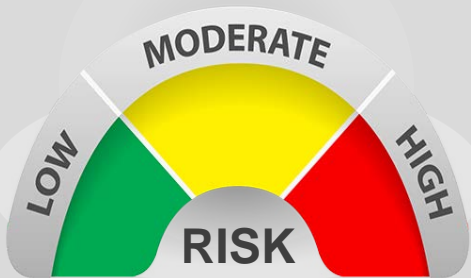
Data Reliability

The data utilized for the work performed was either obtained directly from Munis, the City of Surprise's financial system of record, or obtained directly from the P-Card Vendor's system. The CAD reconciled the P-Card Vendor's system data to Munis data with some summary transactional exceptions that are referenced in the audit report. Munis data reliability is materially verified annually via the audit of the Munis financial reports and the Annual Comprehensive Financial Report (ACFR) performed by the City's external auditor.

The CAD determined that the data utilized for this audit is sufficiently reliable, given its intended use.

Audit Observation Risk Rating

Audit observations have been assigned a qualitative assessment of high, moderate, or low priority based on the need for action or correction:



- 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 audited process. Moderate-risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate the potential risk of loss to City assets.
- Low – Represents an observation for consideration by management for correction or implementation associated with the process being audited. Low-risk observations should be implemented to improve the efficiency and effectiveness of operations.

Appendix D – Standards and Acknowledgements

Audit Standards

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of this audit included review and testing of the design, implementation, and operating effectiveness of key internal controls relevant to the audit's objectives. In accordance with GAGAS, the CAD verified the audit objective and related controls for all 17 principles of the COSO framework. Though some control weaknesses were identified and are included in the Detailed Observations Section and the Appendix E of this report, none rose individually or cumulatively to the level of a Risk Division or city-wide internal control deficiency.

This project was not intended or designed to be a detailed study of every relevant procedure, regulation, system, or transaction related to the P-Card Program. As such, the conclusion and recommendations contained in this report may not include all areas which may need improvement.

Acknowledgements

The CAD appreciates the time City staff contributed to this review. The City Auditor would like to take this opportunity to thank all City departments and individuals involved in the Continuous Monitoring: Citywide Procurement Cards Audit Report for their considerable cooperation.

We received input and assistance from the following:

- Citywide Departments
- Finance Accounts Payable Division
- Information Technology Department
- Procurement Card Administrator

Auditor: Carol Holley, City Auditor

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>



SURPRISE
ARIZONA

AUDIT COMMITTEE

December 7, 2022
3:30 PM

FY2022-2023 ANNUAL AUDIT PLAN

Status of Approve Audit Engagements

Audits Completed

1. Continuous Auditing P-Card Transactions
2. Continuous Auditing Vendor Master File – *Pending Management Responses*
3. Continuous Auditing Signature Authorization – *Pending Management Response*
4. Continuous Auditing Payroll Transactions – *Pending Management Responses*

Audits In-Progress

1. Accounts Payable
2. Policies and Procedures
3. Utility Billing



■ Contingent ■ Pending
■ In-Progress ■ Completed



CONTINUOUS AUDITING P-CARD TRANSACTIONS

Objective: Determine whether the transactions were processed in compliance with the Finance Department's Procurement Card Manual and applicable City policies and procedures

Background: Previous audits were conducted in FY2015-2016 and FY2018-2019

Growth:

- FY2018-2019 131% (130+ to 300+) increase in issued P-Cards
- Monthly spending range from \$250 to \$45,000
- Cardholders doing better at documenting some purchases (i.e., food)

Key Opportunities:

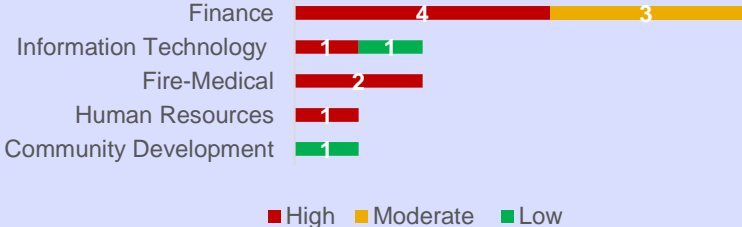
- Timely reconciliation of monthly P-Card statements (\$158,818 unreconciled statements)
- Protection of personally identifiable information – management & storage
- Compliance with gift cards, prohibited rental car insurance, and City gift policy
- Enforcement of P-Card policy and procedures to foster compliance & accountability



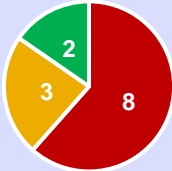
AUDIT RECOMMENDATIONS SUMMARY

as of November 29, 2022

Open Audit Recommendations by Department as of 11/29/2022



Open Audit Recommendations by Risk Rating as of 11/29/2022

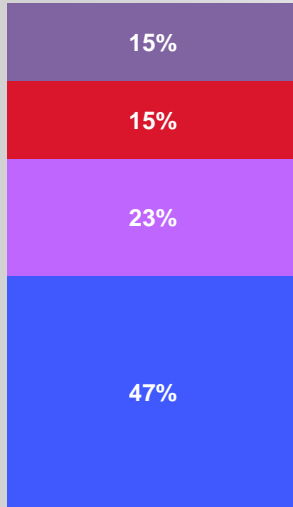


■ High ■ Moderate ■ Low

AUDIT RECOMMENDATIONS SUMMARY

as of November 29, 2022

Open Audit Recommendations by Fiscal Year



■ FY2021-2022 ■ FY2022-2023 ■ FY2020-2021 ■ FY2019-2020

Key Areas of Risk:

- Using a legacy system for major City operations
- Restricting access to City data and assets
- Implementing and following through on policies and procedures



SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: December 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 possible action pertaining to the Quarterly Audit Recommendations Status Report.

Motion:

I move to approve and distribute the Quarterly Audit Recommendations Status Report.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2022-2023 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:

There is no financial impact.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. Qtrly Audit Recommendations Status Rpt 29Nov22
-



S U R P R I S E

A R I Z O N A

Audit Recommendation Status Report

November 29, 2022

Carol Holley, City Auditor

Summary

Periodically, the City Auditor Department (CAD) 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 August 29, 2022, to November 29, 2022.

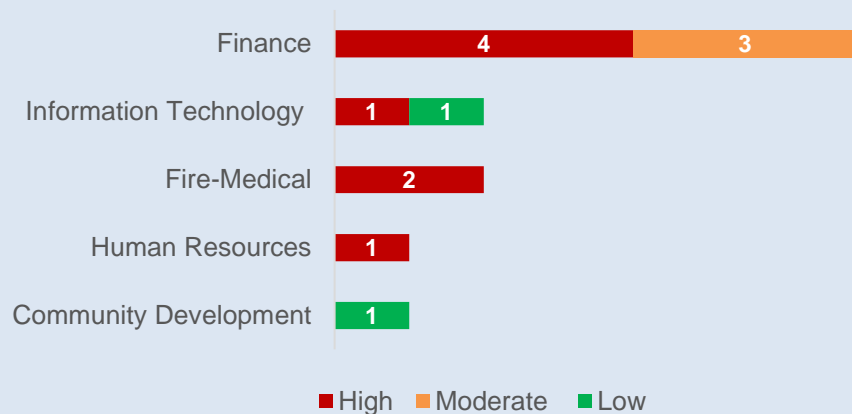
During the period, 20 audit recommendations were tracked and monitored by the CAD from the previous period. Thirty-five percent (7 out of 20) of the outstanding audit recommendations were completed; 30% (6 out of 20) are on-going; and 35% (7 out of 20) are pending management responses regarding the status of management action plans. Exhibit A summarizes the 20 audit recommendations monitored for the period.

The CAD appreciates the time and resources allocated by City departments to develop action plans to address identified risks to City assets and information.

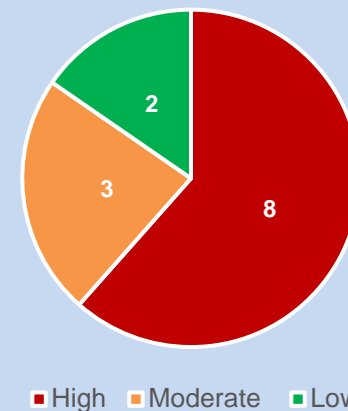
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Methodology.....	2
Exhibit A – Ongoing Recommendations.....	4

Open Audit Recommendations by Department as of 11/29/2022



Open Audit Recommendations by Risk Rating as of 11/29/2022



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, the CAD tracks observations and recommendations in SharePoint. Periodically, the CAD 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 the CAD. In some cases, the CAD will go beyond the standard process, 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:

Complete – City staff partially concurred or concurred with the audit recommendation. Management action plan has been completed, and when appropriate, supporting documentation was provided to the CAD for review. **(See Exhibit A.)**

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.)**

Not Implemented – City staff concurred with audit recommendations and are in the process of implementing a management action plan to address the identified risk to City assets and information. **(See Exhibit A.)**

Exhibit A

Current Status	Audit ID	Section ID	Department	Report Date	Recommendation	Current Status	Management Update Comments	Risk Level
Complete	2023-01	Continuous Auditing: Citywide Procurement Cards Audit Report						
		1A	Finance	8/16/2022 12:00:00 AM	Work with applicable City departments to ensure that all applicable unreconciled P-Card statements are promptly reconciled and reflected in the City's financial data to comply with Section 31 of the Manual.	Complete	Starting in November 2022, a new P-Card policy has been implemented. Users now have 30 days to reconcile. Deadlines will be enforced with penalties.	High
		1B	Finance	8/16/2022 12:00:00 AM	Update the Manual to include a deadline date for Finance staff to finalize reconciling monthly P-Card statements and hold City departments and Finance staff accountable for complying with the Manual.	Complete	P-Card policy has been updated to require P-Cards to be reconciled within 30 days of month end and lists penalties if deadline is missed.	High
		2A	Finance	8/16/2022 12:00:00 AM	Work with the applicable P-Cardholders to ensure that the required Procurement Card User Agreement and the Request of P-Card Form are completed, accurate, and saved in Munis.	Complete	AP staff has gone back and reviewed all P-Card holders to determine that their latest form agrees to the card limit. A new procedure has been implemented whereby AP staff only updates P-Card limits once per week, so that nothing is missed.	Moderate
		3A	Finance	8/16/2022 12:00:00 AM	Ensure that the Finance P-Card Administrator or designee complies with established reconciliation and monitoring controls outlined in the AP Guideline 103. This should include correcting P-Cardholder data identified during the audit.	Complete	AP has corrected all items noted in the audit and has performed their own audit of P-Card credit limits and authorization forms.	Moderate
		4A	Finance	8/16/2022 12:00:00 AM	Reconcile P-Card limits in Munis and the P-Card Vendor's system against applicable documentation and make adjustments as warranted.	Complete	As noted in the management response, Munis is not used to track/restrict P-Card limits. AP staff has performed an internal audit on P-Cards and limits within the Vendor system.	Moderate
		4B	Finance	8/16/2022 12:00:00 AM	Develop a policy and procedure to ensure that P-Cardholder limits are consistent and accurate in Munis and the P-Card Vendor's system. Assign the responsibility to a designated Finance staff member.	Complete	As noted above, Finance will no longer track spending limits in Munis as it does not add value to the program, and limits in Munis are not consistently updated. Spending Limits will be tracked and authorized in the P-Card Vendor's system.	Moderate
Not Implemented	2022-01	AP Trends and Analysis						
	2A	Information Technology	"9/8/2021 12:00:00 AM"	Document and communicate the availability and purpose of the TCM AP Confidential security roles to all City departments.	Complete	Documentation was added to the Security Awareness training presentation and forwarded to the City Auditor Department for review on 10/24/2022.	High	
	2022-01	AP Trends and Analysis						
	1A	Human Resources	9/8/2021 12:00:00 AM	Protect confidential PII recorded on AP invoices by: <ul style="list-style-type: none"> Reviewing and updating the TCM AP Confidential role for all applicable AP invoices stored in Munis for vendor #10146 Using professional judgment, assess potential HR AP vendors that might require flagging the TCM AP Confidential role to protect PII data and take the appropriate action. Developing departmental policy and procedures for protecting PII recorded on AP invoices. The policy and procedures should include, but not be limited to, complying with the City's Information Security Policies and Procedures, redacting PII on AP invoices before scanning invoices into Munis, and flagging TCM AP Confidential role when redacting is not an option. Training applicable staff on the new policy and procedures, at least annually and when new staff is hired, staff transfer, or job duties are changed. 	Not Implemented	All departments have been informed, and AP reviews to ensure that all invoices that have PII are "locked" from public view in Munis since July 2022.	High	

Exhibit A

Current Status	Audit ID	Section ID	Department	Report Date	Recommendation	Current Status	Management Update Comments	Risk Level	
		1B	Finance	9/8/2021 12:00:00 AM	Work with IT to develop a policy and procedure for processing and protecting PII recorded on AP invoices. This should include but is not limited to requiring City departments to access the need for recording PII on AP invoices and to redact PII before saving AP documents in Munis when PII is not necessary for AP payment processing.	Not Implemented	Pending Management Update	High	
		3B	Finance	9/8/2021 12:00:00 AM	Work in conjunction with the IT Department to assess and develop an action plan to address the access to PII recorded on AP invoices stored in Munis. The Finance Department should function as the action plan coordinator by monitoring, tracking, and reporting on the progress through an automated procedure.	Not Implemented	Pending Management Update	High	
		4A	Finance	9/8/2021 12:00:00 AM	At least quarterly, review all paid invoices for potential duplicate transactions. Results of quarterly reviews should be documented and used as a training tool for City staff. As staff continues to update their policy and procedures, staff should use Excel fuzzy matching function to identify potential duplicate transactions resulting from altered invoice numbers.	Not Implemented	The Accounting Manager reviews for duplicate transactions running a fuzzy match in Excel for all transactions processed in the previous quarter.	High	
		4B	Finance	9/8/2021 12:00:00 AM	Review and update their Accounts-Payable-Guidelines, train staff on updates, and ensure compliance with policies and procedures.	Not Implemented	Pending Management Update	High	
	2023-01	Continuous Auditing: Citywide Procurement Cards Audit Report							
		2B	Finance	11/30/2022 12:00:00 AM	Incorporate monitoring controls for the Finance P-Card Administrator or designee in the Manual to provide assurance that the P-Card Program is operating as intended.	Not Implemented	Concur. The P-Card Manual will be updated to note that the Agreement and the Request of P-Card Forms are completed by the P-Cardholder/supervisor and that the forms will be documented in Munis by AP staff.	Moderate	
		3B	Finance	8/16/2022 12:00:00 AM	Develop a process for routinely reviewing and monitoring P-Cardholder data in Munis and the P-Card Vendor's system.	Not Implemented	We will review P-Card data to start the year, however note that Munis is not where we keep track of P-Card limits. It was originally used to track P-Card limits but has since stopped being used. We will work to clear P-Card limits in Munis.	Moderate	
		5A	Finance	8/16/2022 12:00:00 AM	Review and update the Manual to provide P-Cardholders with additional guidance, such as Amazon Prime membership purchases and utility payments.	Not Implemented	Pending Management Update	Moderate	
Ongoing	2022-01	AP Trends and Analysis							
		1C	Information Technology	9/8/2021 12:00:00 AM	Assess if PII recorded on AP invoices is appropriately stored in the Munis AP Module in compliance with the City's Information Security Policies and Procedures related to encryption of confidential, sensitive, or vulnerable information during transit and rest.	Ongoing	Pending Management Update	High	

Exhibit A

Current Status	Audit ID	Section ID	Department	Report Date	Recommendation	Current Status	Management Update Comments	Risk Level
Ongoing	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. <ul style="list-style-type: none"> The LIS "End Date" field should be updated when fees expire. Any corrections should be submitted to IT for processing. 	Ongoing	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	Management requested an extension of February 1, 2023. The extension date correlates with the implementation of 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	1/20/2022- This recommendation is still valid and will be completed by July 1, 2022. 11/28/2022 - Pending Management Update	High
		1C	Fire - Medical	12/30/2020 12:00:00 AM	Ensure compliance with the DEA pharmaceutical refrigerator protocol.	Ongoing	1/20/2022- This recommendation is still valid and will be completed by July 1, 2022. 11/28/2022 - Pending Management Update	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.