



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

Wednesday, August 21, 2024 @ 4:00 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 to elect a Chairperson and Vice-Chairperson for the Audit Committee. | City Auditor |
| 2. | Citywide | Consideration and action pertaining to the April 25, 2024 meeting minutes.                    | City Auditor |
| 3. | Citywide | Discussion and action pertaining to the Travel Reimbursement Audit Report.                    | City Auditor |
| 4. | Citywide | Presentation and discussion of the Compliance Connection Issue #5.                            | City Auditor |
- G. Other Business and Future Agenda Items
  - H. Adjournment

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KRISTI PASSARELLI, CITY CLERK

**POSTED: Monday, August 19, 2024 @ 4:30 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  
Audit Committee**

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Council Meeting Date: August 21, 2024  
Submitting Department: City Auditor  
Staff Recommendations:

Contact Person:  
District: Citywide

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

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**Agenda Wording:**

Consideration and action to elect a Chairperson and Vice-Chairperson for the Audit Committee.

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**Motion:**

I move to elect \_\_\_\_\_ as the Audit Committee Chairperson.  
I move to elect \_\_\_\_\_ as the Audit Vice-Chairperson.

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**Background:**

This item was placed on the agenda in compliance with Section III of the Surprise Audit Committee Bylaws, which requires the annual selection by a majority vote of an Audit Committee Chairperson and Vice-Chairperson.

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**Objective Analysis:**

The role of the Chairperson, or Vice-Chairperson when the Chairperson is absent, is to preside over Audit Committee meetings. The Chairperson has the authority to sign correspondence as the official representative of the Audit Committee. During the absence of the Chairperson, the Vice-Chairperson shall act as the presiding officer over all Audit Committee meetings and activities.

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**Policy Compliant:**

Sec. 2-304 of the Surprise Municipal Code directs the establishment of the Surprise Audit Committee. It authorizes the adoption of Audit Committee Bylaws. Section III of the Bylaws requires the Audit Committee members to select and vote to designate a Chairperson and Vice-Chairperson annually.

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**Financial Impact:**

There is no financial impact associated with this item.

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**Budget Impact:**

There is no budget impact associated with this item.

**FTE Impact:**

There is no FTE impact associated with this item.

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**ATTACHMENTS:**

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**CITY OF SURPRISE  
Audit Committee**

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Council Meeting Date: August 21, 2024  
Submitting Department: City Auditor  
Staff Recommendations:

Contact Person:  
District: Citywide

---

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

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**Agenda Wording:**

Consideration and action pertaining to the April 25, 2024 meeting minutes.

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**Motion:**

I move to approve the minutes of the April 25, 2024, City Audit Committee meeting.

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**Background:**

This item has been placed on the agenda to discuss the results of work performed as part of the FY2023-2024 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

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**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.

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**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.

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**Financial Impact:**

There is no financial impact associated with this item.

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**Budget Impact:**

There is no budget impact associated with this item.

**FTE Impact:**

There is no FTE impact associated with this item.

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**ATTACHMENTS:**

1. 2024-04-25 Audit Subcommittee Meeting Minutes Draft
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**CITY OF SURPRISE**  
**Audit Committee Meeting**  
**16000 North Civic Center Plaza**  
**Surprise, AZ 85374**  
**Thursday, April 25, 2024 – 3:00 p.m.**

**CALL TO ORDER**

Vice Chair Gaddis called the Audit Committee Meeting to order at 3:00 p.m. at Surprise City Hall, Overflow Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Thursday, April 25, 2024.

**ROLL CALL**

Vice-Chair Stephen Gaddis, Committee Member Connie Bowers, Mayor Skip Hall, Councilmember Ken Remley, Director of Parks and Recreation Holly Osborn.

Absent: Chair Tatiana Young, Councilmember Judd, and Deputy City Manager/CFO Andrea Davis.

**PLEDGE OF ALLEGIANCE**

**CURRENT EVENTS AND REPORTS**

None.

**STAFF REPORTS**

None.

**STAFF PRESENT**

City Auditor Carol Holley, Internal Auditor Angela Hanson, Internal Auditor Sr., Melissa Moreno, Assistant Director of Finance Erick Martin, Accounting Manager Rebecca Chitwood, Executive Management Assistant Karina Caraveo.

**CALL TO THE PUBLIC**

None.

**REGULAR AGENDA ITEM**

- 1. Consideration and action pertaining to approval of the September 21, 2023 Executive Session meeting minutes.**

Councilmember Remley moved to approve the September 21, 2023 Executive Session meeting minutes. Subcommittee Member Connie seconded. Motion approved 4-0.

- 2. Consideration and action pertaining to approval of the January 18, 2024 meeting minutes.**

Councilmember Remley moved to approve the January 18, 2024, meeting minutes. Subcommittee Member Bowers seconded. Motion carried 4-0.

**3. Discussion and action pertaining to the Procurement Audit Report:**

Ms. Hanson made the presentation to the Subcommittee.

Councilmember Remley moved to approve the Procurement Audit Report, Mayor Hall seconded. Motion carried 4-0.

**4. Discussion and action pertaining to the Solid Waste Operations Audit Report:**

Ms. Hanson made the presentation to the subcommittee.

Councilmember Remley moved to approve the Solid Waste Operations Audit Report, Mayor Hall seconded. Motion carried 4-0.

**5. Discussion and action pertaining to the continuous Auditing: Citywide Procurement Cards Audit Report:**

Ms. Moreno made the presentation to the subcommittee.

Councilmember Remley moved to approve the Citywide Procurement Cards Audit Report, Mayor Hall seconded. Motion carried 4-0.

**6. Discussion and action pertaining to the FY2023-2024 Risk Assessment Report:**

Ms. Holley made the presentation to the subcommittee.

Ms. Osborn mentioned that the Sports Revenue area within the Parks & Recreation department included in the FY2023-2024 Risk Assessment Report would involve Council's approval on any recommendations made to the current process, if any, therefore she would like to explore the option of focusing on a different area within the Parks & Recreation department.

Ms. Holley asked if there was another area of focus in Parks & Recreation. Ms. Osborn would like the Audit Team to include in the FY2023-2024 Risk Assessment. Ms. Osborn recommended special events focus instead since this area involves a wide range of capital events. Councilmember Remley mentioned that the Audit Team will see better results working with the departments.

Ms. Holley agreed to change the area of focus to special events and facility rentals.

Councilmember Remley moved to approve the FY2023-2024 Risk Assessment Report, Mayor Hall seconded. Motion carried 4-0.

**7. Presentation of the compliance Connection Newsletter issue #4 and discussion of Fourth Quarter audit work and projects:**

Ms. Holley made the presentation to the subcommittee.

**OTHER BUSINESS AND FUTURE AGENDA ITEMS**

The next Audit Committee Meeting will be held on **June 26, 2024**, at 3:00 p.m.

**EXECUTIVE SESSION**

**ADJOURNMENT**

Councilmember Remley moved to adjourned, Mayor Hall seconded. Motion carried 4-0. The meeting was adjourned at 4:18 p.m.

**ATTEST:**

\_\_\_\_\_  
\_\_\_\_\_  
Stephen Gaddis, Vice-Chair

\_\_\_\_\_  
\_\_\_\_\_  
Karina Caraveo, Staff Liaison



**CITY OF SURPRISE  
Audit Committee**

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Council Meeting Date: August 21, 2024  
Submitting Department: City Auditor  
Staff Recommendations:

Contact Person:  
District: Citywide

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

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**Agenda Wording:**

Discussion and action pertaining to the Travel Reimbursement Audit Report.

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**Motion:**

I move to approve and distribute the Travel Reimbursement Audit Report.

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**Background:**

This item has been placed on the agenda to discuss the results of work performed as part of the FY2024 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

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**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.

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**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.

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**Financial Impact:**

This item relates to work performed as part of the FY2024 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

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**Budget Impact:**

**Budget Impact:**

There is no budget impact associated with this item.

**FTE Impact:**

There is no FTE impact associated with this item.

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**ATTACHMENTS:**

1. FINAL Secured - Travel Reimbursement Audit Report
  2. Qrtly Audit CMTE 20June2024
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**S U R P R I S E**

A R I Z O N A

# **Travel Reimbursement Audit Report**

May 20, 2024

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# Executive Summary

As part of the City Auditor Department’s (CAD) FY2023-2024 Annual Audit Plan, an audit of travel reimbursements for July 1, 2022, through December 31, 2023, was performed. The purpose of the audit was to determine whether adequate and effective controls and governance processes are in place for City of Surprise (City) travel reimbursements. The CAD has not previously audited travel reimbursements.

Overall, auditors found travel reimbursement claims were not always in compliance with policies. Auditors sampled 74 of 707 travel reimbursement claims. To the Finance Department’s credit, auditors did find that supporting documentation for travel reimbursement claims was being collected and maintained appropriately by the Finance Department. However, there were some travel reimbursement claims that were not calculated and reimbursed for the correct amount. Auditors did test for any duplicate payments for travelers that also had a P-Card, and did not identify any duplicate payments. Auditors did note some areas where the City of Surprise Travel Policy (Policy) was not being followed or was unclear and identified some areas where the Policy should be updated to provide more specific guidance. In addition, there were some instances where the authorizations for travel reimbursement claims were not being documented properly in Munis.

**Finance has areas of achievement and opportunities for improvement**

- ✓ Supporting documentation for travel claims
- ✓ No duplicated payments with P-Card
- ✗ Travel reimbursement calculations
- ✗ City Travel Policy
- ✗ Travel reimbursement authorizations

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Area of achievement       Area of improvement

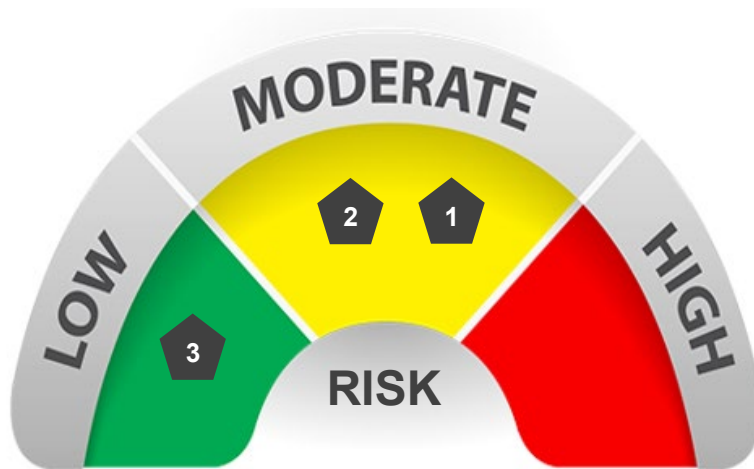
As a result, this report documents opportunities for improvement and makes recommendations to the Finance Department to ensure travel reimbursement claims are verified and calculated accurately, review and update the Policy for specific areas identified and ensure it is reviewed annually, and ensure that all travel reimbursement claims have all the approvals.

Refer to Appendix A for more information about travel reimbursement claims.

# Observations Summary and Risk Rating

Audit observations have been assigned a qualitative assessment of high, moderate, or low priority based on the need for action or correction. Refer to the rating definitions in Appendix B.

1. Travel reimbursement claim calculations and payments were not always accurate.
2. The City of Surprise Travel Policy has areas of improvement to provide more specific guidance to travelers.
3. The proper authorization for some travel reimbursement claims was not documented appropriately.



# Detailed Observations

## 1 – Travel reimbursement claim calculations and payments were not always accurate. (Moderate Risk)

The Policy requires the Accounts Payable Division (AP Division) to review each travel reimbursement claim for all necessary approvals and appropriate supporting documentation and to ensure it is in compliance with the Policy. The AP Division must notify employees when the travel reimbursement claim is non-compliant with the Policy.

The AP Division was not always properly reviewing travel reimbursement claims, resulting in not identifying some instances of noncompliance and following up with the travelers to correct them. Professional judgment and random sampling were used to select and review 74 out of 707 travel reimbursement transactions. The following exceptions were identified:

- Two travel reimbursement claims were calculated incorrectly based on the actual time of travel starting, resulting in an overpayment of \$33.00.
- One travel reimbursement claim was made to a traveler who purchased liability for their car rental, which is an unauthorized expense, resulting in an overpayment of \$219.90.
- One travel reimbursement claim was paid out using the incorrect per diem rate for the wrong location, \$64/day instead of \$59/day, resulting in an overpayment of \$13.00.

The AP Division improperly relied on the data submitted by the travelers with their travel reimbursement claim and did not properly confirm the data submitted to validate whether it was in compliance with the Policy. When calculations are not accurate, employees are not reimbursed the appropriate amounts.

### Recommendations

The Finance Department should:

1A. Ensure that all future travel reimbursement claims are accurate and reimbursed at the appropriate amount per the Policy.

**Management Response:** Management concurs with the audit recommendation.

- Recommendation Completion Date: 6/30/2024  
Management will provide additional training to accounts payable and accounting staff on items to review when reviewing travel reimbursement claims.

1B. Moving forward, ensure that AP staff independently verify any data submitted by the traveler when reviewing supporting documentation and reject travel reimbursement claims for correction when needed.

**Management Response:** Management concurs with the audit recommendation.

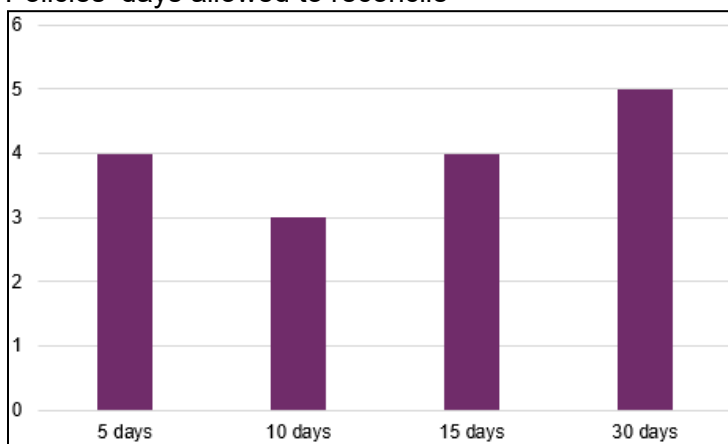
- Recommendation Completion Date: 6/30/2024  
Management will provide additional training to accounts payable and accounting staff on items to review when reviewing travel reimbursement claims.

## 2 – The City of Surprise Travel Policy has areas of improvement to provide more specific guidance to travelers. (Moderate Risk)

In a review of travel reimbursement claims, auditors found instances where the current Policy does not reflect the actual processes that are taking place and is inconsistently being applied, including:

- **First Day of Travel**—While the Policy does not allow any per diem on the first day for travel that starts at 6:00 pm or later, three of the 74 travel reimbursement claims tested had travelers leaving at 6:00 pm or later but were allowed per diem on their first day.
- **Tips**—The Policy states that tips are included in per diem and are not reimbursable; however, while one of the 74 travel reimbursement claims tested excluded tips related to transportation, all other travel reimbursement claims with transportation allowed tips related to transportation.
- **Distance for exceptions**—The Policy does identify that certain travel based on distance is considered an exception and requires a memo of approval from a department director; however, it does not currently specify the distance where this was required. Of the 707 travel reimbursement claims between July 1, 2022, and December 31, 2023, nine were identified within Maricopa County. None of them provided a memo of approval by the department director for the exception.
- **Days to Reconcile**—The Policy allows travelers 45 days after returning from travel to submit reconciliation; seven of the 74 travel reimbursement claims tested were submitted more than 45 days after returning from travel. In addition, auditors tested 16 other city and county travel policies to determine a best practice for days after travel to require reconciliation and identified all of them with 30 days or less, as shown in Figure 1.

**Figure 1**  
Policies' days allowed to reconcile



Source: City Auditor Department staff analysis of 16 City and County Travel Policies.

According to the Government Finance Officers Association (GFOA), financial and accounting policies and procedures should be evaluated annually and updated periodically, at least every

three years, according to a predetermined schedule. The current policy review process ensures that policies are reviewed at least once every five years. While the Policy was planned to be reviewed in 2023, this was put on hold due to other priorities and has not been reviewed for any needed updates or clarifications since 2019. With the Policy not being evaluated annually, there is a risk of non-compliance with the Policy and inconsistency in how travelers are reimbursed.

## Recommendations

The Finance Department should:

2A. Review and update the Policy to clarify the intent of management to include, but not limited to:

- a. Per diem reimbursement rates on the first day of travel.
- b. Tips, and which situations they are allowed to be reimbursed.
- c. Distance for travel that would require a memo approving an exception if this is needed.
- d. Length of time after return from travel to require reconciliation.

**Management Response:** Management concurs with the audit recommendation.

- Recommendation Completion Date: 1/31/2025

Management will review the Travel Policy during the next round of policy reviews to determine if any updates are needed.

2B. Update the current process to ensure that the Policy is reviewed at least annually and updated periodically according to the schedule.

**Management Response:** Management concurs with the audit recommendation.

- Recommendation Completion Date: 1/31/2025

Management will review the Travel Policy during the next round of policy updates and will put the Policy on schedule to be reviewed annually.

### 3 – The proper authorization for some travel reimbursement claims was not documented appropriately. (Low Risk)

The department directors and the Finance Department are responsible for ensuring that all travel activities are conducted in accordance with the Policy, and the AP Division is responsible for ensuring that all travel reimbursement claims have the necessary approvals and appropriate supporting documentation.

The AP Division was not properly ensuring that all necessary approvals were included with all travel reimbursement claims. Auditors tested 74 of 707 travel reimbursement claims to ensure all proper approvals were documented. Of these, 22 of the final travel reconciliations did not have an authorized signature on the travel reconciliation form submitted. However, the AP Division did not reject these forms to obtain the proper signatures to ensure there was approval.

The AP Division relied on Munis to track travel reimbursement claim approvals. However, the final travel reconciliations that did not report any changes to the estimated amounts that had been submitted initially do not go back through Munis' workflow, so there is no way to document approvals through Munis in these situations. The only evidence of final department approval is by signatures on the Travel Reconciliation form. Without final department approval, there is the risk that there were changes to the travel from the initial estimate that is not being reported since there is no final approval.

#### Recommendations

The Finance Department should:

3A. Ensure that all future travel reimbursement claims have the proper final approval from department directors.

**Management Response:** Management concurs with the audit recommendation.

- Recommendation Completion Date: 6/30/2024

Management will provide additional training to accounts payable and accounting staff on items to review when reviewing travel reimbursement claims.

3B. Moving forward, review all travel reconciliation forms for signatures to indicate department approval, and reject forms that do not have this.

**Management Response:** Management concurs with the audit recommendation.

- Recommendation Completion Date: 6/30/2024

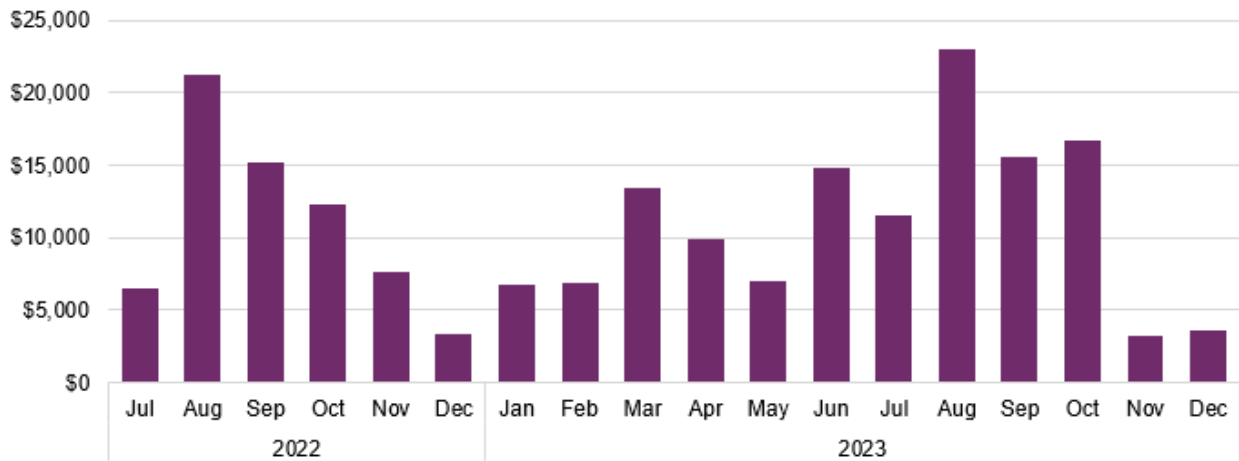
Management will provide additional training to accounts payable and accounting staff on items to review when reviewing travel reimbursement claims.

# Appendix A

## Background

City travel is conducted according to the Policy, which ensures accountability and responsible stewardship of public resources. With the proper authorization, the City will reimburse reasonable expenses incurred for approved travel related to City business. During the time period audited, travel reimbursement claims were an average of approximately \$11,000 per month as shown in Figure 2.

**Figure 2**  
Monthly travel reimbursement claim expenditures  
July 1, 2022, through December 31, 2023

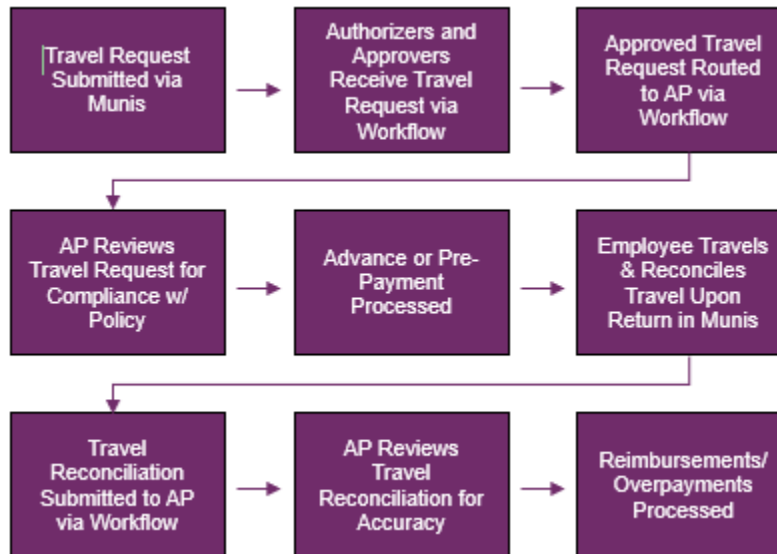


Source: City Auditor Department staff analysis of Munis' travel claim reimbursement claims from July 1, 2022, to December 31, 2023.

The AP Division oversees the travel reimbursement claims. The traveler is responsible for determining the most efficient and economical means for their travel, and then submitting the estimates through Munis. This is then reviewed by their departments, as well as the AP Division to get approval. An advance payment can be processed if needed. Once the traveler returns from travel, they must reconcile the travel in Munis, which also needs to be reviewed and approved by their department head or designee and the AP Division. If an overpayment or underpayment was made, this will then be processed. The travel reimbursement claim process is shown in Figure 3 (page 10).

**Figure 3**

Travel authorization and reconciliation process



Source: City of Surprise Travel Policy dated May 7, 2019.

## Objectives, Scope, and Methodology

CAD conducted a performance audit of travel reimbursement claims pursuant to Ordinance No. 2016-26, which grants the City’s internal audit program authority to conduct City internal audits. This audit focused on travel reimbursement claims from July 1, 2022, to December 31, 2023, and evaluated whether adequate and effective controls and governance processes are in place for City travel reimbursement claims.

Specifically, the CAD evaluated whether:

- Travel reimbursement claims were calculated and reimbursed for the correct amount.
- Travel reimbursement claims were reimbursed twice if a claim was submitted and the P-Card was also used to pay for expenses.
- The Policy addressed risks related to travel reimbursements.
- Travel reimbursement claims were being completed according to Policy time frames.

The CAD used various methods to review the specific objectives of this audit. These methods included:

- Reviewing applicable City policies, municipal code, laws, and regulations.
- Reviewing other city and county travel policies to compare to the City Travel Policy.

- Sampling, randomly and judgmentally, 74 of 707, or 10 percent, of travel reimbursements entered between July 1, 2022, and December 31, 2023, to test for accurate calculations for the amount reimbursed.
- Reviewing Munis data workflow to evaluate appropriate approvals and time frames for travel reimbursements.
- Interviewing Finance Department staff.
- Evaluating appropriate rates of reimbursement from the U.S. General Services Administration (GSA) and from the Internal Revenue Service (IRS) from July 1, 2022, and December 31, 2023.
- Reviewing supporting documentation for sampled travel reimbursements to test for completeness and accuracy.
- Reviewing and comparing 221 of 707 travel reimbursements identified with P-Cards to test for duplicate payments and reimbursements for the same expenses.
- Evaluating the City Travel Policy to identify areas of improvement.
- Reviewing internal controls related to travel reimbursements.
- Using CaseWare IDEA data analytical software.

# Appendix B

## Data Reliability

The data utilized for the work performed was obtained from Munis, the City's financial system of record. 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 selected audit samples to provide sufficient evidence to support our findings and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

The CAD determined the data utilized 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 process being audited. 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 C

## 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 that the audit objectives and related controls identified address the five internal control components of the COSO framework. Although some control weaknesses were identified and are included in the Detailed Observations section of this report, none rose individually or cumulatively to the level of a Citywide 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 procurement. As such, the conclusion and recommendations contained in this report may not include all areas which may need improvement.

## Acknowledgments

The CAD appreciates the time City staff contributed to this review. The City Auditor would like to take this opportunity to thank the City department and individuals involved in the Travel Reimbursement Audit for their considerable cooperation and assistance, including the:

- Finance Department.

## Surprise City Auditor Department

- **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 the City Auditor Department: <https://surpriseaz.gov/166/City-Auditor>.



**SURPRISE**  
ARIZONA

# Quarterly Audit Committee Meeting

June 20, 2024  
2:00 PM



# TRAVEL REIMBURSEMENT

**Objective:** Determine whether adequate and effective controls and governance processes are in place for City travel reimbursements.

**Background:**

- Travel reimbursement claims were an average of \$11,000 per month from 7/1/2022 through 12/31/2023.
- Munis has a workflow for employees to request travel reimbursement and to maintain documentation.

**Magnitude:**

- Sampled 74 of 707 travel reimbursement claims from 7/2/2022 through 12/31/2023.

**Key Opportunities:**

- Ensure that claims are reimbursed for the correct amount and independently verify data reported by employees.
- Review and update the Travel Policy to clarify the intent of management and ensure it is reviewed at least annually.
- Ensure that travel reimbursement claims have proper final approval from department directors.

# QUARTERLY NEWSLETTER ISSUE #5



## Who's Auditing the Auditors - CH

- Provides background on the standards the audit department must comply with and information about the peer review conducted through the Association of Local Government Auditors.

## Common Areas for Improvement - MM

- Discusses some of the common observations auditors have seen over FY2024, including approvals, supporting documentation, and policies.

## Past year Compliance Connection City Participation:

- |                       |           |                         |
|-----------------------|-----------|-------------------------|
| • Issue #1 (Jun 2023) | 277 views | 9 Contest Participants  |
| • Issue #2 (Sep 2023) | 118 views | 1 Contest Participant   |
| • Issue #3 (Jan 2024) | 155 views | 13 Contest Participants |
| • Issue #4 (Apr 224)  | 116 views | 6 Contest Participants  |



**SURPRISE**  
ARIZONA

**QUESTIONS OR  
COMMENTS?**

**Thank You**



**CITY OF SURPRISE  
Audit Committee**

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Council Meeting Date: August 21, 2024  
Submitting Department: City Auditor  
Staff Recommendations:

Contact Person:  
District: Citywide

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

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**Agenda Wording:**

Presentation and discussion of the Compliance Connection Issue #5.

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**Motion:**

N/A - Informational only

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**Background:**

This item has been placed on the agenda to discuss the results of work performed as part of the FY2023-2024 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

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**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.

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**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.

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**Financial Impact:**

N/A - Informational only

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**Budget Impact:**

N/A - Informational only

**FTE Impact:**

N/A - Informational only

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**ATTACHMENTS:**

1. Compliance Connection Issue #5
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# Compliance Connection

Issue #5

June 28, 2024

Welcome to the City Auditor Department's fifth edition of **Compliance Connection**. This issue of **Compliance Connection** focuses on understanding audit issues and learning about what internal audit is.

Congratulations to Marcia Sorensen, our contest winner from Issue #4 of **Compliance Connection**.

## Who's Auditing the Auditors?

By Carol Holley, City Auditor

Have you ever wondered who audits the auditors? The City Auditor Department must adhere to the [Government Auditing Standards](#) (Standards) the United States Government Accountability Office sets. These Standards provide our staff with guidelines for planning and conducting audit engagements. Our office must undergo an external quality control peer review every three years and meet the Standards established by the United States Government Accountability Office. To be entered into a drawing for a gift card, send an email to the City Auditor Department at [SupriseAuditor@surpriseaz.gov](mailto:SupriseAuditor@surpriseaz.gov) by Friday, 7/12/2024, with the three possible peer review report ratings according to the 2018 version of Yellow Book Standards. (Hint: See 5.72)

The City Auditor Department works with the [Association of Local Government Auditors](#) (ALGA) to coordinate the triannual peer review. Independent auditors, generally from out of state, are contracted to conduct the peer review. Curious about previous peer review results? View the [External Quality Control Review](#) reports published on the City of Surprise City Auditor's website.

The ALGA peer review team presents the [External Quality Control Review](#) report to the City of Surprise [Audit Committee](#). As part of the City Auditor Department's reporting structure, the [Audit Committee](#) holds the City Auditor accountable for the peer review results.

## Common Areas for Improvement

By Melissa Moreno, Internal Auditor - Senior

The City Auditor Department conducts multiple internal audits each year to identify areas of improvement for City departments. During this past year, auditors identified some common observations that everyone can use to review their own processes to ensure they are in compliance with policies and regulations:

- Approvals – Approvals are often required for specific transactions to ensure there is a review of transactions. It is important that the approvers are in a position to properly review and approve the transaction, and if multiple levels of approvals are required, these need to be unique approvers for the transaction. This will ensure that there is a second check verifying that the transaction is correct and in compliance.

- Supporting documentation – Auditors need to verify the work of departments and their compliance with policies and regulations. In order to do this, auditors will ask for supporting documentation that processes and actions have taken place. Without these documents, it is difficult to remember what happened in the past and for auditors to determine if they are in compliance with policies and regulations. It is essential that departments maintain documentation of work that is completed according to the [Records Retention Schedule](#).
- Policies – City and department policies are developed to ensure that there is compliance with safety and external requirements as well as the intent of the City. In addition, it ensures there is consistency in how processes are applied. It is important that employees follow all policies that have been developed. According to [Government Finance Officers Association](#) (GFOA), best practices recommend reviewing policies at least annually. Policies should be updated as needed to ensure they stay relevant and meet the needs of the City.