



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

Wednesday, October 23, 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 pertaining to the August 21, 2024 meeting minutes. City Auditor
 - 2. Citywide Presentation, discussion, and possible action pertaining to the City Court Compliance Assistance Program audit report. City Auditor
 - 3. Citywide Presentation, discussion, and possible action pertaining to the review and update of the Audit Committee Bylaws. City Auditor
 - 4. Citywide Presentation and discussion pertaining to the Compliance Connection Issue #6 Audit Newsletter. City Auditor
 - 5. Citywide Presentation to the Audit Committee by the City Attorney's Office pertaining to Arizona Open Meeting Law. City Auditor
- G. Other Business and Future Agenda Items
 - H. Adjournment

KRISTI PASSARELLI, CITY CLERK

POSTED: Wednesday, October 16, 2024 @ 4:00 PM

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: October 23, 2024
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Consideration and action pertaining to the August 21, 2024 meeting minutes.

Motion:

I move to approve the minutes of the August 21, 2024, City Audit Committee meeting.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2024-2025 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

Objective Analysis:

The mission of the City Audit Committee is to provide advice to the city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the city auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion and possible action will lend itself to the oversight and advisory components of the mission statement. City staff does not anticipate any negative impacts at this time.

Policy Compliant:

Sec. 2-304 (c) (6-8) of the Surprise Municipal Code directs the Audit Committee to: In coordination with the city auditor, review significant audit findings and monitor responses thereto; provide independent review and oversight of the internal and external auditor including any audits either performs, and evaluate internal and external audits for performance and compliance with accepted professional standards.

Financial Impact:

No financial impact.

Budget Impact:

No budget impact.

FTE Impact:

No FTE impact.

ATTACHMENTS:

1. 2024-08-21 Draft Minutes
-

CITY OF SURPRISE
Audit Committee Meeting
16000 North Civic Center Plaza
Surprise, AZ 85374
Wednesday, August 21, 2024 – 4:00 p.m.

CALL TO ORDER

Chair Tatiana Young called the Audit Committee Meeting to order at 4:04 p.m. at Surprise City Hall, Overflow Room, 16000 North Civic Center Plaza Surprise, Arizona 85374, on Wednesday, August 21, 2024.

ROLL CALL

Chair Tatiana Young, Committee Member Connie Bowers, Councilmember Chris Judd, Councilmember Ken Remley, Deputy City Manager/CFO Andrea Davis.

Absent: Parks and Recreation Director Holly Osborn.

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, Council Assistant Genevieve Martin Del Campo, Council Assistant Lianna Martinez.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

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

Councilmember Judd moved to elect Tatiana Young as Chairperson and Connie Bowers as Vice-Chairperson. Councilmember Remley seconded. Motion approved 4-0.

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

Councilmember Judd moved to approve the April 25, 2024, meeting minutes.
Councilmember Remley seconded. Motion carried 4-0.

3. Discussion and action pertaining to the Travel Reimbursement Audit Report:

Melissa Moreno gave an overview of the Travel Reimbursement Audit Report.

Discussion ensued between the committee members.

Vice-Chair Bowers moved to approve the Travel Reimbursement Audit Report.
Councilmember Judd seconded. Motion carried 4-0.

4. Presentation and discussion of the Compliance Connection Issue #5:

Carol Holley gave an overview of Compliance Connection Issue #5.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

The next Audit Committee Meeting will be held on **October 23, 2024**, at 4:00 p.m.

EXECUTIVE SESSION

ADJOURNMENT

Chair Young moved to adjourn the meeting, and Vice-Chair Bowers seconded. Motion carried 4-0. The meeting was adjourned at 4:32 p.m.

ATTEST:

Tatiana Young, Chair

Genevieve Martin Del Campo, Staff Liaison



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: October 23, 2024
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation, discussion, and possible action pertaining to the City Court Compliance Assistance Program audit report.

Motion:

I move to approve and distribute the City Court Compliance Assistance Program audit report.

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.

Objective Analysis:

The mission of the City Audit Committee is to provide advice to the city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the city auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion and possible action will lend itself to the oversight and advisory components of the mission statement. City staff does not anticipate any negative impacts at this time.

Policy Compliant:

Sec. 2-304 (c) (6-8) of the Surprise Municipal Code directs the Audit Committee to: In coordination with the city auditor, review significant audit findings and monitor responses thereto; provide independent review and oversight of the internal and external auditor including any audits either performs, and evaluate internal and external audits for performance and compliance with accepted professional standards.

Financial Impact:

No financial impact.

Budget Impact:

No budget impact.

FTE Impact:

No FTE impact.

ATTACHMENTS:

1. Qrtly Audit CMTE 23Oct2024
 2. FINAL - Court CAP Audit Report
-



SURPRISE
ARIZONA

Quarterly Audit Committee Meeting

October 23, 2024
4:00 PM



COMPLIANCE ASSISTANCE PROGRAM AUDIT REPORT

Objective:

- Determine if CAP procedures were processed in compliance with the CAP Court Clerk Handbook and Arizona Revised Statutes.

Background:

- Surprise City Court implemented CAP in February 2019 and has implemented all five objectives identified by the March 2016 Task Force on Fair Justice for All: Court-Ordered Fines, Penalties, Fees, and Pretrial Release Policies.

Magnitude:

- Surprise City Court has processed \$7.1 million in outstanding Tax Intercept and \$371.5 million in FARE Collections.

Key Opportunities:

- Restrict use of personally identifiable information in training material.
- Work with the Arizona Supreme Court, Administrative Office of the Courts to resolve the user access report.
- Update training material to identify all requirements for the Financial Affidavit Form.

QUARTERLY NEWSLETTER

ISSUE #6 (AUGUST 2024)



Is Seeing Believing? By Angela Hanson

- Provides background on the challenges created by the emergence of deepfake-artificial intelligence-generated fake audio, images, text, and videos that mimic real people.
- Visit Detect Fakes Experiment by Northwestern's Kellogg School of Management to see how well you can distinguish between real and AI-generated images: <https://detectfakes.northwestern.edu/>.

Time for a Vacation By Melissa Moreno

- Discusses several employee and City benefits when employees take vacation. Vacations can help employees unplug, recharge, and reduce worker burnout. Employee vacation can also reduce instances of fraud.



SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You



S U R P R I S E

A R I Z O N A

**Surprise City Court
Compliance Assistance
Program
Audit Report**

June 11, 2024

Carol Holley, City Auditor

Angela Hanson, Internal Auditor

City Auditor Department

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Executive Summary

As part of the City Auditor Department’s (CAD) FY2023-2024 Annual Audit Plan, an audit of the Surprise City Court’s Compliance Assistance Program (CAP) for FY2022-2023 was performed. The Surprise City Court’s CAP offers individuals a customized income-based payment contract as an option for fines and fees ordered for civil, criminal, and municipal code violations. The audit aimed to determine if CAP procedures and monthly installment payments for court-imposed fines and fees were processed in compliance with the CAP Court Clerk Handbook (Handbook) and Arizona Revised Statutes.

Surprise Court’s CAP has areas of achievement and opportunities for improvement:

- ✓ Implemented outreach programs to improve communication with defendants
- ✓ Collected over \$540,000 in fines and fees through CAP
- ✓ Documented CAP policies and procedures
- ✗ Eliminate the use of PII in training materials
- ✗ Document allowable CAP exceptions
- ✗ Update records retention procedures for the CAP

Area of achievement Area of improvement

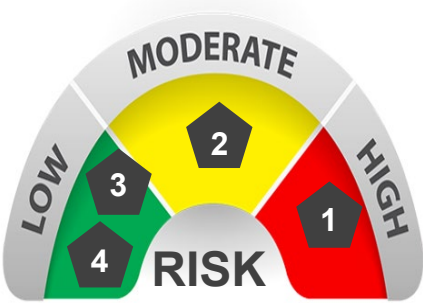
Overall, the Surprise City Court CAP transactions for the period reviewed, FY2022-2023, were processed in compliance with the Handbook and Arizona Revised Statutes. Opportunities for improvements were identified to strengthen access to personally identifiable information (PII) and how it is used in training materials. The audit identified the need to document instances when Financial Affidavit form exceptions are made. The need to modify the AJACS user access report and update the CAP retention schedule was also identified during the audit. See the Detail Observations Section of this report for additional information.

Refer to Appendix A for more information about the Surprise City Court’s CAP.

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. PII should be protected from the potential of unauthorized access and use.
2. The City Auditor Department could not conclude on the AJACS user access due to data limitations.
3. Financial Affidavit forms are not always obtained and signed by defendants.
4. The CAP Recommendation Form should be retained in compliance with the Arizona Code of Judicial Records Retention and Disposition Schedule.



Detailed Observations

1. Personally identifiable information should be protected from the potential of unauthorized access and use.

High-Risk

The National Institute of Standards and Technology (NIST) Guide to Protecting the Confidentiality of PII, Section 4.2.1, identifies minimizing PII use, collection, and retention as a fundamental privacy principle. PII should only be used, collected, and retained where it is essential to meet an organization's authorized business purpose or mission. For this report, PII is identified as any information that can be used to distinguish an individual's identity, such as a name, social security number, birth date, or physical address.

The City's Information Security General Controls Policies Version 3.1, Section 11.31.1 prohibits email transmission of confidential and sensitive information.

The Handbook is a detailed training guide for Surprise City Court staff processing CAP transactions. The training materials contained screenshots from the AJACS and copies of CAP forms to reinforce concepts and consistency in processing CAP transactions. Through review of the training materials, observation of staff practices, and discussions with staff, the following PII practices were identified that do not meet best practices for protecting PII:

- Two screenshots included in the Handbook contained a defendant's PII.
- Unencrypted fines/fees and restitution enforcement (FARE) data for delinquent CAP contracts are emailed to the Arizona Supreme Court, Administrative Office of the Courts (AOC) approved collection agency using the email address issued by the AOC. As of May 2024, 1,069 CAP participants are in a default status.

The Handbook contains a confidentiality statement on the cover page: "This document contains confidential information and shall not be disseminated. *Any violations may result in disciplinary action up to and including termination.*" The statement alone does not comply with NIST's best practice of least privilege access, which emphasizes limiting access to PII to the minimum required to perform job duties, as having PII in a handbook is unnecessary when placeholder text can be used to reinforce concepts.

The CAP Handbook was last reviewed and revised in August 2022. Actual PII was not redacted from screenshots since staff had access to it.

Risk

Unnecessary access to PII increases the potential for identity theft and increases the potential liability for the City related to data protection and security.

Recommendations

The Surprise City Court should:

- 1A. Review and update PII practices related to processing CAP payment plan contracts. This includes reviewing the process of where PII is stored and how it is transmitted, such as :
- Deleting PII from training material
 - Ensuring PII emailed over the AOC systems are appropriately secured

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 6/19/2024

All Surprise City Court training materials are for internal use only and may not be distributed outside the Surprise City Court without authorization from the Court Administrator or, in certain cases, the Presiding Judge. While the PII included in these materials is information that staff already have access to, the Surprise City Court recognizes that using actual PII from real cases in training materials may not be necessary. As a result, PII has been removed from the CAP training materials.

The Surprise City Court will collaborate closely with the AOC to establish and implement best practices for distributing correspondence that contains PII through AJACS. This will involve a thorough review of current protocols to ensure that sensitive information is handled securely and in compliance with all applicable regulations. The goal is to create a streamlined process that maintains the integrity of PII while facilitating efficient communication. We will also engage in continuous monitoring and adjustments as needed to adapt to any emerging challenges.

- 1B. Ensure that processes and procedures are reviewed and updated at least annually.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 10/23/2024

The Surprise City Court is committed to ensuring that CAP's policies and procedures are reviewed and updated on an annual basis. The initial review of CAP's policies and procedures will be conducted in October 2024. Thereafter, a designated CAP staff member will be responsible for conducting these reviews, ensuring that any changes in laws, regulations, or best practices are incorporated. The designee will assess current policies and procedures to identify any areas that require revision. A comprehensive review will be conducted each year, with updates approved by the Court Administrator and, where applicable, the presiding judge. To maintain accountability, all updates will be documented and communicated to staff promptly.

Detailed Observations

2. The CAD was unable to conclude on AJACS user access due to data limitations. **Moderate-Risk**

The Surprise City Court uses Arizona Judicial Automated Case System (AJACS), a state-supported case management system, to track, adjudicate, and report case information to the public and other government agencies. The Arizona Supreme Court's AOC Information Technology (IT) team manages AJACS system access.

Industry standards recommend that organizations limit information system access to the minimum necessary for users to accomplish their tasks, which is known as the principle of least privilege. Additionally, industry standards recommend disabling access of terminated users to prevent unauthorized access.

The Surprise City Court did not review user access to ensure changes made by the AOC IT team were made accurately, that access was limited to the least privilege necessary, or that access was promptly disabled when a user terminated employment with the City. To make user access changes, the Surprise Court submits requests to the AOC IT team and relies on the AOC IT team to complete access change requests accurately. The Surprise City Court maintains emails from the AOC IT team as verification that the request was completed and closed. However, Surprise City Court staff did not review user access because they were unfamiliar with the process and did not have the necessary access to view it. Further, it was not the practice of Surprise City Court staff to verify AOC IT work.

The CAD reviewed a May 2024 AJACS user access report to determine if user access was limited and disabled in accordance with industry standards. However, because the AJACS software does not flag disabled users, we could not identify disabled users from the user access report. In response, the Surprise City Court brought this issue to the attention of the AOC IT team. The AOC IT team is working with the AJACS developer to resolve this issue.

Risk

Ensuring user access is limited to the least privilege necessary and that terminated user access is promptly disabled is important for maintaining a secure and well-managed information system. Periodic access reviews can identify users with too much system access. Users with too much access increase security, privacy, legal compliance, and operational efficiency risks. These risks can be reduced by limiting access to the least privilege necessary and by promptly disabling terminated user access.

Recommendations

The Surprise City Court should:

2A. Continue working with the AOC to resolve the user access report issue.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 1/8/2025

The Surprise City Court will continue to recommend and collaborate with the AOC on the potential benefits of flagging terminated employees in the system as a best practice.

2B. Develop and implement written procedures to review AJACS access at least annually and when a user leaves the City to ensure access changes are made accurately, that access is limited to the least privilege necessary, and that access is promptly removed when a user terminates employment with the City.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 2/5/2025

The Surprise City Court recognizes the critical importance of maintaining secure and accurate user access within the AJACS system. To address this, the Surprise City Court will develop procedures to ensure that AJACS access is reviewed at least annually and promptly after a Remedy Ticket is issued from the AOC IT department confirming that the request to remove access has been completed and the ticket is closed.

Detailed Observations

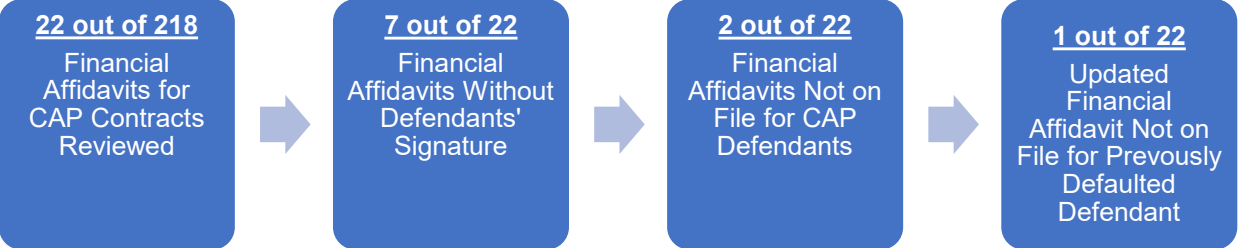
3. Financial Affidavit forms are not always obtained and signed by defendants. **Low-Risk**

The Handbook requires defendants to complete a Financial Affidavit form before entering a CAP payment contract. Defendants who default on their CAP payment contract and want to reenter the CAP must complete a new Financial Affidavit form.

During FY2022-2023, the Surprise City Court processed 218 fines/fees and restitution enforcement (FARE) CAP contracts with a total initial payment of \$24,192. We randomly selected 22 (10%) out of 218 CAP payment contracts to determine their compliance with the Surprise City Court Handbook. The auditor’s professional judgment was used to select a sample of attributes to review for compliance with the CAP; this included:

- Completed and signed Financial Affidavit form
- Collecting appropriate down payment from defendants before they enter a CAP payment contract
- Charging appropriate legacy (19%) or enhanced (19.5%) CAP FARE payments ¹
- Updated AJACS on-screen flag to identify defendants in collection
- Obtaining a judge’s approval for criminal cases before the defendant enters a CAP payment contract

Four out of five attributes tested identified no exceptions. Exceptions were identified when reviewing the 22 CAP contracts for completed and signed Financial Affidavit forms:



The online Financial Affidavit form is a fill-in form for all fields except the defendant’s signature field. Defendants sign the signature field to attest to the truth and completeness of the information provided on the Financial Affidavit form. When the form was completed and submitted online, the download was not set up to print the signature field.

Staff have informal processes in place for Financial Affidavit forms that do not agree with the CAP Handbook. Currently, staff is not requesting a new Financial Affidavit form if it

¹ Legacy CAP cases entered for FARE collection process prior to 09/01/2018 are charged 19%. Enhanced CAP cases entered for FARE collection process on or after 9/1/2018 are assessed a 19.5% charge.

has been less than six months since the Financial Affidavit form on file was completed and the defendant has verbally attested to no financial changes.

Risk

Noncompliance with the Handbook guidelines increases the potential for inconsistency in applying CAP policies and procedures for all defendants, which may negatively impact Surprise City Court's reputation.

Recommendations

The Surprise City Court should:

- 3A. Ensure that all fields for the online Financial Affidavit form are fillable fields and that a signed Financial Affidavit form is retained on file as required by the Handbook.

Management Response: Management partially concurs with the audit recommendation.

- Recommendation Completion Date: 1/22/2025

While ensuring that all fields on the online Financial Affidavit form are crucial for completeness, it is essential to acknowledge that some users may face limitations in signing documents electronically. Not all customers have the ability to digitally sign the affidavit or manually sign the document and scan it back to the Surprise City Court. The Surprise City Court will review the current practice for accepting the Financial Affidavit form to determine if alternative methods can be used to accept the affidavit with or without a signature and update the CAP procedures.

- 3B. Review and update the Handbook to identify all requirements for the Financial Affidavit form. This should include but not be limited to when staff can waive the completion of a Financial Affidavit form.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 1/15/2025

The Surprise City Court will review and update the Handbook to clearly identify all requirements for the Financial Affidavit form. This update will encompass all aspects of the form's completion, including guidelines on when staff may have the authority to waive its completion. Our goal is to ensure that the Handbook provides comprehensive and precise instructions to facilitate compliance and consistency. We will incorporate any relevant feedback to address potential gaps and enhance the clarity of these procedures. The updated Handbook will be distributed to all staff to ensure full awareness and adherence to the revised requirements.

Detailed Observations

4. The CAP Recommendation Form should be retained in compliance with the Arizona Code of Judicial Records Retention and Disposition Schedule. **Low-Risk**

The Arizona Code of Judicial Administration Part 4, Chapter 3, Section 4-302: Records Retention and Disposition Schedule identifies the document retention period for justice and municipal courts.

The CAP Recommendation Form documents a judge's approval for a defendant with criminal fees to enter the CAP. Based on a discussion with Surprise City Court CAP staff and a review of the Arizona Code of Judicial Records Retention and Disposition Schedule, the CAP Recommendation Form should be retained for six months after the final statement of judgment. CAP Recommendation Forms are currently retained for calendar years 2023 and 2024.

The Arizona Code of Judicial Records Retention and Disposition Schedule does not explicitly reference the CAP Recommendation Form.

Risk

Documents retained beyond the legal retention period increase the potential liability to the City.

Recommendations

The Surprise City Court should:

- 4A. Review the Arizona Code of Judicial Records Retention and Disposition Schedule and identify the appropriate retention category for the CAP Recommendation Form.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 1/15/2025

The CAP Recommendation Form is an internal document designed to organize thoughts and provide recommendations to judicial officers. Although there are no specific mandates regarding the retention of internally created forms, the Surprise City Court acknowledges the importance of maintaining consistency with best practices. The Surprise City Court is committed to upholding these practices to ensure effective and efficient operations. The Surprise City Court aims to ensure that the CAP policies align with the Arizona Code of Judicial Records Retention

and Disposition Schedule, as appropriate for the specified case type and document type under the relevant administrative documents.

- 4B. Ensure the CAP Recommendation Form is maintained in compliance with the Arizona Code of Judicial Records Retention and Disposition Schedule.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 1/15/2025

The CAP Recommendation Form is an internal document designed to organize thoughts and provide recommendations to judicial officers. Although there are no specific mandates regarding the retention of internally created forms, the Surprise City Court acknowledges the importance of maintaining consistency with best practices. The Surprise City Court is committed to upholding these practices to ensure effective and efficient operations. The Surprise City Court aims to ensure that the CAP policies align with the Arizona Code of Judicial Records Retention and Disposition Schedule, as appropriate for the specified case type and document type under the relevant administrative documents.

Appendix A

Background

In February 2019, the Surprise City Court implemented a Compliance Assistance Program to directly respond to the March 2016 Task Force on Fair Justice for All: Court-Ordered Fines, Penalties, Fees, and Pretrial Release Policies (Task Force). The Task Force recognized the financial hardship in the Arizona court system when defendants faced the inability to post bail or pay court-imposed fines. The Surprise City Court has processes and procedures in place to address all five objectives identified by the Task Force:

1. Provide convenient payment options and reasonable time payment plans based on an individual’s ability to pay.
2. Determine alternative options for paying fines or fees.
3. Identify practices that promote an individual’s voluntary appearance in court.
4. Decrease the overall number of individuals whose driver’s licenses are suspended.
5. Improved communication between court and individual.

The Surprise City Court has three dedicated staff members who assist individuals in person with completing the required documentation to participate in the CAP. The defendant completes the Financial Affidavit form, which is reviewed by a Surprise City Court CAP staff member who determines the down payment required to qualify for the CAP. Individuals must make the required down payment before entering the CAP. Any outstanding warrant(s) must be resolved with the Judge before qualifying for the CAP. Criminal fines require the authorization and signature of the Judge on the CAP Recommendation form before the defendant is approved for a CAP contract.

FY2020 - May 2024 CAP Summary	
Collections	
Active Participants	1,451
Default Participants	1,069
CAP Completions	1,004
Collections	\$540,245
Tax Intercept (TIP)	
Outstanding	\$7,111,123 ²
FARE (Collection Agency)	
Outstanding	\$371,517,366 ³
<i>Note: The data in this chart was provided by the Surprise Court staff. CAD staff have not audited the data.</i>	

The Surprise City Court will work with individuals who do not have the money to pay the down payment. This could include qualifying for a reduced initial down payment or smaller incremental payments until the total initial down payment is paid.

² The TIP and FARE outstanding totals are from the period of enactment of the program by the AOC. The totals represent uncollected fees and fines.

³ The FARE \$371.5 million includes the TIP \$7.1 million.

The CAP staff at Surprise City Court reviews and monitors the payment status of all CAP contracts monthly. Individuals who are delinquent on their CAP payments are submitted for collection services under the FARE program. Under the FARE CAP program, defendants can resolve collection activities by establishing a new payment plan when the defendants pay a certain amount of the outstanding case balance. Additional options, but not limited to collecting delinquent fines and fees, include tax intercept (TIP). The FARE and TIP are administrated by the Administrative Office of the Courts (AOC).

Objectives, Scope, and Methodology

We conducted a performance audit of the Surprise City Court's CAP pursuant to Ordinance No. 2016-26, which grants the City's internal audit program authority to conduct City internal audits. This audit focused on CAP contracts from July 1, 2022, to June 30, 2023. It evaluated whether the Surprise City Court's CAP processes complied with the Handbook, City policies, procedures, municipal code, and laws and regulations.

The CAD evaluated whether:

- The Surprise City Court's user access to the Arizona Judicial Automated Case System was limited to the least privilege necessary.
- CAP transactions processed from July 1, 2022, to June 30, 2023, were processed in compliance with the Handbook.
- The retention period for the CAP Recommendation form complied with the Arizona Code of Judicial Records Retention and Disposition Schedule.

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

- Interviewing Surprise City Court and other applicable City staff.
- Randomly sampling 10% of CAP contracts, payments, and transactions from July 1, 2022, to June 30, 2023, for supporting documentation and compliance with the Handbook.
- Reviewing a May 2024 AJACS user access report.
- Reviewing applicable Surprise City Court policies, laws, and regulations.
- Reviewing internal controls related to CAP.
- Using CaseWare IDEA data analytical software.

Appendix B

Data Reliability

The data utilized for the work performed was obtained from the Arizona Judicial Automated Case System and, where applicable, 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 that the data utilized was not sufficient to test AJACS user access to determine whether it was limited and disabled in accordance with industry standards. The data utilized for all other audit testing is sufficiently reliable, given its intended purpose.

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 departments and individuals involved in the Surprise City Court Compliance Assistance Program Audit for their considerable cooperation and assistance, including the following:

- Surprise City Court
- Information Technology 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>.



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: October 23, 2024
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation, discussion, and possible action pertaining to the review and update of the Audit Committee Bylaws.

Motion:

I move to approve updates to the Audit Committee Bylaws.

Background:

This item has been placed on the agenda in accordance with the Government Finance Officers Association (GFOA), Best Practices Audit Committees. GFOA recommends periodic review, no less than once every five years, of written documentation that establishes the Audit Committee's scope of responsibilities, structure, process, and membership requirements to assess its continued adequacy.

Objective Analysis:

The mission of the City Audit Committee is to provide advice to the city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the city auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion and possible action will lend itself to the oversight and advisory components of the mission statement. City staff does not anticipate any negative impacts at this time.

Policy Compliant:

Sec. 2-304 (c) (6-8) of the Surprise Municipal Code directs the Audit Committee to: In coordination with the city auditor, review significant audit findings and monitor responses thereto; provide independent review and oversight of the internal and external auditor including any audits either performs, and evaluate internal and external audits for performance and compliance with accepted professional standards.

Financial Impact:

No financial impact.

Budget Impact:

No financial impact.

FTE Impact:

No FTE impact.

ATTACHMENTS:

1. Audit Committee By Laws -8Oct2024docx
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SURPRISE

ARIZONA

Audit Committee Bylaws

Revised: October 8, 2024

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I. Ordinance

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

II. Purpose

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

III. Composition

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

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

The **AC's five voting members (two elected City council members and three appointed citizens)** will designate a Chairperson and Vice-Chairperson by majority vote. The Chairperson has the authority to sign correspondence and resolutions as the AC's official representative. During the chairperson's absence, the Vice-Chairperson shall act as the presiding officer over all AC meetings and activities.

Members will be appointed for a period not exceeding two (2) years, after which they will be eligible for re-appointment for one (1) additional term. Each term shall start on July 1st of the applicable year. Any vacancy shall be filled in a timely manner. Members shall be appointed to achieve staggered two (2) year terms. ~~Nevertheless,~~ Members

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

IV. Voting

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

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

V. Conflict of Interest

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

A conflict of interest occurs when an AC member or a family member has a financial or personal interest in any matter before the AC. AC members with a conflict of interest or who think they may have one must disclose the conflict or potential conflict to the AC at the meeting during which the matter involving the conflict of interest exists. AC members must refrain from voting or participating in discussions on any matter in which they have a conflict or potential conflict of interest.

VI. Responsibility

The AC's primary duties and responsibilities include:

- ❖ Reporting to the City Council on ~~problem~~ risk areas as deemed appropriate.
- ❖ Reviewing and approving the internal Annual Audit Plan. In making its pre-approval determination, the AC shall consider whether providing non-audit services (professional services unrelated to an audit or review) is compatible with maintaining the IA's independence of the City Auditor Department and its staff.
- ❖ Evaluating findings and recommendations resulting from the Internal Audit Office City Auditor Department's triennial peer review.

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

The AC should consider and review with the ~~IA with the~~ **City Auditor Department**:

- ❖ ~~Significant~~ Audit findings ~~during the year~~ and management’s responses to **audit findings**. ~~to them~~
- ❖ ~~Monitoring~~ Follow up on reported findings to ~~assure~~ **ensure** corrective action is taken.
- ❖ ~~Any~~ Difficulties encountered during the performance of an audit ~~conducted~~, including any restrictions or limitations on audit scope or access to required information.
- ❖ ~~Any~~ Changes required in the planned scope of the Annual Audit Plan.
- ❖ The Internal Audit Charter.
- ❖ The ~~Internal Audit Office’s~~ **City Auditor Department’s** overall performance and its compliance with accepted standards for the professional practice of internal auditing

VII. Compliance

The AC shall:

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

VIII. Other Responsibilities

The AC shall oversee the **City Auditor Department’s** ~~IA’s~~ receipt, retention, and treatment of ~~fraud~~ hotline complaints regarding accounting, internal accounting controls,

or auditing matters. The IA shall keep a record of complaints and inform the AC periodically **or at least annually** of complaints received and actions taken ~~for resolution to resolve them.~~

IX. Meetings

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

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

X. Access

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

XI. Limitation of Audit Committee's Role

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

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

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

XII. Authority

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

- ❖ Advise City Council on the appointment, and compensation, and oversee the work of any registered public accounting firm hired by the City.
- ❖ Resolve any disagreements between City Management and the independent external auditor regarding financial reporting, and other non-auditing services.
- ❖ Resolve any disagreements between City Management and the ~~IA~~ **City Auditor Department** regarding audit scope, observations, and recommendations.
- ❖ Obtain any information it requires from any City employee, volunteer, or other external parties, subject to legal confidentiality restrictions, necessary to complete AC responsibilities.
- ❖ Request attendance of any employee or volunteer of the City and its enterprises at AC meetings.
- ❖ Pre-approve all auditing and non-audit services.
- ❖ Retain independent counsel or others to advise the AC or assist in the conduction of an investigation.
- ❖ Request from City Council, sufficient funds to exercise the powers and duties set forth herein.

These bylaws and the policies therein become effective immediately upon adoption by the **voting members of the** ~~Audit Committee~~ **AC**.

Audit Committee Chair

Date

Audit Committee Vice Chair

Date

Audit Committee Member

Date

Audit Committee Member

Date

Audit Committee Member

Date



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: October 23, 2024
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation and discussion pertaining to the Compliance Connection Issue #6 Audit Newsletter.

Motion:

No motion is required, information only.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2024-2025 Annual Audit Plan approved by the Audit Committee at the start of the fiscal year.

Objective Analysis:

The mission of the City Audit Committee is to provide advice to the city council in respect to fulfilling its oversight responsibilities regarding the integrity of the city's annual comprehensive financial statements and to assist and advise the city auditor and city council on matters relating to the city's compliance with legal and regulatory requirements, systems of internal controls, management of citywide risk environment and the performance of internal and external auditors. This discussion and possible action will lend itself to the oversight and advisory components of the mission statement. City staff does not anticipate any negative impacts at this time.

Policy Compliant:

Sec. 2-304 (c) (6-8) of the Surprise Municipal Code directs the Audit Committee to: In coordination with the city auditor, review significant audit findings and monitor responses thereto; provide independent review and oversight of the internal and external auditor including any audits either performs, and evaluate internal and external audits for performance and compliance with accepted professional standards.

Financial Impact:

No financial impact.

Budget Impact:

No budget impact.

FTE Impact:

No FTE impact.

ATTACHMENTS:

1. Compliance Connection Issue #6
-

Compliance Connection

Issue #6

August 22, 2024

Welcome to the City Auditor Department's sixth edition of **Compliance Connection**. This issue of **Compliance Connection** focuses on learning about deepfakes and some benefits of taking a vacation.

Congratulations to Linda Beyersdorf, our contest winner from Issue #5 of **Compliance Connection**.

Is Seeing Believing?

By Angela Hanson, Internal Auditor

In today's digital world, the phrase "seeing is believing" is increasingly challenged by the emergence of deepfakes—artificial intelligence (AI)-generated fake audio, images, text, and videos that convincingly mimic real people. Deepfakes by bad actors pose a growing risk to City staff and municipal operations. In 2019, a deepfake audio scam tricked a CEO of a U.K. energy company into transferring \$243,000 to a fraudulent account. In February 2024, fraudsters tricked a Hong Kong finance worker via a phishing scam into attending an online call in which fraudsters used deepfake technology to pose as the company's CFO and the employee's colleagues. Fraudsters tricked the finance worker into paying \$25 million. These incidents highlight financial risks associated with AI technology.

Similarly, City staff could face scenarios where bad actors use deepfake emails, videos, or audio to impersonate officials, key City staff, vendors, or external stakeholders; issue fake directives; or spread misinformation, potentially leading to unauthorized actions, financial losses, and public confusion.

To mitigate these risks, City employees should:

- Always verify unexpected requests or unusual communications directly with the source through a separate communication channel to prevent unauthorized actions.
- Speak up, discuss, and report suspicious activity.
- Participate in and give attention to annual IT training and security awareness.

By staying informed and alert, City employees can safeguard their operations and maintain public trust in an age where seeing is no longer always believing.

Do you want to test your skills?

- Visit Detect Fakes Experiment by Northwestern's Kellogg School of Management to see how well you can distinguish between real and AI-generated images: <https://detectfakes.kellogg.northwestern.edu/>.
- Watch In Event of Moon Disaster (<https://moondisaster.org/film>), a six-minute video illustrating deepfake technology. At the end, there are four interactive questions—was the text of the speech real, was Nixon's face real, was Nixon's voice real, and was the space footage real?

To be entered into a drawing for a gift card, send an email to the City Auditor Department at SurpriseAuditor@surpriseaz.gov by 9/6/24, with whether you knew what a deepfake was before reading this article.

Time for a Vacation

By Melissa Moreno, Internal Auditor - Senior

Vacations can be good for employees and for the City. Taking a vacation can help employees unplug and recharge themselves, which helps to reduce worker burnout. When employees return from a break, they are reenergized and ready to focus on their work, which increases their productivity.

In addition to being good for employees, vacations can also reduce instances of fraud. For example, in one small Washington town, the clerk-treasurer had been generating herself an extra paycheck for three years and modifying reports so it wouldn't be detected by others. Town staff only discovered her fraudulent activity when she went on vacation. The clerk-treasurer had instructed her staff to hold some work while she was gone, but they ran the payroll register anyway and quickly detected her fraud.¹

In its [2024 Report to the Nations](#), the Association of Certified Fraud Examiners (ACFE) said that the median amount lost to fraud was reduced by 23% in instances where organizations had a vacation or job rotation control in place, and the length of time the fraud continued was 50% shorter when such a control was in place.

So when you are ready to schedule a vacation, there are just a few steps to ensure things are taken care of so you can relax. Create a prioritized to-do list of items that need to be done before leaving to ensure you are ready to go. Then, an out-of-office message should be set up for email so outside contacts know what to expect and what to do if they need immediate assistance. Finally, communicate well in advance with others in the agency to ensure work that needs to be done during your absence is covered, and that people you work with are aware of where to go if they need items you would typically do. Then go on that vacation and enjoy!

¹ Source: Office of Washington State Auditor (2023, May 17) *Mandated vacations: Good for staff – and even better for your internal controls* <https://sao.wa.gov/the-audit-connection-blog/mandated-vacations-good-staff-and-even-better-your-internal-controls>



**CITY OF SURPRISE
City Audit Committee**

Council Meeting Date: October 23, 2024
Submitting Department: City Auditor
Staff Recommendations:

Contact Person:
District: Citywide

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

Agenda Wording:

Presentation to the Audit Committee by the City Attorney's Office pertaining to Arizona Open Meeting Law.

Motion:

None

Background:

The presentation will cover topics helpful to the efficient and proper manner of conducting public meetings.

Objective Analysis:

N/A

Policy Compliant:

N/A

Financial Impact:

N/A

Budget Impact:

N/A

FTE Impact:

N/A

ATTACHMENTS:

1. 19.01.15 Open Meeting Law
-



SURPRISE

ARIZONA

OPEN MEETING LAW TRAINING

LEGAL DEPARTMENT, JANUARY 15, 2019

OPEN MEETING LAW

. . . opening the window on how government works in Arizona



A.R.S §38-431.01(A)

Arizona law states:

All meetings of any public body must be public meetings and all persons so desiring shall be permitted to attend and listen to the deliberations and proceedings. All legal action of public bodies must occur during a public meeting.

PURPOSE OF THE OPEN MEETING LAW

To ensure that the public has an opportunity to observe what the government is doing, and how it is being done.

STATE POLICY A.R.S. §38.431.09

- Meetings of public bodies must be conducted openly.
- Notices and agendas provided for meetings with information reasonably necessary to inform the public of matters to be discussed or decided.
- Construe OML in favor of “open and public meetings.”
- Discuss or take action ONLY on items that are on the agenda.

WHAT IS A MEETING?

Meeting: the gathering, in person or through technological devices, of a quorum of members of a public body at which they discuss, propose or take legal action, including any deliberations by a quorum with respect to such action.

A.R.S. § 38-431(4).

“... in person or through technological devices”

WHETHER

- All together in one room, OR
- One or more of the people participating by phone, OR
- One or more participating by computer, video chat, or phone
- Over time rather than all at once.

...it is all considered a meeting

Another way to define meeting...

1. Phone calls.
2. Emails-be careful responding to emails. Using “Reply All” and Forwarding emails may lead to OML trouble.
3. Serial meeting-less than a quorum present. Later the same discussion is had with other members.
4. Social events-when in doubt, post as possible quorum.
5. Social media-be careful “liking” comments, emerging area of law.

Are social events meetings?

- A.G. recommends that the event be posted if a quorum will be present.
- Identify time, date, location, and purpose.
- State that no legal action will be taken – *and then don't talk about city business!*
- It does not matter what label is placed on a gathering; it may be called a "work" or "study" session, or the discussion may occur at a social function.

Ariz. Att'y Gen. Op. 179-4 (¶7.5.1).

ALTERNATIVE COMMUNICATIONS

- Letters
- Blogs
- Media (e.g. newspaper, radio)
- Social Media (e.g. Facebook, Twitter)

(Cannot use alternative methods of communication to circumvent Open Meeting Laws.)

COMMUNICATION WITH STAFF

- Council/Board may communicate with staff.
- Staff may provide the Council/Board with reports or other information outside a public meeting.
- Staff may not be used to side step the open meeting law.

SPECIAL KIND OF MEETING:

EXECUTIVE SESSION

- City Clerk is responsible for noticing the public of all meetings, including executive sessions.
- Majority of Council/Board must vote to convene into executive session.
- Only members of the public body and those individuals whose presence is reasonably necessary for the public body to carry out its duty are permitted to attend the executive session.

SPECIAL KIND OF MEETING:

EXECUTIVE SESSION, cont.

- Legal Advice
- Litigation, Contract Negotiations, and Settlement Discussions
- Purchase, Sale or Lease of Real Property

SPECIAL KIND OF MEETING:

MORE INFREQUENT PURPOSES FOR EXECUTIVE SESSIONS

- Confidential records
- Salary negotiations with employee organizations
- Negotiation direction for International, Interstate or Tribal organizations

SPECIAL KIND OF MEETING

EXECUTIVE SESSION, cont.

- Discussion ONLY.
- Can give direction in some cases.
- Must keep minutes of e-session.
- Minutes are confidential except in limited circumstances.

**PENALTIES FOR
VIOLATING THE OPEN
MEETING LAW**

ARS § 38-431.07

- Civil Penalty up to \$500
- Removal from Office for Intentional Violations
- Plus court costs and attorney fees
- City cannot represent you or pay for a lawyer to represent you.



Conflict of interest

Arizona statutory law requires public officers (or employee) who have a conflict of interest to do two things...

- 1) Disclose the interest
- 2) Refrain from any participation in the matter.

A.R.S. §§ 38-501 to 511.

WHAT IS A CONFLICT OF INTEREST?

- A PUBLIC OFFICER OR EMPLOYEE
- WHO HAS (OR HIS RELATIVE HAS)
- A SUBSTANTIAL INTEREST

SUBSTANTIAL INTEREST?

- A NON-SPECULATIVE
- PECUNIARY (financial)
- PROPRIETARY (business)
- EITHER DIRECT OR INDIRECT

RELATIVES

- Your spouse
- Your children
- Your grandchildren
- Your parents
- Your grandparents
- Your siblings by full or half-blood & their spouses
- Your spouse's parent, brother, sister or child

WHAT ALL APPOINTED OFFICIALS NEED TO KNOW.

- Conflicts can happen-just don't try to influence the decision or vote. Always disclose the interest.
- When in doubt --- ASK!!
- What to do at the meeting when you have a conflict? – Refrain from participation.

GIFTS



Can you accept them? Can you give them?

GIFTS - Accepting

- Public officers are prohibited from using or attempting to use their position to secure any benefit or anything of value.
 - A.R.S. § 38-504(c)
- Public officers are prohibited from agreeing to receive or receiving compensation other than as provided by law for services they render.
 - A.R.S. § 38-505(A)

Exceptions

- *De minimis* gifts, i.e.:
 - 1) Unsolicited advertising or promotional material such as pens, scratch pads, calendars, etc... (basically trinkets).
 - 2) Other items of nominal value (e.g. box of candy or fruitcake) that are merely tokens of appreciation and not related to any particular transaction.

Ask yourself

- How would you feel if the Arizona Republic ran a story about you receiving the gift?
- Would a citizen question whether the gift is intended to buy influence?

- If you have any reservation or question about the propriety of a gift or gratuity, the best practice is always to:

DECLINE



SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You