



CITY OF SURPRISE
Audit Committee
16000 N. Civic Center Plaza
Surprise, AZ 85374
 Monday, October 20, 2025 @ 4:15 PM
 Lobby Conference 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 6, 2025, meeting minutes. | City Auditor |
| 2. | Citywide | Presentation, discussion, and possible action pertaining to Capital Improvement Plan Audit Report. | City Auditor |
| 3. | Citywide | Presentation, discussion, and possible action pertaining to the Audit Recommendations Status Report. | City Auditor |

- G. Other Business and Future Agenda Items
- H. Adjournment

KRISTI PASSARELLI, CITY CLERK

POSTED: Thursday, October 16th, 2025 @ 3:30 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 CLERK@SURPRISEAZ.GOV, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.



**CITY OF SURPRISE
Audit Committee**

Council Meeting Date: October 20, 2025
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 6, 2025, meeting minutes.

Motion:

I move to approve the minutes of the August 6, 2025, 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:

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.

Financial Impact:

No financial impact.

Budget Impact:

No budget impact.

FTE Impact:

No FTE impact.

ATTACHMENTS:

1. 2025-08-06 Draft Minutes
-

CITY OF SURPRISE
Audit Committee Meeting
16000 North Civic Center Plaza
Surprise, AZ 85374
Wednesday, August 6, 2025 – 4:15 p.m.

CALL TO ORDER

Vice Chair Connie Bowers called the Audit Committee Meeting to order at 4:15 p.m. on Wednesday, August 6, 2025, at Surprise City Hall, Lobby Conference Room N1-150, 16000 North Civic Center Plaza Surprise, Arizona 85374.

ROLL CALL

Chair Tatiana Young (absent), Vice Chair Connie Bowers, Councilmember Chris Judd, Councilmember Earle Greenberg, Assistant City Manager Andrea Davis (arrived at 4:17 p.m.), and Parks and Recreation Director Holly Osborn (arrived at 4:21 p.m.).

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, Finance Director Sandy Simmons, and Director of Sports and Tourism Kendra Pettis.

CALL TO THE PUBLIC

None.

REGULAR AGENDA ITEM

1. Consideration and action pertaining to the Audit Committee meeting minutes of April 9, 2025.

Councilmember Judd moved to approve the April 9, 2025, Audit Committee meeting minutes. Councilmember Greenberg seconded. Motion approved 3-0.

2. Presentation, discussion, and possible action pertaining to the Special Events and Facility Rentals Audit Report.

Melissa Moreno provided an overview of the Special Events and Facility Rentals Audit Report, which was then discussed by the committee members and the staff members present.

Finance and Sports and Tourism staff discussed what actions have been taken to prevent future special events billing errors.

Parks and Recreation staff discussed the Parks and Recreation system upgrade and how it impacted their migration of documents.

Councilmember Judd moved to approve and distribute the Special Events and Facility Rentals Audit Report, Councilmember Greenberg seconded. Motion approved 3-0.

3. Presentation, discussion, and possible action pertaining to the FY2025-2026 Annual Audit Plan.

Carol Holley provided an overview of the FY2025-2026 Annual Audit Plan to the Audit Committee.

A brief discussion ensued related to the FY2025-2026 Annual Audit Plan.

Councilmember Judd moved to approve and distribute the FY2025-2026 Annual Audit Plan, Councilmember Greenberg seconded. Motion approved 3-0.

OTHER BUSINESS AND FUTURE AGENDA ITEMS

The next Audit Committee Meeting will be held on **October 22, 2025**, at 4:15 p.m.

EXECUTIVE SESSION

ADJOURNMENT

Vice Chair Bowers moved to adjourn the meeting. The meeting was adjourned at 4:43 p.m.

ATTEST:

Connie Bowers, Vice Chair

Carol Holley, Staff Liaison

CERTIFICATION:

I, Kristi Passarelli, City Clerk for the City of Surprise, Maricopa County, Arizona, do hereby verify that these are the true and correct minutes of the Audit Committee Meeting of **Wednesday, August 6, 2025**.

Kristi Passarelli, City Clerk, CERA



**CITY OF SURPRISE
Audit Committee**

Council Meeting Date: October 20, 2025
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 Capital Improvement Plan Audit Report.

Motion:

I move to approve and distribute the Capital Improvement Plan Audit Report.

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY 2024-2025 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:

This item relates to work performed as part of the FY 2024-2025 Annual Audit Plan approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. Secured Capital Improvement Plan Projects Audit Report
-



SURPRISE

ARIZONA

Capital Improvement Plan Audit Report

June 30, 2025

Angela Hanson, Internal Auditor

City Auditor Department

Table of Contents

Executive Summary	3
Observations Summary and Risk Rating	4
Detailed Observations	5
1. Moderate Risk – The Finance Department’s capital planning policies did not include project monitoring and evaluation.	5
Risk.....	5
Recommendations	5
2. Moderate Risk – The Finance Department did not have sufficient controls to ensure complete capital project documentation.	7
Risk.....	7
Recommendation.....	8
Appendices	9
Appendix A: Background, Objectives, Scope, and Methodology	9
Background.....	9
Objectives, Scope, and Methodology	10
Appendix B: Data Reliability and Audit Observation Risk Rating	11
Data Reliability.....	11
Audit Observation Risk Rating	11
Appendix C: Audit Standards and Acknowledgments	12
Audit Standards	12
Acknowledgments.....	12
Surprise City Auditor Department.....	12

Executive Summary

As part of the City Auditor Department’s (CAD) fiscal year 2025 Annual Audit Plan, we conducted an audit of the City of Surprise’s (City) Capital Improvement Plan (CIP) projects for fiscal year 2023. The general purpose of the audit was to determine whether CIP projects were managed effectively and efficiently in compliance with best practices, City policies and procedures, municipal code, and applicable laws and regulations. In fiscal year 2023, the Adopted Budget Book presented 219¹ capital projects, of which, 100 were funded, 59 were planned, and 60 were unfunded. As part of this audit, two funded projects were judgmentally sampled.

Consistent with best practices, the City’s Finance Department prepares and reports the annual CIP and operating budget. Overall, we found that the Finance Department implemented some but not all of the capital planning practices recommended by the Government Finance Officers Association (GFOA). Specifically, the City’s capital planning policies did not include guidance for monitoring and evaluating projects after approval, and documentation across procurement and change order processes was incomplete.

Finance Department has areas of achievement and opportunities for improvement

- ✓ Annual CIP reporting
- ✓ Informal CIP monitoring
- ✗ No formal CIP monitoring policy
- ✗ Incomplete CIP supporting documentation

Area of achievement Area of improvement

Although we observed informal efforts by staff to monitor project progress and discuss lessons learned, the absence of a formal policy limits the City’s ability to apply a framework to assess project outcomes and ensure accountability. Further, we identified undocumented procurement method determinations and a change order that did not have the effective date of a project oversight change.

As a result, this report documents opportunities for improvement and makes recommendations to the Finance Department to develop a formal monitoring and evaluation policy for CIP projects and to strengthen documentation procedures.

Refer to Appendix A for more information about CIP.

¹ Project G51730 is listed in the fiscal year 2023 Adopted Budget Book as G51730A and G51730B to distinguish different funding sources. Because the project represents one project, it is counted once in the total capital project count and once in the funded project count.

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. The Finance Department's capital planning policies did not include project monitoring and evaluation.
2. The Finance Department did not have sufficient controls to ensure complete capital project documentation.



Detailed Observations

1. Moderate Risk – The Finance Department’s capital planning policies did not include project monitoring and evaluation.

The GFOA recommends that governments develop and adopt capital planning policies. These policies are intended to provide consistent guidance throughout the capital planning process. Specifically, GFOA recommends that capital planning policies include a component for monitoring and evaluating CIP projects.

The Finance Department’s fiscal year 2023 Adopted Budget Book (Budget Book) does not include guidance on how CIP projects should be monitored and evaluated after approval. As a result, the Finance Department’s capital planning policies partially reflect the practices recommended by GFOA. The Budget Book includes policies related to prioritization, funding, and long-range planning, but it does not describe how project performance should be tracked or reviewed once a project is in progress or completed.

Although the Finance Department does not have a formal policy for monitoring and evaluating CIP projects, we observed evidence of informal monitoring during the audit. Additionally, according to staff, project managers often debrief with their teams to discuss lessons learned, challenges encountered, and opportunities for improvement. However, these practices are not required or documented through formal policy.

According to management, a monitoring and evaluation policy has not been established due to the varying nature of CIP projects, where the specific steps in the process are driven by the type of purchase, dollar value, funding source, and project scope. Although this explanation reflects the complexity of capital projects, GFOA best practices emphasize that a high-level policy framework can still provide structured monitoring and evaluation across all projects. Standardized components—such as reporting requirements, progress tracking, variance analysis, and post-project assessment—can be scaled and tailored based on the project, while providing the consistent oversight and accountability that a policy is intended to ensure.

Risk

Without a formal monitoring and evaluation policy for CIP projects, the Finance Department has no consistent framework to measure and assess whether projects meet their intended scope and schedule. This increases the risk of delays and cost overruns. Further, when monitoring practices are not standardized, transparency and accountability in capital spending may be reduced, which can hinder the City’s ability to make informed decisions for future projects. Although some informal monitoring practices are in place, they are not formally documented, limiting verifiability.

Recommendations

The Finance Department should:

1A. Develop and implement a formal policy for monitoring and evaluating CIP projects after approval.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 9/30/2025

Management agrees that the CIP team and City management are monitoring and evaluating CIP projects, but that the monitoring and evaluation process is not documented in a formal policy. It is understood that documenting these processes is a best practice recommendation and will update our Capital Management Policy accordingly.

1B. Include guidance in the policy that establishes oversight expectations and allows the level of monitoring and evaluation to be scaled based on project size, complexity, and risk.

Management Response: Management concurs with the audit recommendation.

- Recommendation Completion Date: 9/30/2025

Management agrees that the CIP team and City management are monitoring and evaluating CIP projects, but that the monitoring and evaluation process is not documented in a formal policy. It is understood that documenting these processes is a best practice recommendation and will update the policy accordingly to include oversight expectations and evaluation based on size, complexity and risk.

2. Moderate Risk – The Finance Department did not have sufficient controls to ensure complete capital project documentation.

Effective procurement and change order processes rely on comprehensive and standardized documentation to ensure regulatory compliance and maintain accountability. City policy and best practices from authoritative sources provide guidance on how these processes should be documented and managed, including:

- Procurement method selection: The City's Procurement Guideline 503(B)(1) states that, before using the formal competitive proposal process, a written determination must be made that an Invitation for Bid (IFB) is not practicable or advantageous to the City. The guideline identifies conditions under which an IFB may not be suitable, including when it is necessary to compare multiple factors—such as price, quality, and contractual terms—across vendor proposals.
- Change order documentation: According to Project Management Institute best practices, it is a reasonable management expectation—and a standard internal control—that changes affecting project oversight, such as the assignment of a new project superintendent, be clearly documented, including the effective date of change. This helps to avoid uncertainty about responsibilities and helps to ensure accountability throughout the project.

However, the Finance Department did not have sufficient controls to ensure complete capital project documentation. We identified the following documentation issues:

- Procurement method documentation: For two sampled capital projects procured using methods other than IFB, the Finance Department could not provide the required written determination that an IFB was not practicable or advantageous.
- Change order documentation: One signed change order approving a new project superintendent did not document the effective date of the transition.

These situations occurred for two different reasons. For the procurement method determinations, the Finance Department did not follow its existing procedure that requires a written determination when an IFB is deemed not practicable or advantageous to the City. The Department stated that selecting and documenting a procurement method under Procurement Guideline 503(B)(1)(d) serves as evidence of that determination. However, the guideline states that the determination must be made in writing. Without a written determination, the Finance Department cannot demonstrate that the requirement was met.

For the change order documentation, the omission of an effective date occurred because the Finance Department has not developed or enforced standardized procedures to ensure the completeness of contract documentation. Although the change order in question was valid without an explicit effective date, best practices recommend including such dates to document the timing of key project personnel changes and strengthen accountability.

Risk

Incomplete documentation—such as missing written determinations when an IFB is not practicable or advantageous—limits the City's ability to demonstrate compliance with procurement requirements, maintain transparency, and defend the appropriateness of

procurement decisions. Although the absence of an explicit effective date in the change order does not appear to present a legal issue in this instance, omitting such information reduces clarity in the project record. Best practices in project management recommend including effective dates for changes in key project personnel to establish the timing of transitions and maintain accountability.

Recommendation

The Finance Department should:

- 2A. Resolve the procurement and change order issues identified in the audit, as applicable, and strengthen and implement procedures to ensure that:
- Written determinations document when an IFB is not practicable or advantageous in accordance with the Procurement Guidelines; and
 - Change order amendments include effective dates in line with best practices.

Management Response: Management partially concurs with the audit recommendation.

- Recommendation Completion Date: 9/30/2025

The Procurement Team determined during the procurement process that an IFB was not practicable for the two sampled capital projects and the team moved forward with the method most practicable and advantageous to the City. The guidelines will be updated to reflect that such determination will not need to be explicitly stated in writing, rather, the procurement team will document the method of procurement chosen which will serve as evidence that the City selected the most practicable and advantageous method.

The CIP team will provide refresher training to the engineers requiring that the effective dates of any change order amendments are clear.

Appendices

Appendix A: Background, Objectives, Scope, and Methodology

Background

The City's CIP is a long-term plan for capital expenditures. Capital expenditures include:

- The purchase of land, machinery, and equipment;
- The purchase or construction of buildings, structures, and facilities of all types; and
- The acquisition of a fixed asset or expenditures that increase the capacity, efficiency, lifespan, or economy of operating an existing fixed asset.

The CIP communicates the City's plan for investing in physical and technological infrastructure over five fiscal years. The Council adopts the plan's first year as part of its annual budget adoption process; the remaining four years of the CIP are for planning purposes.

CIP projects have a useful life of three years and a cost of at least \$100,000. CIP projects include asset replacement projects, even if they do not meet the useful life and cost threshold. Asset replacement projects are included in the CIP to avoid service disruptions from asset failures, ensure public and employee safety, minimize operations and maintenance costs, and ensure compliance with regulatory and contractual requirements.

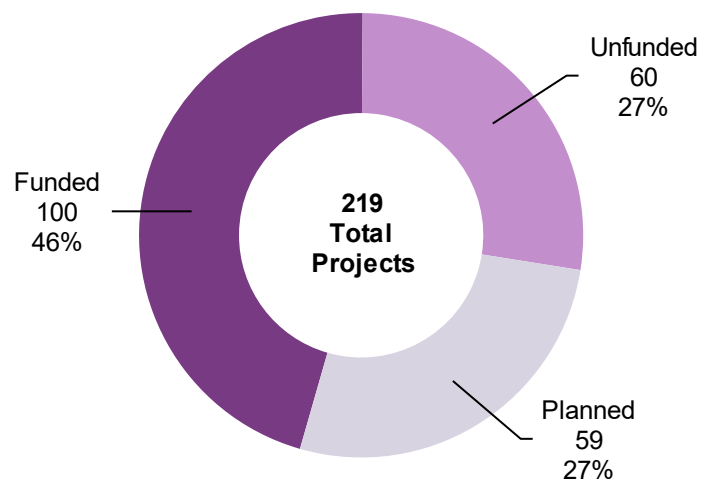
The CIP is developed and prioritized using needs assessments, financial analysis, the City's Strategic Plan, master plans, and other planning documents.

As shown in Figure 1, in fiscal year 2023, the City's CIP plan included 100² funded projects, 59 planned projects, and 60 unfunded projects. CIP projects are assigned as funded, planned, or unfunded and are defined as follows:

- Funded projects are approved for the budget book year or have a carryforward appropriation from prior fiscal years.

Figure 1

Funded projects account for 46 percent of all projects in the fiscal year 2023 CIP plan



Source: City Auditor Department staff analysis of fiscal year 2023 Adopted Budget Book.

² Project G51730 is listed in the fiscal year 2023 Adopted Budget Book as G51730A and G51730B to distinguish different funding sources. Because the project represents one project, it is counted once in the funded project count.

- Planned projects are not funded, but these projects are included in the five-year forecast.
- Unfunded projects are project requests during the budget process that do not have a funding source for initial and/or ongoing operating expenses.

In fiscal year 2024, the CIP division moved from the Public Works Department to the Finance Department.

Objectives, Scope, and Methodology

We conducted a performance audit of CIP pursuant to Ordinance No. 2016-26, which grants the City's internal audit program authority to conduct City internal audits. This audit focused on two funded CIP projects, and evaluated whether staff managed CIP projects effectively and efficiently in compliance with best practices, City policies and procedures, municipal code, and applicable laws and regulations.

Specifically, the CAD evaluated whether, in fiscal year 2023:

- CIP projects were effectively planned and prioritized.
- Procurement policies and procedures were followed.
- Ongoing maintenance and operational costs were effectively planned.

The CAD used various methods to review the specific objectives of this audit. Because the two judgmentally sampled projects from the fiscal year 2023 CIP extended beyond that fiscal year, some procedures covered activities occurring through March 2025. Methods included:

- Reviewing applicable City policies, municipal code, laws, and regulations;
- Sampling, judgmentally, two CIP projects and reviewing their supporting documentation;
- Interviewing City staff;
- Reviewing sampled projects workflow history for Purchase Order Change Order Approvals from June 2023 to March 2025; and
- Using Caseware IDEA data analytical software.

Appendix B: Data Reliability and Audit Observation Risk Rating

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 judgmentally 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 and Acknowledgments

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 CIP. 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 CIP Audit for their considerable cooperation and assistance, including the:

- Finance Department;
- Parks and Recreation Department; and
- Police 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
Audit Committee**

Council Meeting Date: October 20, 2025
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 Audit Recommendations Status Report.

Motion:

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

Background:

This item has been placed on the agenda to discuss the results of work performed as part of the FY2024-2025 and FY2025-2026 Annual Audit Plans approved by the Audit Committee.

Objective Analysis:

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

Policy Compliant:

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

Financial Impact:

This item relates to work performed as part of the FY 2024-2025 and FY2025-2026 Annual Audit Plans approved by the Audit Committee with the objective of identifying opportunities to minimize operational and financial risk to City assets.

Budget Impact:

There is no budget impact associated with this item.

FTE Impact:

There is no FTE impact associated with this item.

ATTACHMENTS:

1. Audit Recommendations Status Report as of 7Oct2025
 2. Qrtly Audit CMTE 20Oct2025
-



Audit Recommendations Status Report

October 7, 2025

Carol Holley, City Auditor

Contents

Summary 1

Purpose and Standards..... 2

Methodology.....2

Exhibit A – Audit Recommendations Detail..... 4

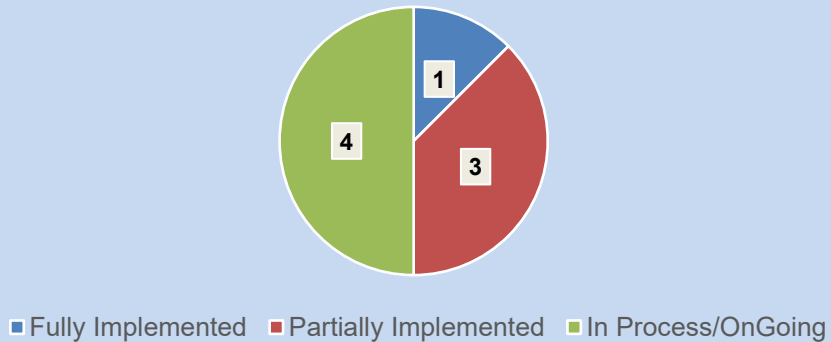
Summary

Periodically, the City Auditor Department (CAD) reports to the City of Surprise (City) Audit Committee on actions taken by staff to address audit recommendations. This report summarizes actions taken by staff from 7/1/2025 to 10/7/2025.

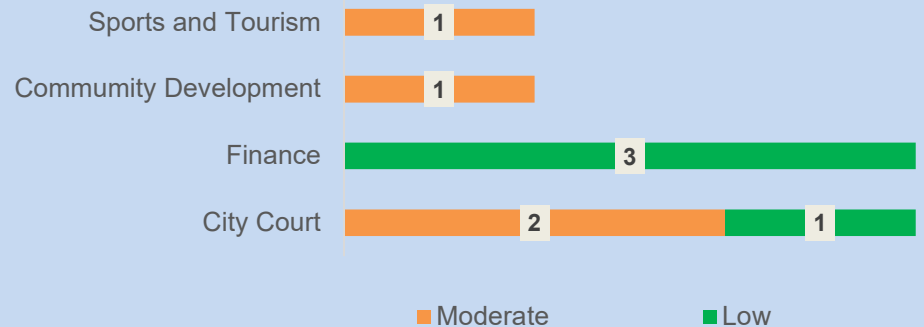
During the period, the CAD tracked and monitored eight audit recommendations: 13% (1 out of 8) was implemented; 38% (3 out of 8) were partially implemented; 38% (3 out of 8) are pending completion, and 13% (1 out of 8) is OnGoing pending actions from the Administrative Office of the Court. Exhibit A summarizes the eight audit recommendations tracked and monitored for the period.

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

Eight Audit Recommendations Tracked and Monitored Between 7/1/2025 to 10/7/2025 by Status



Eight Audit Recommendations Tracked and Monitored Between 7/1/2025 to 10/7/2025 by Department



Purpose and Standards

The recommendations referenced in each audit report were designed to decrease the risk to City assets and improve the efficiency and effectiveness of operations. In response to each audit recommendation, management developed an action plan to address identified risks.

The purpose of performing audit follow-up procedures is to determine the status of management action plans. *Governmental Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing* reference the need for audit follow-up procedures:

Governmental Auditing Standards:

GAGAS 8.30 – *“Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives.”*

International Standards for the Professional Practice of Internal Auditing:

Standard 15.2 Confirming the Implementation of Recommendations or Action Plans

“Internal auditors must confirm that management has implemented internal auditors’ recommendations or management’s action plans following an established methodology, which includes:

- *Inquiring about progress on the implementation.*
- *Performing follow-up assessments using a risk-based approach.*
- *Updating the status of management’s actions in a tracking system.*

The extent of these procedures must consider the significance of the finding.”

Methodology

After completing each audit, the CAD tracks observations and recommendations in SharePoint. Periodically, the CAD performs follow-up procedures on the status of audit recommendations with the appropriate City departments.

Departments self-report the status of management action plans via SharePoint. The CAD obtains and reviews testimonial or documentary evidence. In some cases, the CAD will go beyond the standard process, perform more in-depth verification of the extent to which specific audit recommendations have been implemented, and issue a separate report on this work.

All recommendations reviewed were categorized as follows:

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

Ongoing or Partially Implemented – City staff partially concurred or concurred with the audit recommendation. Staff is currently working on implementing the audit recommendation by the management-assigned completion date. **(See Exhibit A.)**

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

Exhibit A -Audit Recommendations Detail

Audit ID	Section ID	Title	Department	Report Date	Recommendation	Current Status	Management Comments	Risk Level	Estimated Completion	Completed Date
2025-02	2A	Permit and Development Revenue	Community Development	2/27/2025	Review currently open permits and ensure that valuation changes are being taken into account and that fees are documented appropriately going forward.	Implemented	On March 10, 2025, the Building Permit Modification application was updated to include a "Valuation of Additional Work" field. Permit modifications have been reviewed to ensure accurate valuation amounts are reflected in LIS. It is important to note that not all modifications result in valuation changes or additional fees—for example, solar permit modifications are subject to flat fees and are not valuation-based. Going forward, all Building Permit Modification valuation amounts will be reviewed against the original scope of work. LIS will be updated if the valuation increases by the intake staff. If a valuation has been added and fees updated, the out-processing team will document in LIS the increase and note that additional fees have been added. Community Development Business Ops section is developing a QC report as one additional step to assist staff in ensuring changes in valuation are captured. Estimate completion is May 1,2025. July 8, 2025 - The Data Warehouse report is complete and is named Permit Fee QC Report. Development Services runs it on a weekly basis.	Moderate	4/8/2025	7/8/2025
2024-05	3A	Compliance Assistance Program	City Court	6/11/2024	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.	Partially Implemented	The fillable Financial Affidavit form has been submitted to the Webmaster and is scheduled to be uploaded to the Court's website, ensuring it's accessible to all parties for timely completion and submission.	Low	9/10/2025	
2024-05	2A	Compliance Assistance Program	City Court	6/11/2024	Continue working with the AOC to resolve the user access report issue.	OnGoing - Delay	The request has been submitted to the Administrative Office of the Court (AOC) and is currently pending approval. The approval process must go through a series of reviews before final authorization is granted, if granted. Typically, the AOC prefers such matters to be addressed through a statewide need and generally avoids making changes on a court-by-court basis. Email sent to AOC IT May 16, 2024	Moderate	11/5/2025	
2024-05	2B	Compliance Assistance Program	City Court	6/11/2024	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.	Partially Implemented	The Court has instituted a comprehensive offboarding checklist designed to ensure that all system permissions and access rights are effectively terminated as requested. Upon receipt of a completed Remedy/Helix Ticket confirming the deactivation of access, Court Administration will securely archive the ticket in a designated repository for proper documentation, accountability, and audit readiness.	Moderate	8/13/2025	
2025-01	1A	Tourism Fund	Sports and Tourism	9/30/2024	Review the written process to ensure that it reflects the current needs of the Tourism Fund.	Partially Implemented	Sports & Tourism reviewed and updated the application process. The Tourism Fund Subcommittee approved the updated application on April 23, 2025 and Sports & Tourism will take to Council for final approval in August 2025.	Moderate	6/30/2025	
2025-04	1A	Capital Improvement Plan Audit Report	Finance	6/30/2025	Develop and implement a formal policy for monitoring and evaluating CIP projects after approval.	Not Implemented	Management agrees that the CIP team and City management are monitoring and evaluating CIP projects, but that the monitoring and evaluation process is not documented in a formal policy. It is understood that documenting these processes is a best practice recommendation and will update our Capital Management Policy accordingly.	Moderate	9/30/2025	
2025-04	1B	Capital Improvement Plan Audit Report	Finance	6/30/2025	Include guidance in the policy that establishes oversight expectations and allows the level of monitoring and evaluation to be scaled based on project size, complexity, and risk.	Not Implemented	Management agrees that the CIP team and City management are monitoring and evaluating CIP projects, but that the monitoring and evaluation process is not documented in a formal policy. It is understood that documenting these processes is a best practice recommendation and will update the policy accordingly to include oversight expectations and evaluation based on size, complexity and risk.	Moderate	9/30/2025	

Exhibit A -Audit Recommendations Detail

Audit ID	Section ID	Title	Department	Report Date	Recommendation	Current Status	Management Comments	Risk Level	Estimated Completion	Completed Date
2025-04	2A	Capital Improvement Plan Audit Report	Finance	6/30/2025	<p>Resolve the procurement and change order issues identified in the audit, as applicable, and strengthen and implement procedures to ensure that:</p> <p>Written determinations document when an IFB is not practicable or advantageous in accordance with the Procurement Guidelines; and Change order amendments include effective dates in line with best practices.</p>	Not Implemented	<p>The Procurement Team determined during the procurement process that an IFB was not practicable for the two sampled capital projects and the team moved forward with the method most practicable and advantageous to the City. The guidelines will be updated to reflect that such determination will not need to be explicitly stated in writing, rather, the procurement team will document the method of procurement chosen which will serve as evidence that the City selected the most practicable and advantageous method.</p> <p>The CIP team will provide refresher training to the engineers requiring that the effective dates of any change order amendments are clear.</p>	Moderate	9/30/2025	

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 the process being audited. Low risk observations should be implemented to improve efficiency and effectiveness of operations.

WELCOME

Quarterly Audit Committee Meeting

October 20, 2025
4:15 P.M.



SURPRISE
ARIZONA

CAPITAL IMPROVEMENT PLAN AUDIT

Objective:

- Evaluate whether CIP projects were managed effectively, efficiently, and in compliance with City policies, best practices, and laws.

Background:

- FY2023 CIP included 219 projects (100 funded, 59 planned, 60 unfunded).
- Finance Department oversees annual capital planning and reporting.
- Audit reviewed two funded projects.

Magnitude:

- Findings rated Moderate Risk (no high-risk issues).

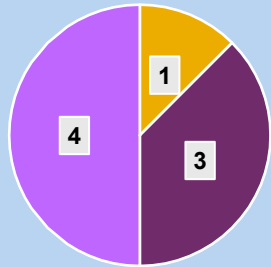
Key Opportunities:

- Develop a formal policy for project monitoring and evaluation.
- Strengthen procurement and change order documentation to ensure completeness and accountability.



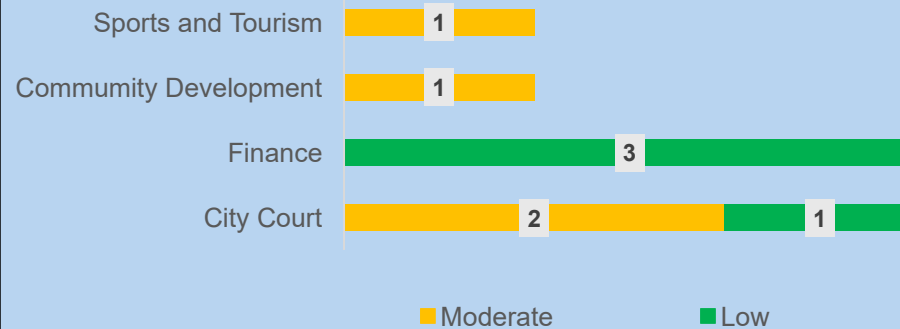
AUDIT RECOMMENDATIONS STATUS REPORT

Eight Audit Recommendations Tracked and Monitored Between 7/1/2025 to 10/7/2025 by Status



■ Fully Implemented ■ Partially Implemented ■ In Process/OnGoing

Eight Audit Recommendations Tracked and Monitored Between 7/1/2025 to 10/7/2025 by Department



Questions or Comments?

THANK YOU



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