



Audit Committee
Meeting Agenda
Thursday, May 25, 2023

CITY HALL - SONORAN ROOM | 11465 W. CIVIC CENTER DR. | AVONDALE, 85323

REGULAR MEETING

3:30 PM

Physical Access to the Sonoran Room will be available 30 minutes prior to the meeting.

CALL TO ORDER

1. Roll Call

2. Introductions

3. Approval of Audit Committee Minutes

The Audit Committee will consider approval of the February 15, 2023 minutes. The Audit Committee will take appropriate action.

4. Annual Consolidated Financial Report

The external auditors, Heinfeld Meech, will present the results of the Annual Consolidated Financial Report and the Single Audit report and kickoff the new audit year.

5. Audit Status Report and Report Discussion

The City Auditor will present an overview of completed projects. A status report will be presented for all projects currently in progress. This item is for discussion only. No action is required at this time.

6. Citywide Risk Assessment Process

The City Auditor will provide a presentation on the Citywide Risk Assessment. This item is for discussion only. No action is required at this time.

7. Approval of the FY23/24 Audit Plan

The City Auditor will present a list of audits to be included in the Annual Audit Plan. The Audit Committee will consider a request to recommend approval of the proposed Annual Audit Plan for fiscal year 2023/24. The Audit Committee will take appropriate action.

8. Calendar

The Audit Committee will decide if there are any specific items they would like included on the next agenda.

The Next scheduled Audit Committee meeting is **Thursday, August 10, 2023 at @ 2:00 – 3:30.**

9. Adjournment

Members will attend by telephone conference call. Individuals with special accessibility needs, including sight or hearing impaired, large print, or interpreter, should contact the City Clerk at 623-333-1200 or TDD 623-333-0010 at least two business days prior to the meeting.

Los miembros asistirán vía teleconferencia. Personas con necesidades especiales de accesibilidad, incluyendo personas con impedimentos de vista u oído, o con necesidad de impresión grande o intérprete, deben comunicarse con la Secretaria de la Ciudad al 623-333-1200 o TDD 623-333-0010 cuando menos dos días hábiles antes de la junta del Concejo.



AGENDA ITEM # 3

MINUTES OF THE AVONDALE AUDIT COMMITTEE
CITY OF AVONDALE, ARIZONA
THE SONORAN CONFERENCE ROOM
February 15, 2023

A **Regular Meeting** of the Audit Committee of the City of Avondale, Arizona was convened at 11465 West Civic Center Drive in open and public session at 11:01 am.

Members Present:

Committee Members (voting): Michael McGee, Curtis Nielson, Norma Pacheco, Gloria Solorio, and Max White.

Committee Members (non-voting): Ron Corbin and Renee Weatherless.

Members Absent: None.

Other Municipal Officials Present:

Barbara Copping, City Auditor, Nicholle Harris, City Attorney, Marcella Carrillo, City Clerk Margaret Carey, Deputy City Clerk, and Citlaly Salas, City Clerk Specialist.

Audience: No members of the public were present.

1. ROLL CALL BY THE CITY CLERK

2. INTRODUCTIONS

Each committee member and staff member introduced themselves.

3. APPROVAL OF AUDIT COMMITTEE CHAIR AND VICE CHAIR

Agenda item 3 was to nominate and appoint a Chair and Vice Chair for the Audit Committee. Because the Audit Committee is starting in the middle of a fiscal year, the first appointment will be for a term ending June 30, 2024. Subsequent appointments will be for terms ending June 30 to coincide with the end of every fiscal year.

Committee Member Gloria Solorio nominated Max White for Chair and Committee Member Michael McGee nominated himself for Vice Chair.

Committee Member Max White moved to appoint herself, Max White as the Chair and Michael McGee as Vice Chair; Council Member Gloria Solorio seconded the motion.

Upon vote, the motion carried unanimously 5 to 0.

Committee Member Michael McGee	Aye
Committee Member Curtis Nielson	Aye
Committee Member Norma Pacheco	Aye
Committee Member Gloria Solorio	Aye
Committee Member Max White	Aye

4. APPROVAL OF AUDIT COMMITTEE BYLAWS

Agenda item 4 was to approve the Audit Committee Bylaws previously provided to the Audit Committee members. Any proposed edits by the Committee members will be discussed.

Barbara Coppage, City Auditor, provided an overview of the Audit Committee purposes:

- Promote communication
- Approve the proposed Annual Audit Plan
- Ask questions about risk
- Report activities or make recommendations to City Council
- Review audit report activities
- Meet at least three times per year or more frequently as circumstances require

Notable elements of the Audit Committee Bylaws are as follows:

- Abstain from voting if there is a substantial interest
- Approved Bylaws to be submitted to City Council for approval
- Individual Audit Committee members seeking action will require a majority vote of the Audit Committee

Committee Member Norma Pacheco moved to approve the Audit Committee Bylaws; Vice Chair Michael McGee second the motion.

Upon vote, the motion carried unanimously 5 to 0.

Vice Chair Michael McGee	Aye
Committee Member Curtis Nielson	Aye
Committee Member Norma Pacheco	Aye
Committee Member Gloria Solorio	Aye
Chair Max White	Aye

5. Avondale Audit History

Agenda item 5 was a brief history describing the establishment of the City of Avondale audit history. Presentation included an overview of the City Auditor reporting structure and authority, an overview of the Audit Committee's purpose and responsibilities. This item was for discussion only, no action was required.

Ms. Coppage provided an historical outline of Avondale audit history

- 2020: No Audit function existed 2020; Auditor hired under the Finance and Budget Department
- 2021: Auditor reported to the City Manager's Office
- 2021: Integrity Line established in May, 2021
- 2022: Ordinance for the City Auditor Department established in July, 2022
- 2022: Ordinance to establish Audit Committee established in September, 2022
- 2022: City Auditor appointment in October, 2022

- 2023: First Audit Committee Meeting February, 2023

6. Audit Overview

Agenda item 6 was a presentation on the overall audit process, including the audit report distribution process. This item was for discussion only, no action was required.

Ms. Coppage provided a review of the purpose of the City Auditor:

- Performance Audits
- Contract Compliance Audits
- Process Improvement Projects
- Information System Audits

Main focuses of the processes are risk and controls. A control is any element capable of mitigating a risk.

Chair White asked how many City departments are impacted by the current open audits and whether there are departments with no audit in place. Ms. Coppage confirmed that there are some departments with no audit. There is currently a cash handling audit that involves at least five departments. Two current capital improvement project audits involve two different departments. Risk assessments involve all departments. Follow-ups to prior audit recommendations impact five to six departments.

Ms. Coppage discussed the stages of the audit process:

- Planning
 - Identify systems used
 - Review policies and procedure
 - Interview
 - Decide what to test
- Fieldwork
 - Analyze data
 - Test data against policy
 - Test internal controls
 - Discuss with departments
- Report
 - Draft report
 - Discuss with departments
 - Provide response template
 - Close-out workpapers
- Final report
 - Discuss with City Manager's Office
 - Quality control review

- Issue final report
- Create tracking to follow up on recommendations

In response to the City Attorney's question, Ms. Coppage stated that time frames for audits vary widely depending on the scope.

7. Avondale Integrity Line

Agenda item 7 was a presentation on the brief history of the Avondale Integrity Line and how information is collected and reported. The presentation included a status update in summary form of the reports received to date. This item was for discussion only, no action was required.

Ms. Coppage stated that an external party, AnswerNow, has been engaged to take the reports. Since opening the line, 12 reports have been received, 11 closed and one pending. All but one of the reports are HR-related.

In response to a Committee Member question, Nicholle Harris, City Attorney, provided a brief history of the development of the Integrity line. With the separation of a high ranking City official, some issues were brought to light. Ultimately, it was the City's goal to establish a process whereby employees could bring forth issues of fraud, abuse of power, financial and other concerns on an anonymous basis. Subsequently and in conjunction with City Council discussions, a chapter policy was created to create the Integrity Line. There is currently a review committee consisting of the City Attorney, City Auditor and HR Director. Originally, the City Manager's Office was not included, however, Ms. Harris recommends that they be included in the future.

Access to the Integrity is available online or via a 1-800 phone number. Upon receipt of a report, an email is issued to the City Attorney and City Auditor. The complaint is reviewed for content. As indicated, the majority of reports thus far have been HR-related and have been handled by the HR Department. The website is very specific that submissions should pertain to fraud, waste and abuse. Employees are encouraged to go to their supervisor for HR-related issues, however, they have the option to submit via the website, if they are uncomfortable involving a supervisor or other HR personnel. HR reports back on resolution of submitted reports.

8. Avondale Audit Certification

Agenda item 8 was to provide the Audit Committee with insight to overall activities the City Auditor is working on in addition to conducting audits. This item was for discussion only, no action was required.

Ms. Coppage reviewed the certification elements:

- Policies and procedures that follow standards
- Quality Controls reviewed and implemented
- City Auditor website to post final audits

The audit has an accreditation through a standard, Yellow Book, which certifies the audit shop is following processes in accordance with generally accepted government auditing standards. One of Ms. Coppage's areas of focus is solidifying audit policies and procedures that follow these standards. These standards include a requirement to post audits publicly.

In response to a question from Chair White, Ms. Coppage clarified that a full year of compliance is required in order to be considered for certification and compliance to Yellow Book standards. The first year eligible would be FY23/24.

In response to a question from Chair White, Ms. Coppage clarified that each department handles its own accreditation process.

Chair White asked if there is a capital improvement project (CIP) that would assist in funding additional staff for the audit process. Ms. Coppage stated that audit management software was requested to better manage the process, which is currently being tracked through Excel and Word.

Committee Member Nielsen inquired as to a hierarchy of departments that would require more comprehensive and more frequent audits. Ms. Coppage affirmed that some departments would require more audit coverage, including Police, Fire, Finance and HR.

9. Project Status Report and Approval of the FY23 Audit Plan

Agenda item 9 was to present the status of each audit project currently in progress and to present the proposed audits that will be opened for the remainder of the current fiscal year.

Ms. Coppage provided a status of audits and estimated date for Audit Committee review:

- Parks and Rec revenue collection and reporting: Draft completed 1/30/23, estimated Audit Committee Review in April, 2023
- CIP Fire State 175: Estimated Audit Committee Review in April, 2023
- CIP Aquatic Center: Estimated Audit Committee Review in June, 2023

For the Parks and Rec audit, the draft report has been issued and Ms. Coppage awaits a response from the Department. The department head is responsible for approving its response and should obtain City Manager buy-in prior to its submission.

In response to Committee Member question regarding the specific focus of the CIP audits, Ms. Coppage stated that Fire Station 175 audit is a CIP audit that will include contract monitoring, contractor and subcontractor compliance with contract, payment terms, and the closeout procedures. An external auditor is assisting with this audit. The Aquatic Center is in process. The costs for the project have dramatically increased and the auditors are being asked to look for potential cost recovery or cost-saving mechanisms.

Discussion ensued regarding the potential to hire additional staff for auditing. Ms. Coppage stated that she concurred with the City Manager, who recommended that this be evaluated after the first year.

Ms. Coppage requested that the Committee consider and approve the limited FY23 audit plan for Vendor Master Data Agreement. A more comprehensive, full-year list will be presented at the next Committee meeting.

Committee Member Gloria Solorio moved to approve the FY23 Audit Plan; Committee Member Curtis Nielson second the motion.

Upon vote, the motion carried unanimously 5 to 0.

Vice Chair Michael McGee	Aye
Committee Member Curtis Nielson	Aye
Committee Member Norma Pacheco	Aye
Committee Member Gloria Solorio	Aye
Chair Max White	Aye

10. Future Agenda Items

Agenda item 10 was to discuss agenda items for the next meeting, scheduled for Thursday, April 27th at 10:00 a.m. This item was for discussion only, no action was required.

Items identified for an upcoming meeting include:

- External Auditor Update
- Citywide Risk Assessment
- Annual Audit Plan
- Audit Report Presentation
- Follow-up on Prior Year Audit Recommendations

11. ADJOURNMENT

There being no further business before the Committee, Committee Member Curtis Nielson moved to adjourn the Meeting; Committee Member Norma Pacheco seconded the motion.

Upon vote, the motion was carried unanimously 5 to 0.

Vice Chair Michael McGee	Aye
Committee Member Curtis Nielson	Aye
Committee Member Norma Pacheco	Aye
Committee Member Gloria Solorio	Aye
Chair Max White	Aye

Meeting adjourned at 12:15 pm.



AGENDA ITEM # 5

INTERNAL AUDIT REPORT

CASH HANDLING & REVENUE COLLECTION

PARKS AND RECREATION DEPARTMENT | FINANCE AND BUDGET
DEPARTMENT | MARKETING AND PUBLIC RELATIONS |
NEIGHBORHOOD AND FAMILY SERVICES

March 6, 2023

Avondale

City Auditor's Office *Barbara Coppage*

11465 W CIVIC CENTER DR., #250 | AVONDALE, AZ 85323 | (623) 333-2048

Report Prepared by: Barbara Coppage, City Auditor, MPA, CIA, CQA

EXECUTIVE SUMMARY

CASH HANDLING AND REVENUE COLLECTION AUDIT

Date: March 6, 2023 | Project Number: 1202302

PURPOSE OF THIS AUDIT

To determine whether adequate controls exist to ensure that revenues are properly collected and recorded for the Parks and Recreation Department (Parks and Rec).

WHY THIS AUDIT IS IMPORTANT

The City expects the new Aquatic and Community centers to be opened to the public in the next 12 months. The opening of these two centers will increase the required staff and the amount of revenues generated. Therefore, it is important to establish and document good internal controls over existing operations in preparation of opening of the new centers.

Parks and Rec handles the collecting and reporting of revenue from special event permitting, sponsorships, field and facility rentals, and other recreational opportunities provided by the City. Beginning in 2021, Parks and Rec began using a cloud-based solution, CivicRec, to track program participation and revenues collected for each program. Since Parks and Rec serves as the main administrator of CivicRec, other City departments rely on Parks and Rec to help them setup their programs and to provide financial data to the Finance and Budget Department (Finance).

City Auditor reviewed Parks and Rec's established processes and policies for collecting and reporting revenues, reductions to revenues, and the user permission rights within CivicRec. As part of this audit, City Auditor also reviewed Parks and Rec's monitoring controls over their revenue contract.

Upon notification of City Auditor observations, Parks and Rec began implementing recommendations. Therefore, some of the recommendations below are already in progress.

CITY AUDITOR SUMMARIZED RECOMMENDATIONS

1. Disable privilege user accounts in CivicRec that are duplicate, for terminated employees, or those with personal emails.
2. Implement a revenue reconciliation process that identifies and investigates differences in reported revenues and revenues deposited.
3. Implement process that ensures a separate person approves all reductions to revenues.

STATISTICS

Revenue Sources

Programs	Revenue
Facility Rentals	358,000
Special Events/ Sponsorships	108,000
Sports	104,000
Leisure Activities	38,000
Visitor Center Merchandise	4,000
Revenue Contract	562,000
	\$1,174,000

Reductions to Revenue

Description	Amount
Refunds	\$32,000
Discounts	\$22,000
Credits	\$10,000
Waivers	Unknown

61 Customer accounts had credit balances

23 Customer accounts had overdue balances

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INTRODUCTION

Audit Purpose

The purpose of this audit is to determine whether adequate controls exist to ensure revenues are collected and properly recorded for the Parks and Recreation Department (“Parks and Rec”).

General Background

This audit is in response to a request made by Parks and Rec to review existing internal controls to prepare for the upcoming opening of the Aquatic Center and Community Center.

In 2021, “Parks and Rec” began using the CivicRec software to provide customers with an automated process for activity registration and facility rentals. CivicRec also tracks program participation and customer payments.

Customers may make payments to Parks and Rec by:

1. making electronic credit card payments (electronic payments) via OpenEdge, which is interfaced with CivicRec.
2. making in-person payments via check, cash, or credit card (in-person payments) at the Finance and Budget Department’s (“Finance”) Cashier Window.
3. making electronic payments via OpenEdge without a CivicRec account.

Parks and Rec serves as the main administrator of CivicRec. In addition to Parks and Rec, other City departments also utilize CivicRec for facility booking and payment services, including City’s Neighborhood & Family Services Department (“NFS”), Marketing and Public Relations Department (“Marketing”), and the Economic Development Department (“EDD”) (collectively, referred to as “Partner Departments”). These Partner Departments rely on Parks and Rec to assign user accounts in CivicRec, to provide system assistance, and to provide financial reports to Finance on their behalf. The following charts show all revenue streams for Parks and Rec included in this audit. Revenue streams for Partner Departments that were processed through CivicRec were also included in this audit.

NEIGHBORHOOD, FAMILY SERVICES, AND LIBRARY SERVICES DEPARTMENT

Activity	Tracking System	Electronic Payment	In-Person Payment
Resource Center Facility Rentals	CivicRec	OpenEdge	NA

MARKETING AND PUBLIC RELATIONS DEPARTMENT

Activity	Tracking System	Electronic Payment	In-Person Payment
Visitor and Conference Center (VICC) Facility Rentals	CivicRec	OpenEdge	Cashier Window
Store Merchandise	CivicRec	OpenEdge	NA

PARKS AND RECREATION DEPARTMENT

Activity	Tracking System	Electronic Payment	In-Person Payment
Sporting Event	CivicRec	OpenEdge	Cashier Window
Programs	CivicRec	OpenEdge	Cashier Window
Special Event	CivicRec	OpenEdge	Cashier Window
Park Ramada Rental	CivicRec	OpenEdge	Cashier Window
Sponsorships	Spreadsheet	Not applicable	Cashier Window
Burials	Manual form	Not applicable	Cashier Window
Revenue Contract	Munis	NA	Cashier Window /Invoicing System

OBSERVATION 1 – USER ACCESS CONTROLS

Conclusion

The process for assigning administrator accounts in CivicRec was not clearly defined and did not follow City policy.

The process for assigning merchant manager accounts in OpenEdge could be strengthened to consider administrator accounts assignments in CivicRec and compensating controls.

Applicable Policies and Procedures

Chapter 16 of the City's Policies and Procedures requires that:

- Employees to be responsible for all activity occurring under their user accounts;
- Security and controls be applied in a least permissive manner;
- Employees granted and exercise only those rights needed to perform their duties;
- Private and sensitive information must be protected.

Facts

CivicRec and OpenEdge are cloud-based solutions. This means that an assigned user can access the platform via the internet. The internal control relied upon is that assigned employees access accounts using their Avondale email address to login. The Avondale email must be valid for the user to be granted access. Avondale email addresses are disabled if an employee leaves the City.

CivicRec

Parks and Rec assigned 93 employees to one of the four privileged account types as of November 2022. Below is a brief description of the user rights followed by Table 1.1 that shows how many users were assigned to each account type in CivicRec.

- City Interns - Manage the day-to-day operations with slightly less access rights than Department Users. This is the least permissive account type.
- Department Users - Manage the day- to-day processing of transactions.
- Managers - Approve transactions such as refunds or credits initiated by a City Intern or Department User.
- Administrators - Edit the system, create new programs, change revenue coding and make system edits. This privilege account access is the most permissive.

TABLE 1.1 – CIVICREC PRIVILEGE USER ACCOUNTS

Users	Account Type
2	City Interns (Least Permissive)
55	Department Users
26	Managers
10	Administrators (Most Permissive)
93	Total

Parks and Rec did not have a standard procedure for establishing new privileged accounts or for monitoring accounts already established. Table 1.2 shows the results of City Auditor’s high-level review of existing privilege users assigned in CivicRec.


TABLE 1.2 CIVICREC ACCESS CONTROLS RESULTS

Incidents	Exception Description	Risk
6	More than one account created per employee	<ul style="list-style-type: none"> If employee is assigned as a Department User and a Manager, the employee could create and approve their own transactions.
3	Active accounts for terminated employees	<ul style="list-style-type: none"> Terminated employees may still have access to City systems.
9	Accounts setup with a noncity email	<ul style="list-style-type: none"> Terminated employees could continue to access and make edits to CivicRec using their personal email for access.
2	Shared accounts	<ul style="list-style-type: none"> Transactions cannot be traced to an individual.
10	Administrators	<ul style="list-style-type: none"> Excess employees have all rights access and have unlimited access.

Update: During the course of this audit, Parks and Rec reduced the number of administrators assigned to CivicRec to three employees; one Parks and Rec employee plus two from the Information Technology Department.

OpenEdge

Finance assigns privilege accounts in OpenEdge. Employees can be assigned to either a Merchant Clerk or Merchant Manager account. Merchant Clerks are generally limited to inquiry functions such as transaction research and reports. Merchant Managers have more permissive access with the capabilities to create new users, and to initiate, void, or refund payments.



The City Auditor reviewed the list of who was assigned a privilege user account. One Merchant Clerk and three Merchant Managers were assigned privileged accounts using the employees' Avondale email addresses. Two of the three Merchant Managers were also assigned as Administrators (highest level of access) in CivicRec.

Potential or Actual Impact

CivicRec

Due to the lack of separation between Department Users and Managers, an employee could make and approve their own unauthorized transactions in CivicRec. Further, employees that have separated from the City could access CivicRec through their personal email accounts.

OpenEdge

Due to the lack of separation between Administrators and Merchant Managers, an employee assigned to an Administrator account and a Merchant Manager account, could create, edit, or delete transactions from CivicRec and then process, void, or refund payments in OpenEdge. If such user role assignments are required, the need for compensating controls, such as a periodic transaction reviews and reconciliations performed by a separate person, should be implemented.

Possible Causes

Per Parks and Rec, CivicRec was implemented with limited guidance and minimal staff.

When new privilege user access rights are granted to an employee, the employees existing privilege user rights are not always considered to determine if the newly granted access right will cause a lack of segregation of duties.

Auditor Recommendations

- 1.1 Parks and Rec should continue to review the current privileged user access list in CivicRec and disable duplicate accounts, shared accounts, accounts for terminated employees, accounts for transferred employees, and accounts with personal emails.
- 1.2 Parks and Rec should implement a process to ensure compliance with City policy Chapter 16. At a minimum, the process should ensure that (1) department supervisors are approving employee access rights, (2) segregation of duties is considered within the system and between other systems, (3) duplicate and shared accounts are not created, and (4) City emails are used for City business.
- 1.3 Finance should review Merchant Managers in OpenEdge and privilege user roles in CivicRec to ensure proper segregation of duties.

OBSERVATION 2 – REVENUE RECONCILIATION

Conclusion

Adequate internal controls were not in place to ensure all revenues were collected and reported.

Applicable Policies and Procedures

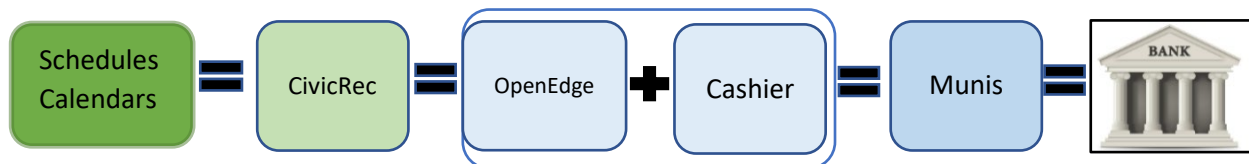
The City's Comprehensive Financial Policies state:

- Management will ensure appropriate internal controls are in place across the City to ensure funds are safeguarded and utilized according to stated objectives and governing policies (Page 11).
- All City bank accounts shall be reconciled and reviewed on a monthly basis and no later than 45 days after the end of the calendar month.

City Administrative Policy 18 Cash Handling states that segregation of duties is one of the most important steps to protect cash and personnel. Segregation of duties ensures there is oversight to catch errors and to ensure that a single person cannot complete a transaction from beginning to end without checks and balances.

Figure 2.1 below reflects a high-level illustration of areas that should be reviewed.

FIGURE 2.1 REVENUE RECONCILIATION AREAS



Facts

Parks and Rec

Customers who take part in tournaments or leagues register in CivicRec either individually or by team. Parks and Rec closes the registration and creates a schedule based on the registration list. Parks and Rec uses another system or a spreadsheet to create the schedule of games to be played and sends the list to all registered customers. These schedules are not integrated with CivicRec.

- Reconciliation of paid registered customers in CivicRec to customers scheduled for events is not performed. The risk of not reconciling is that individuals or teams can be scheduled without payment.
- City Auditor selected a sample of five registrants already scheduled for sporting activities. All five samples were registered with payment in CivicRec.

- Parks and Rec offers programs that are taught by contracted instructors. Parks and Rec does not reconcile customer participants with customer paid registrations in CivicRec.
- Parks and Rec requires customers to make payment prior to an event or activity. This is an adequate proactive control.
- A revenue reconciliation is not performed to ensure that all amounts due were collected and properly recorded in CivicRec and in the financial system, Munis.

Marketing and EDD

Marketing manages facility registrations for EDD. The City Auditor reviewed all reservations from October and November 2022 that were made for the Avondale Visitor and Conference Center (VICC). A sample of five judgmentally selected reservations were selected for testing to determine if the reservation was made in CivicRec and if payment was made. Per Marketing, reservations are made in CivicRec for those customers that are paying for their reservation. For nonpaying customers, such as City departments and City partners, their reservation is not in CivicRec. All reservations are tracked on a separate calendar outside of CivicRec. The City Auditor noted the following:

- Supervisor reconciliation was not performed to ensure all reservations on the calendar had an associated reservation in CivicRec or a documented waiver approval.
- One out of five customers selected for testing, used a reservation without payment. Per Marketing, there was some confusion if payment was eligible to be waived. Marketing has since invoiced the customer.
- A listing of approved City partners eligible for a fee waiver does not exist to compare with fee waivers granted.

NFS

Based on City Auditor interviews with NFS, separate calendars were used to track all facility rental reservations versus using calendars within CivicRec. NSF recorded reservations of paying customers in CivicRec. Non-paying customers, such as City departments and City partner reservations were not included in CivicRec. City Auditor also noted the following:

- Supervisor reconciliation was not performed to ensure that all reservations on the calendars had an associated reservation in CivicRec or a documented waiver approval.
- A list of approved City partners eligible for a fee waiver does not exist to compare with fee waivers granted.

Finance

Finance reconciliation process was reviewed. City Auditor noted the following:

- Finance reconciled CivicRec electronic payments to OpenEdge payments. Reconciliation did not include in-person payments.
- Finance used CivicRec revenue reports that did not always have a revenue account number for each payment recorded. Instead of requiring the problem to be fixed in CivicRec, Finance recorded this revenue into one of the existing account numbers. Therefore, CivicRec would not reconcile to Munis for the month. With each month this occurred, the variance between the two systems became larger.
- Finance reconciled CivicRec and OpenEdge to the City’s bank statements. However, some reconciliations were performed at a high-level and did not include all Parks and Rec revenue transactions, such as cash, refunds, credits, and sponsorship payments.
- Finance was not able to complete bank reconciliations and was behind at least six months. Per Finance, they could not complete the reconciliations due to a Munis system problem. Finance is currently working on past due bank reconciliations and have made significant progress. Finance is also working with the external auditors regarding this issue.

Table 2.3 below shows the revenue variance between CivicRec and Munis by account. All variances should be explained and edits made as necessary on a regular basis.

TABLE 2.3 MUNIS ACCOUNT RECONCILIATION

Department	Account No.	Account Description	CivicRec Amount	Munis Amount	Variance
Parks	44810	Sports	85,971	104,372	18,402
Parks	44820	Special Event	39,925	*107,841	67,916
Parks	44840	Leisure Activity	33,887	37,778	3,891
Parks	44850	Facility Rental	340,544	354,920	14,376
Parks	44850	Facility Rental	1,007	195	-812
Parks	Unidentified	Unidentified	11,571	0	-11,571
VICC Shop	48600	Gift Shop	4,153	4,154	1
VICC Rental	44850	Facility Rental	1,902	1,902	0
NFS Rental	44850	Facility Rental	612	1,674	1,062
		Subtotal	519,571	612,836	93,265
		Cash/checks	16,407	Included	16,407
		Total/Variance	\$535,978	\$612,836	\$76,858

The City Auditor selected that largest variance of \$67,916 above for further review. Table 2.4 below shows that City Auditor noted sponsorship payments were tracked outside CivicRec (further explained in Observation 3). A total of \$4,735 of in-person payments

posted in Munis; however, this amount did not match the in-person payments posted in CivicRec. A remaining balance of \$30,000 was not identified or reconciled for this account.

TABLE 2.4 PARKS AND REC SPECIAL EVENT ACCOUNT

Amount	Description
107,841	Amount posted in Munis for Special Event Account 44820
-72,981	Sponsorship payments processed outside CivicRec
-4,735	Cash/Checks processed
\$30,125	Unidentified Variance

Potential or Actual Impact

Reconciliation is important to ensure that (1) all money due is collected, (2) money received is reported, and (3) money reported is deposited into the City’s bank account.

In addition, complete program and financial information is a prerequisite for accurate business decisions in the future.

Possible Causes

A supervisory reconciliation process was not in place to identify reasons why revenue in CivicRec differed from revenue posted in Munis.

Finance did not record in-person Parks and Rec in-person payments on a daily basis in Munis or in a manner that could be reconciled easily to CivicRec.

Technical and miscalculation issues have been identified by Finance, Parks and Rec and Partner Departments that have not been resolved. Technical issues identified include:

- Miscalculations of reservation fee amounts for Marketing and NFS
- City departments and City Partner reservations are not included in CivicRec because their fees are waived.
- Payments reflected in OpenEdge and not in CivicRec
- Payments reflected in CivicRec and not in OpenEdge
- Revenue account codes are not always added in CivicRec

Department procedures are not established and documented. New systems were implemented under tight deadlines and without training.



Auditor Recommendations

- 2.1 Parks and Rec should work with Finance to develop a regular revenue reconciliation process that ensures adequate segregation of duties and that investigates all variances. Refer to Table 2.1.
- 2.2 NFS should implement a regular revenue reconciliation process that ensures adequate segregation of duties and that investigates all variances. Reconciliation should ensure that calendar facility reservations are entered in CivicRec with an associated payment or approved documented waiver.
- 2.3 Marketing should work with EDD to implement a regular revenue reconciliation process that ensures adequate segregation of duties and that investigates all variances. Reconciliation should ensure that calendar facility reservations are entered in CivicRec with an associated payment or approved documented waiver.
- 2.4 Parks and Rec should work with Finance to investigate all variances between CivicRec and Munis noted in Table 2.3 and make necessary corrections.
- 2.5 NFS should work with Parks and Rec to investigate and resolve the variance between CivicRec and Munis noted in Table 2.3 and make necessary corrections.
- 2.6 Parks and Rec should work with Finance and City Management to identify authorized City Partners and associated authorized entitlements.
- 2.7 Parks and Rec should work with IT and CivicRec Support to address the outstanding technical issues with CivicRec.
- 2.8 Finance should continue to complete historical bank reconciliations.
- 2.9 Finance should ensure the daily recording of in-person payments in Munis to allow Parks and Rec to reconcile in-person payments to CivicRec.

OBSERVATION 3 – SPONSORSHIP REVENUES

Conclusion

Adequate controls do not exist to ensure all sponsorship revenues are collected and properly reported.

Applicable Policies and Procedures

The City’s Comprehensive Financial Policies state:

- Management will ensure appropriate internal controls are in place across the City to ensure funds are safeguarded and utilized according to stated objectives and governing policies.
- All City bank accounts shall be reconciled and reviewed on a monthly basis and no later than 45 days after the end of the calendar month.

Administrative Policy 18 Cash Handling states that segregation of duties is one of the most important steps to protect cash and personnel. Segregation of duties ensures there is oversight to catch errors and one person cannot complete a single transaction from beginning to end.

Facts

Parks and Rec requires sponsors to sign an agreement that includes the agreed upon amount the sponsor will pay the City. A sponsor commitment may be for a specific dollar value or an “in-kind” contribution. City Auditor found the following:

- Sponsor commitments and payments were tracked on a spreadsheet; however, the commitments were inconsistently recorded. See Table 3.1.
- The process for crediting and refunding sponsors is not established.
- Written sponsorship agreements do not include terms and conditions that must be met in order to be eligible for a refund.
- Process for requiring sponsors to make payment prior to the event date is not documented or consistently followed. One sponsor had not submitted payment for an event already occurred.

TABLE 3.1 - SPONSORSHIPS

Fiscal Year	No. of events	No. of Sponsors	Commitment per Spreadsheet	Paid Amount per Munis	Variance
FY2022	7	15	25,850	72,981	\$47,131

*Information as of November 2022.



Potential or Actual Impact

Without adequate controls, there is an increased risk of providing services in return for payments not received, misappropriation of funds, and noncompliance with generally accepted accounting principles for reporting revenue.

Possible Causes

Parks and Rec recently began offering sponsorship opportunities for City events without establishing written procedures and processes. Transition of staff and staffing vacancies further complicated this new process.

Auditor Recommendations

- 3.1 Parks and Rec should review all FY22 sponsorship revenue by event, by account type, and by sponsor. They should identify any pre-paid amounts or past due amounts and record in the correct time period.
- 3.2 Parks and Rec should establish documented procedures to ensure sponsorship commitment amounts and payments are tracked per fiscal year and any variances are investigated and corrected. Pre-paid amounts should be recorded in the correct time period.

OBSERVATION 4 – MISCELLANEOUS REVENUES

Conclusion

The burial process at Avondale Goodyear Farms Cemetery is not documented and is performed by a single individual.

Applicable Policies and Procedures

- Administrative Policy 49, Goodyear Farms Cemetery Rules and Regulations
- Avondale Comprehensive Financial Policies
- Administrative Policy 18 Cash Handling

Facts

The City obtained the Avondale Goodyear Farms Cemetery (Cemetery) as a gift from a private firm. Parks and Rec has been managing the Cemetery for the last 13 years and uses a trust fund, also included in the gift, for the operation of the Cemetery. The City Council approved a burial fee schedule for qualified persons in FY 2021. The City Auditor noted the following:

- Fees are to be paid prior to all burials. This is a good internal control.
- There are no written standard procedures for the processing of burials. This could result in a major step (i.e. documenting who is buried or where they are buried) to be missed.
- Effective 2020, one Parks and Rec employee (Burial Manager) is responsible for determining eligibility in lieu of the “Committee” that was referred to in Administrative Policy 49. The Burial Manager is also responsible for receiving the completed form with payment, presenting the customer payment to Cashiering, hiring a firm for burial if necessary, coordinating the burial, and ensuring all required documentation is on file with Parks and Rec or with the City Clerk’s Office. The Burial Manager’s responsibilities do not ensure segregation of duties.
- Pre-payments for burials can be made and at least one pre-payment was made in FY22. However, the City Auditor noted that according to Administrative Policy 49, “payments are to be made upon the opening and closing of the casket which may be a higher cost.” Prepayments do not comply with City policy.
- Cemetery was not recorded in the City’s Capital Asset Inventory.
- The City does not have a policy regarding gifts donated to the City and the steps or approvals required when such is accepted.

Potential or Actual Impact

Because the Burial Manager handles all steps in the burial process, steps can be missed or go unrecorded or documented without detection.



Possible Causes

Procedures were not documented to provide guidance and consistency to staff for the financial and non-financial activities relating to burials.

Auditor Recommendations

- 4.1 Parks and Rec should separate the duties of the Burial Manager to ensure someone else approves eligibility for burial and ensure that an approved process for recording payments and maintaining documents is followed.
- 4.2 Finance should record the Cemetery in the City Capital Asset Inventory.
- 4.3 Finance should work with City management to develop a Citywide policy on gifts (i.e., property and assets) donated to the City.

OBSERVATION 5 – REDUCTIONS TO REVENUE: DISCOUNTS

Conclusion

Opportunities exist to strengthen internal controls relating to discounts.

Applicable City Regulations or Policies

- Administrative Policy 18 Cash Handling states that segregation of duties is one of the most important steps to protect cash and personnel. Segregation of duties ensures there is oversight to catch errors and one person cannot complete a single transaction from beginning to end.
- FY2021, FY2022, FY2023 Rates and Fee Schedule

Facts

During FY22, Parks and Rec made 19 discounts types available in CivicRec and granted 762 discounts. Discounts totaled \$23,000.

TABLE 5.1 FY2022 DISCOUNTS

#	Item Description	Instances	Percent	Total
1	Resident 20% Discount - Sports	875	49.7%	9,080
2	Resident 20% Discount - Special Interest	704	40.0%	7,078
3	Adult Softball Last Season Discount	50	2.8%	1,225
4	KidFest2022	21	1.2%	650
5	50% Discount - Non-Profit/Handcrafter	19	1.1%	1,325
6	TresRios2022	17	1.0%	50
7	Suncitywestcyclists2022	15	0.9%	105
8	Resident Discount (Sports)- \$5	8	0.5%	64
9	Sponsor	8	0.5%	1,075
10-19	Other	45	4.7%	1,430
	Total	1762	100%	\$22,982

City Auditor also noted the following:

- A variety of Parks and Rec employees can program discounts in CivicRec without a documented approval process.
- Per Parks and Rec, the department is authorized to waive and discount fees based on City Council approval of Rates and Fees Schedule each year. However, a department fee waiver and discount policy is not documented. Such a policy would include eligibility requirements and valid reasons for discounts or waivers.



Possible Causes

Parks and Rec's process for discounts operates on a case-by-case basis. Although this method allows for a great deal of flexibility, it also increases the risks of waivers and discounts distributed without adequate justification, waivers inconsistently granted to the public, public mistrust, and an environment where fraud can occur and also go undetected.

Potential or Actual Impact

Parks and Rec does not have a standardized process for entering discounts within CivicRec or granting waivers. Parks and Rec indicated that some of the discounts noted were a workaround to certain processes within CivicRec. A documented discount and waiver policy/process would consider the following:

- Who is authorized to approve additional discounts after the initial discount list is established?
- What existing discounts or waivers are approved for the department?
- What is the basis for the discount?
- What documentation or analysis is required for consideration of new discounts?
- What percentage of the fee or discount amount is authorized?
- How are discounts processed (i.e. waivers, credits to accounts, or discounted fee)?
- Who is eligible for a discount or waiver?
- What documentation is required (i.e. person granting approval, description of the discount in CivicRec, etc.)?

Auditor Recommendations

- 5.1 Parks and Rec should review the existing discounts in CivicRec and eliminate workarounds to the extent possible. Document approval and reason for discounts and disable unapproved discounts in CivicRec.
- 5.2 Parks and Rec should implement a discount process that ensures a formalized approval process and adequate segregation of duties.
- 5.3 Parks and Rec should document a discount and waiver policy and process.

OBSERVATION 6 – REDUCTIONS TO REVENUE: REFUNDS

Conclusion

Formalized policies and processes would help ensure refunds are properly approved, documented with valid reasons, and processed in accordance with City policy.

Applicable Policies and Procedures

Administrative Policy 18 *Cash Handling* requirements are summarized below:

- The reason for the refund must be documented;
- Customer must sign for the refund or refund must be approved by a supervisor;
- Debit/credit transactions must be refunded on the same debit/credit card;
- Other than same-day transactions, refund requests must be submitted through the Accounts Payable disbursement process;
- Refunds must be periodically reviewed by management; and
- Segregation of duties should include oversight to catch errors and to prevent fraud.


Facts

During FY22, 443 electronic refunds (364 unique credit cards) were processed in OpenEdge totalling \$32,000. CivicRec reported 2904 instances totalling \$64,000. There are some reasons that CivicRec will show a greater number of refunds versus OpenEdge such as:

- CivicRec will show a refund for each canceled reservation. OpenEdge will show one refund transaction if the entire amount was paid on a single credit card.
- OpenEdge shows electronic refunds and CivicRec shows all refunds, including those refunded by check.
- OpenEdge will show refunds for activities processed outside CivicRec. CivicRec only shows refunds processed within CivicRec.

City Auditor reviewed the process used for customer refunds and noted the following:

- Refunds are not reconciled or periodically reviewed to ensure they were properly approved and accounted for. Although the number of refunds will not match, the total dollar value of refunds should reconcile.
- Reasons for refunds and who approved the refunds are not stated in CivicRec in a consistent manner or through an established workflow within the system (i.e. clerk



processes and manager approves within CivicRec). Therefore, supporting documents to the approval were in historical employee emails or other locations unknown.

- City Auditor could not determine if the refund reason was valid against a preapproved refund policy since a refund policy did not exist.
- Supervisors were processing and approving refunds.
- Parks and Rec processed refunds, as a matter of practice, anytime after the original payment was made versus processing refunds through Finance Accounts Payable or process a refund within the same day, as required by Administrative Policy 18 (AP18). City Auditor recognizes that AP18 may not be the best and may need to be updated. As worded, AP18 may allow a customer to receive a refund by Accounts Payable to a customer that may dispute the charges on their credit card.

Potential or Actual Impact

A regularly scheduled reconciliation of the refunds would be able to catch system errors or noncompliance with a stated policy. A reconciliation would also help identify refund trends.

Possible Causes

Parks and Rec's refund policy was on a case-by case basis, as opposed to having a documented refund policy and detailed procedures. This creates a policy where staff is unsure what is authorized or unauthorized. A refund policy that implements adequate internal controls would include: (1) who is authorized to approve refunds, (2) approved reasons for refunds, (3) how to process refunds, (4) refund amounts or percentages authorized for a refund, and (5) reconciliation of all refunds.

Auditor Recommendations

- 6.1 Parks and Rec should establish a refund policy and procedure that incorporates, at minimum, the five adequate controls mentioned in the previous section as well as a time frame when refunds will no longer be granted.
- 6.2 Parks and Rec should communicate any new policy regarding the limited refund policy to customers.
- 6.3 Parks and Rec should comply with City Administrative Policy 18 regarding the processing of refunds or work with Finance to revise the policy.

OBSERVATION 7 – REDUCTIONS TO REVENUE: CREDITS

Conclusion

Formalized policies and processes would help ensure credits to customer accounts are properly approved, documented with valid reasons, and processed in accordance with City policy.

Applicable City Regulations or Policies

- Administrative Policy 18 Cash Handling
- FY2021, FY2022, FY2023 Rates and Fee Schedule

Facts

When customers want to register for a class, event, or program or make a facility reservation, they are required to create an account. The City Auditor reviewed all customer accounts that had a credit balance (i.e. customer is owed money). Table 7.1 below shows the number of customer accounts with credit balances.

TABLE 7.1– AGING OF CREDIT BALANCES

Description	< 12 months	Year 1-3	Total
No. of Accounts	51	61	112
Total Amount Due	\$3,723	\$2,412	\$6,135.

Potential or Actual Impact


Customer may not be aware that they are due money. If a credit is left outstanding on a customer account for an extended period, the risk increases that the City will be unable to remit the outstanding amount to the customer.

Possible Causes

Per Parks and Rec, customer accounts may be credited versus a refund. A standard operating procedure and process that incorporates segregation of duties, requires supervisor approval, and reconciles accounts on a continuous basis was not established nor followed.

Auditor Recommendations

- 7.1 Parks and Rec should create a policy that specifies when a customer may be credited and under what circumstances and that ensures customer accounts are reconciled and liquidated after a defined period.



7.2 Parks and Rec should work with Finance to research and liquidate customer balances over 60 days.

OBSERVATION 8 – CUSTOMER OUTSTANDING BALANCES

Conclusion

Internal controls can be strengthened to ensure payments are received prior to an event or reservation.

Applicable City Regulations or Policies

- Administrative Policy 18 Cash Handling
- FY2021, FY2022, FY2023 Rates and Fee Schedule

Facts

Table 6.1 below shows the balances outstanding on customer accounts. Per Parks and Rec, selected customers (known as “Allocators”) make multiple reservations for multiple months in the year. For these Allocators, the amounts due are not visible in CivicRec unless Park and Rec shows these amounts as “past due.” Therefore, per Parks and Rec, some of the amounts reflected as past due in Table 6.1 below are not actually past due and are a result of the workaround in CivicRec needed for Allocators to see the amount due.

TABLE 6.1– AGING OF ACCOUNTS RECEIVABLE

Description	Over 30	Over 60	Over 90	Over 120
No. of Accounts	33	28	26	23
Total Amount Due	\$17,635	\$13,259	\$9,708	\$7,295

If an amount is overdue past 120 days, it will also be reflected in the earlier overdue periods and so forth. Therefore, the total outstanding amount is \$17,635. The CivicRec report is as of November 2022.


Potential or Actual Impact

City has fiduciary responsibility for all monies due to the City. Inaccurate or incomplete recording of monies negatively impacts the City’s ability to provide services to its customers.

Possible Causes

City Auditor reviewed customer accounts with Parks and Rec and identified the following reasons for the outstanding amounts:

- Staff errors.
- Customers had more than one account.
- Legacy sponsor accounts that were no longer posted in CivicRec.
- Staff took reservation by phone and did not follow-up on the payment.

- 
- Internal control to verify payments are made prior to the event date did not always work.
 - One “allocator” account with a balance of \$4,306 in November 2022 no longer is in CivicRec. Parks and Rec noted that CivicRec allows customers to change the name on their account. There is not a system to match the old name with the new name to trace amounts due to credit on the account.
 - Amounts due and not collected.

Auditor Recommendations

- 8.1 Parks and Rec should work with Finance to resolve and clear customer outstanding balances. Ensure there is a documented approval process for all cleared accounts.
- 8.2 Parks and Rec should ensure there is a documented process to routinely review customer account balances.

OBSERVATION 9 – AVONDALE AMERICAN SPORTS CENTER

Conclusion

Parks and Rec implemented recommendations made in a prior audit on the American Sports Agency.

Applicable City Regulations or Policies

- Avondale American Sports Contract and Amendment
- Administrative Policy 18 Cash Handling
- Agreed upon procedures conducted by an external auditor dated April 2020

Facts

The City entered into a lease, maintenance and operations agreement (Agreement) with the American Sports Centers Avondale Facility (ASC) in January 2009. The City signed an amendment to the Agreement on September 2022 that revised the lease amount calculator. Per the Agreement, the City owns the buildings and real estate and ASC manages the facility and charges fees for court use, participation on leagues, and periodic memberships, etc. ASC will pay a lease amount and a percentage of revenue to the City. In 2020, the City contracted with an external audit firm to conduct the following agreed upon procedures:

- Evaluate ADC's calculation of the payments due to the City for the fiscal years ended June 30, 2019, 2018, and 2017.
- Evaluate the deductions and exclusions used in the calculation of the payments due to the City to determine if they were properly approved,
- Provide a percent of users that are Avondale residents based on information provided by ASC.

The external auditor issued two recommendations which were implemented by Parks and Rec. Parks and Rec ensured that ASC made quarterly payments to the City as required by the Contract, and Parks and Rec explicitly approved or denied ASC's capital expenditure requests.

The external auditor noted that ASC did not have audited financial statements for the engagement period nor was this a requirement per the ASC contract. They also noted that audited financial statements can be used to determine if the amount due to the City per ASC is accurately supported. The City should consider this requirement in future amendments with ASC.

Auditor Recommendations

None

APPENDIX A – SCOPE AND METHODS

SCOPE

We reviewed transactions from July 1, 2021 through November 2022.

The internal control components and underlying principles that are significant to the audit objectives are:

- Reconciliation Monitoring Activities
- Access Control Activities

METHODS

We used the following methods to complete this audit:

- Interviewed Parks and Rec, Finance, EDD, IT, and NFS department staff
- Obtained user privilege accounts for CivicRec and OpenEdge
- Identified revenue streams for Parks and Rec
- Obtained CivicRec payment information for FY22.
- Obtained CivicRec deductions to program fee activities
- Obtained revenue information from Munis
- Obtained copies of bank statements and electronic payment information
- Obtained copies of cash and check deposits outside CivicRec
- Sample tested of selected transactions and analyzed population sets
- Reviewed City policies and City Council approved rates and fees
- Reviewed external audit report and contract for the American Sports Center.
- Reviewed City policies for the Goodyear Family Cemetery

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

APPENDIX B – DEPARTMENT RESPONSE TO RECOMMENDATIONS

#	RECOMMENDATION	DEPT	DEPARTMENT RESPONSE	CONCUR	TARGET DATE
1.1	Parks and Rec should continue to review the current privileged user access list in CivicRec and disable duplicate accounts, shared accounts, accounts for terminated employees, accounts for transferred employees, and accounts with personal emails.	Parks	Parks and Rec will work on transferring the administrator role for CivicRec to the IT Department. As part of this transition, Parks and rec will review and clean up the users.	Concur	04/28/23
1.2	Parks and Rec should implement a process to ensure compliance with City policy Chapter 16. At a minimum, the process should ensure that (1) department supervisors are approving employee access rights, (2) segregation of duties is considered within the system and between other systems, (3) duplicate and shared accounts are not created, and (4) City emails are used for City business.	Parks	Parks and Rec will work on transferring the administrator role for CivicRec to the IT Department. As part of this transition, future access changes will be properly approved. Routing rules will be documented to include the proper management and finance approvals for the various roles. Parks and Rec will remind users of the policy regarding email use.	Concur	06/30/23
1.3	Finance should review Merchant Managers in OpenEdge and privilege user roles in CivicRec to ensure proper segregation of duties.	Finance	Finance will review user roles in OpenEdge and CivicRec to ensure proper segregation of duties.	Concur	02/28/23
2.1	Parks and Rec should work with Finance to develop a regular revenue reconciliation process that ensures adequate segregation of duties and that investigates all variances. Refer to Table 2.1.	Parks	Parks and Rec and Finance will develop a revenue reconciliation process. The new senior revenue analyst in Finance will assist in this project.	Concur	06/30/23
2.2	NFS should implement a regular revenue reconciliation process that ensures adequate segregation of duties and that investigates all variances. Reconciliation should ensure that calendar facility reservations are entered in CivicRec with an associated payment or approved documented waiver.	NSF	NSF will implement a regular revenue reconciliation process that ensures adequate segregation of duties and that investigates all variances. The reconciliation process will serve to ensure that calendar facility reservations are entered in CivicRec with an associated payment or approved documented waiver	Concur	05/31/23
2.3	Marketing should work with Marketing to implement a regular revenue reconciliation process that ensures adequate segregation of duties and that investigates all variances. Reconciliation should ensure that calendar facility reservations are entered in CivicRec with an associated payment or approved documented waiver.	Marketing	Two additional team members have been identified to review reconciliation and investigate any potential variances. Reconciliation should ensure that calendar facility reservations are entered in CivicRec with an associated payment or approved documented waiver.	Concur	02/28/23

#	RECOMMENDATION	DEPT	DEPARTMENT RESPONSE	CONCUR	TARGET DATE
2.4	Parks and Rec should work with Finance to investigate all variances between CivicRec and Munis noted in Table 2.3 and make necessary corrections.	Parks	Parks and Rec and Finance will investigate and resolve all issues in Table 2.3. The new senior revenue analyst in Finance will assist in this project.	Concur	06/30/23
2.5	NFS should work with Parks and Rec to investigate and resolve the variance between CivicRec and Munis noted in Table 2.3 and make necessary corrections.	NSF	NFS will work with Parks and Rec to investigate and resolve the variance between CivicRec and Munis noted in Table 2.3 and make necessary corrections.	Concur	06/30/23
2.6	Parks and Rec should work with Finance and City Management to identify authorized City Partners and associated authorized entitlements.	Parks	A procedure document will be developed delineating the various circumstances a service may be provided at a discounted rate and who is authorized to approve the discounts.	Concur	04/30/23
2.7	Parks and Rec should work with IT and CivicRec Support to address the outstanding technical issues with CivicRec.	Parks	Parks and Rec will audit fees and charges programed in CivicRec to ensure accuracy across all department user groups. Parks and Rec will work with NFS and Marketing to identify external calendar uses, and transition all reservation types into CivicRec database. Parks and Recreation will work with Revenue Manager to establish a protocol for reconciling OpenEdge and CivicRec. Parks and Rec will review revenue account codes and make necessary corrections. Parks and Rec will establish regular meetings with IT and CivicRec Support to identify and address future technical issues with CivicRec or OpenEdge software.	Concur	06/30/23
2.8	Finance should continue to complete historical bank reconciliations.	Finance	Finance will complete bank reconciliations within one month of receiving the bank statements.	Concur	04/28/23
2.9	Finance should ensure the daily recording of in-person payments in Munis to allow Parks and Rec to reconcile in-person payments to CivicRec.	Finance	Finance will record in-person payments in Munis within 2 business days to allow reconciliation of CivicRec and Munis. Generally, deposits will be made daily, but receipts made late in the day or not during business hours may be made the next business day.	Concur	02/28/23
3.1	Parks and Rec should review all FY22 sponsorship revenue by event, by account type, and by sponsor. They should identify any pre-paid amounts or past due amounts and record in the correct time period.	Parks	Parks and Rec will review all FY22 sponsorship revenue as recommended.	Concur	06/30/23

#	RECOMMENDATION	DEPT	DEPARTMENT RESPONSE	CONCUR	TARGET DATE
3.2	Parks and Rec should establish documented procedures to ensure sponsorship commitment amounts and payments are tracked per fiscal year and any variances are investigated and corrected. Pre-paid amounts should be recorded in the correct time period.	Parks	Parks and Rec will establish documented procedures as recommended.	Concur	05/30/23
4.1	Parks and Rec should separate the duties of the Burial Manager to ensure someone else approves eligibility for burial and ensure that an approved process for recording payments and maintaining documents is followed.	Parks	Parks and Rec will segregate these duties as recommended.	Concur	04/30/23
4.2	Finance should record the Cemetery in the City Capital Asset Inventory.	Finance	Finance recorded the Cemetery on 2/16/23.	Concur	02/16/23
4.3	Finance should work with City management to develop a Citywide policy on gifts (i.e., property and assets) donated to the City.	Finance	Finance will draft a Citywide policy on gifts donated to the City for City Management review.	Concur	04/27/23
5.1	Parks and Rec should review the existing discounts in CivicRec and eliminate workarounds to the extent possible. Document approval and reason for discounts and disable unapproved discounts in CivicRec.	Parks	Parks and Rec will review existing discounts, improve processes, document discount approvals, and disable unapproved discounts.	Concur	05/30/23
5.2	Parks and Rec should implement a discount process that ensures a formalized approval process and adequate segregation of duties.	Parks	Parks and Rec will review existing discounts, improve processes, document discount approvals, and disable unapproved discounts.	Concur	05/30/23
5.3	Parks and Rec should document a discount and waiver policy and process.	Parks	Parks and Rec will implement a written discount and waiver process that delineates circumstances and approval authority for various positions.	Concur	05/30/23
6.1	Parks and Rec should establish a refund policy and procedure that incorporates, at minimum, the five adequate controls mentioned in the previous section as well as a time frame when refunds will no longer be granted.	Parks	Parks and Rec will establish a refund policy and procedure that contains adequate controls and outlines the circumstances for when refunds may be issued.	Concur	05/30/23
6.2	Parks and Rec should communicate any new policy regarding the limited refund policy to customers.	Parks	The policy will be posted to the City's website and an abbreviated version will be included on publications when appropriate.	Concur	05/30/23
6.3	Parks and Rec should comply with City Administrative Policy 18 regarding the processing of refunds or work with Finance to revise the policy.	Parks	Finance will revise AP 18 and Parks and Rec will comply with the revised policy.	Concur	03/30/23

#	RECOMMENDATION	DEPT	DEPARTMENT RESPONSE	CONCUR	TARGET DATE
7.1	Parks and Rec should create a policy that specifies when a customer may be credited and under what circumstances and that ensures customer accounts are reconciled and liquidated after a defined period.	Parks	Parks and Rec will work with Finance to draft a policy that specifies when a customer may carry a balance on their accounts in CivicRec. The policy will identify the timeframe and process to return balances to customers.	Concur	06/30/23
7.2	Parks and Rec should work with Finance to research and liquidate customer balances over 60 days.	Parks	Parks and Rec will work with Finance to liquidate customer balances according to the policy drafted for recommendation 7.1.	Concur	06/30/23
8.1	Parks and Rec should work with Finance to resolve and clear customer outstanding balances. Ensure there is a documented approval process for all cleared accounts.	Parks	Parks and Rec will work with Finance to resolve customer balances in accordance with the policy drafted for recommendation 7.1.	Concur	06/30/23
8.2	Parks and Rec should ensure there is a documented process to routinely review customer account balances.	Parks	Parks and Rec will document a process to routinely review customer account balances as part of the policy drafted for recommendation 7.1.	Concur	06/30/23

AUDIT REPORT

FIRE STATION 175

ENGINEERING DEPARTMENT | FINANCE AND BUDGET DEPARTMENT

May 1, 2023

Avondale

City Auditor's Office

Barbara Coppage

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ENGINEERING DEPARTMENT | FINANCE AND BUDGET DEPARTMENT
FIRE STATION 175 AUDIT

Date: May 1, 2023 | Project Number: 1202303

AUDIT REPORT SUMMARY

PURPOSE OF THIS AUDIT

The purpose of this audit is to ensure City procurement processes were followed for the procurement of Fire Station 175. More specifically, the audit is to verify: if contract monitoring controls were in place to ensure and contractor compliance with contract terms and conditions, including payment terms; that proper project close out procedures were followed; and if processes were following applicable rules and regulations, policies and procedures and best practices.

The Office of the City Auditor procured the services of REDW, an external auditing firm, to perform this audit. REDW's audit report is attached.

WHY THIS AUDIT IS IMPORTANT

The City of Avondale Fire Station 175 finished construction in 2021. The project had a total budget of \$12.4 million and was considered a high priority. Therefore, many of the processes related to procuring design and construction services, and construction management and close-outs, were performed on a condensed schedule to ensure the station was operational and critical emergency resources could be delivered.

Two recommendations were made as a result of this audit. The recommendations related to finalizing standard operating procedures and standardizing filing practices.

See the attached report for the full REDW audit report.



City of Avondale

*Fire Station 175
Internal Audit
December 2022*

redw
Advisors & CPAs

City of Avondale Internal Audit Fire Station 175

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City of Avondale Internal Audit Fire Station 175 Report

Introduction

We performed the internal audit services described below to assist the City of Avondale in evaluating processes related to the construction and project administration of Fire Station 175. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, relevant portions of the Generally Accepted Government Auditing Standards and the terms of our contract for internal audit services. Since our procedures were applied to samples of processes, it is possible that significant issues related to the areas tested may not have been identified. Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

Purpose and Objectives

The City of Avondale Fire Station 175 finished construction in 2021. The project had a total budget of \$12.4 million and was considered a high priority therefore, many of the processes related to procuring design and construction services, construction management and close-outs were performed on a condensed schedule to ensure the station was operational and critical emergency resources could be delivered.

Our internal audit focused on ensuring City procurement processes were followed for the procurement of Fire Station 175, contract monitoring controls were in place to ensure contractor compliance with contract terms and conditions including payment terms, and proper project close out procedures were followed. Additionally, we tested to determine if processes were following applicable rules and regulations, policies and procedures and best practices.

Observations, Recommendations and Management Responses

REDW observed areas during the course of the audit where controls were functioning properly and established procedures were followed. Our testing identified overall compliance with the procurement processes, review and approval of invoices, as well as project monitoring. As a result of our testing, REDW identified the following observations:

1) *Standard Operating Procedures*

Standard operating procedures (SOPs) are critical to ensuring employees are aware of their roles and responsibilities when facilitating various processes related to capital projects as well as Engineering Service's expectations for how project management will be done, records retained, etc. This becomes even more critical when capital project management activities are performed in various departments and by different project managers as is the case with City of Avondale. Our testing determined that while there were SOPs in place over the preparation of project charters as well as close out procedures during the design and construction phases, as of our testing, they were in draft form and had not been implemented for use. In addition, the draft SOPs did not address other key areas of project administration and management including the application for payment reviews and approval process, contract monitoring, and cost recovery procedures.

Potential Risk – Moderate: The absence of SOPs increases the risk that project management may not be performed consistently (i.e. project monitoring, documentation, etc.) within the City. Because project management for construction projects are performed in different departments with multiple project managers, we have increased the risk to moderate.

Recommendation: The draft SOPs should be reviewed and distributed for use by Engineering Services as soon as practicable. Additional SOPs mentioned above should be drafted as well as other ideas deemed necessary. Since project management is performed by multiple departments/project managers within the City, consider establishing a working group to review the SOPs to ensure the processes can be implemented across all departments who manage capital projects to ensure consistency.

Management's Response: Management concurs with the observation. The draft SOP (or CIP Guide) is currently under review by City Management and waiting further edits/approval to release. The draft CIP Guide can be released in the meantime with Director approval. The premise of the guide is to perform as a living document that would be reviewed annually at the beginning of each fiscal year and be updated as needed. The current working group included the CIP Division, Engineering Divisions, and Public Works project management and can be expanded as needed. Discussions have also begun to include Land Acquisition documents and potentially a copy of any applicable planning documents (i.e. rezoning cases). New SOPs covering the areas noted in the report will also be drafted, approved, and distributed. Target date for completion for all above items is June 2023.

2) *Standardized Filing Practices*

Arizona Revised Statutes Title 39 – Public Records require governmental bodies, such as the City of Avondale, to ensure access to various records so the public may monitor the performance of government officials and their employees. To ensure the City can promote compliance with applicable statutes, the City implemented the *City of Avondale Records and Information Management Program Manual*, which requires departments to implement a file inventory/file plan to help identify where records are stored (both physical and electronic). The implementation of sound record retention practices in compliance with state statutes and

record retention requirements is even more critical when projects funded with federal, state and/or taxpayer dollars are involved as was the case with Fire Station 175. While we did not encounter any issues obtaining information and documents that would indicate City project records were not properly maintained, our testing determined there was no file inventory/file plan in place over how project documentation should be organized on the City network to ensure consistency across all construction projects and compliance with applicable record retention requirements.

In addition, many documents utilized for the projects, such as construction schedules, meeting minutes, etc., were housed within an electronic project management portal owned by the external construction manager with no consistent process to ensure the Engineering Services pulled all records out of the portal at project completion.

Potential Risk – Moderate: The absence of a file inventory/file plan regarding record retention and standardized filing practices increases the risks project documentation may not be housed consistently especially during times of turnover. Since the City was able to locate all documentation requested during the course of the internal audit, we have reduced the risk to moderate.

Recommendation: Engineering Services should implement an SOP over record retention processes when handling construction project records. The SOP should reference the requirements of the Records and Information Program Management Manual and detail how project managers are expected to retain and dispose of construction records in accordance with City policies. The SOP should also detail how project management project files should be structured on the network to ensure consistency across all departments who handle CIP related projects. Lastly, a step should be added to the SOP and the Close-Out Form to include retrieval of documents from the third-party portal in the event that the city will need to utilize a third-party portal in the future.

Management’s Response: Management concurs with the observation. Engineering is working with the City Projects Administrator and other departments as appropriate to establish a City portal called ProjectMates for managing and retaining construction project records. This portal will be phased in as projects are started. A record retention standard will be created for existing projects and all projects moving forward. All Project Managers annually review City Administrative Policy 55 – Records Management. The draft CIP Guide which addresses file structure on network, file naming, and the addition of the step to retrieve documentation from third party portals on the Close Out Form is ready to be implemented with Director and City Management approval. Target completion date is June 2023.

Process Improvement Opportunity

1) Designated Backups

Per Arizona Revised Statute Title 34, the payment for construction phase work must be processed within 14 days of submission of the pay application to the City of Avondale. Our testing determined 1 of 2 construction phase payments tested was not processed within the 14-day timeframe as payment occurred 2 days past the 14-day requirement. Further inquiry determined the delay was due to the project manager being out due to illness and no designated backup was in place to process the invoice approval. While this appeared to be an isolated occurrence, we recommend the City consider identifying backups in

the event key employees are out on extended leave to ensure processes are not delayed.

Scope and Procedures Performed

In order to gain an understanding of the controls and processes, we interviewed the following personnel:

- Aric Stewart, Engineering Services Director/City Engineer
- Rick Carr, Assistant Director Development and Engineering Services (DES)
- Kevin Custer, Procurement Manager

In order to gain an understanding of the processes and controls in place we read relevant portions of:

- Arizona State Procurement Manual (released August 30, 2017)
- Arizona Revised Statutes – Title 34 – Public Buildings and Improvements
- Arizona Revised Statutes – Title 39 – Public Records
- City of Avondale Budget Books for fiscal years 2021 and 2022
- City of Avondale Administrative Policy 23 – Procurement Policy
- City of Avondale Code of Ordinances Chapter 25 – Procurement Code
- City of Avondale Records and Information Management Manual (not dated)
- Fire Station 175 Specifications Manual
- Various draft Capital Improvement Plan standards of procedure
 - CIP Planning Guide and Charter Example
 - Construction Guide
 - Close Out Guide
 - Contract Close Out Form

We performed the following testwork:

Budget Development Process & Budget Amendments: We obtained the original planned budget developed by key City stakeholders for the construction of Fire Station 175, contract amendments and/or change orders requested during the process, as well as spending plans verifying the funding sources of the project. We evaluated the documentation for the following:

- The original budget was reviewed and approved by appropriate parties and in accordance with City policies and procedures for capital projects;
- Contract amendments, budget adjustments and/or change orders appeared to be for unforeseen events and were not as a result of poor budgeting/planning;

- Funding utilized to pay for the project aligned with original approved funding sources; and,
- If additional funding sources were utilized, approvals/communication was in place to support the additional funding commitment.

Procurement Process - Design and Construction Services: We obtained the procurement documents related to the design phase and construction phase of Fire Station #175 and tested to determine:

- The Request for Statement of Qualifications was solicited through a written invitation for bids that was advertised for no less than 5 days in any publication of general circulation;
- The Request for Statement of Qualifications included a brief description of the design/construction services to be performed, a schedule for the design services to be performed, as well as the evaluation selection criteria;
- At the time of advertisement, the City had the intent to commence construction (within 30 months of the first executed contract) in accordance with Arizona Title 34;
- A Selection Committee composed of representatives from the City was formed and conducted the selection process that resulted in at least 3 firms;
- A Notice of Short-Listed Firms was sent to all applicants;
- In determining the firm(s) to participate in any interviews and in determining the firm(s) to be on the final list and their order on the final list, the Selection Committee used and considered only the criteria and weighting of criteria specified by the City: General Information, experience and qualifications, key positions, project approach, and project scheduling.
- The Selection Committee provided interview criteria and conducted interviews with all ranked design firms (3 total) and resulted in the final tabulation of points for scored components;
- The most qualified architect/designer was chosen based off the results of evaluations and interviews; and
- Upon selection, the selected design firm executed the City's standard Professional Services Agreement.

Selection Committees: We evaluated the composition of the selection committee for the design and construction phases to ensure key stakeholders were properly included and input was received and considered.

Project Progress Meetings: We obtained meeting minutes/agendas for project updates delivered both internally and to City leadership and tested to determine if:

- A preconstruction conference was held to discuss project work, which included the contractor, representatives of major subcontractors, the City of Avondale, and the architect/engineer;

- OAC meetings ("Owner's Meetings") occurred at least on a monthly basis to keep the City Manager and City Council apprised of the project status; and
- Meetings with the architect/designer and contractor occurred every two weeks to talk in-depth about cost, time, materials, and schedule.

In addition, from a total population of 20 OAC meetings and 22 cost meetings, we selected 3 OAC and 3 cost meetings and analyzed the meeting minutes to ensure the City stakeholders were receiving accurate and timely updates on the status of Fire Station 175 and potential project issues/delays were addressed.

Site Visits: We tested to determine if regular site visits were performed by City staff and if observations at the site visit were documented and retained for use in analyzing project monitoring communications delivered in the "Project Progress Meetings".

Pay Application Review and Approval Process: We obtained a listing of all invoices paid for the construction phase of Fire Station 175. From a listing of 22 invoices paid, we selected 4 and tested to determine if:

- Payments for pre-construction services were paid within 30 days following approval of the Construction Manager's monthly invoice by the City;
- The Application for payment was properly notarized;
- A Continuation Sheet was attached and each item listed included an item number, description of work, schedule of value, previous applications, work in place and stored materials, authorized change orders (if applicable), total completed and stored, percentage of completion, balance to finish, and retainage;
- The certification was executed by signature of an authorized officer (Architect/Engineer);
- The Conditional Waiver and Release on Progress Payment was signed by the Project Manager and notarized;
- A current construction schedule was submitted with each application for payment;
- The pay application was submitted by the Project Manager to the City on or before the 15th of the month;
- Payment was processed within 7 business days of Application for Payment approval; and,
- Payment agreed to certified payment request amount.

In addition, we evaluated the 4 invoices tested for consistency in the review and approvals process to determine if process efficiencies could be gained.

Subcontractor Detail: For the invoices selected above, we selected a sample of subcontractor expenditures (3 per invoice) and tested to determine if:

- The City and Architect reviewed subcontractor invoices;
- Subcontractor provided related detail as an attachment to the invoice; and,

- The construction manager submitted to the city the Subcontractor Selection Program.

GL Coding: We obtained the final Application for Payment provided by the contractor. In addition, obtain the Avondale project GL coding for project expenditures and compare against invoice expenses to ensure they were properly coded to the project and aligned with the construction manager's pay application.

Close-Out Procedures: We obtained all close-out documentation that had been prepared as of December 2022 and analyzed the documentation to determine if:

- At the conclusion of the design phase, the Project Manager obtained close-out items from applicable City Departments;
- A Letter of Substantial Completion was issued by Design Consultant or City that included a warranty;
- All final project record documents, test reports, and as-built drawings were obtained, approved, copied to project file, and sent to Facilities & Geospatial Services Division;
- All O & M Manuals, extra parts and other deliverables were received and approved, copied to project file, and sent to Facilities & Geospatial Services Division;
- All warranties were verified and warranty/certification letters obtained;
- All outstanding physical punch list issues were resolved;
- Any required maintenance periods were established and/or closed out;
- Security badges were recovered from the vendor/contractor's employees;
- Access to all systems and databases were cancelled for vendor/contractor's employees;
- Any property of the City used by the vendor/contractor's employees was returned;
- All vendor equipment/tools were removed from the site;
- All environmental close-out documents were obtained including (CGP), MCESD (County) AOC, and ADEQ Drywell Certs;
- All outstanding invoices were paid (not including final (retention) invoice);
- A General Release Letter of further liabilities (subcontractor releases) and claims was received from the vendor/contractor; and,
- A final cleaning of the facility was performed.

Additionally, we tested to determine that key documents containing close-out procedures were in alignment with each other, including contracts, project specifications, and draft CIP SOPs.

* * * * *

This report is intended for the information and use of the City of Avondale, the audit committee, members of the City of Avondale City Council and others within the organization.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from personnel of the City of Avondale previously mentioned in this report during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Phoenix, Arizona
April 20, 2023

APPENDIX A - RECOMMENDATIONS AND CITY RESPONSES

The following is a list of recommendations included in this audit and management's responses. City management concurred with all recommendations.

#	RECOMMENDATION	ENGINEERING DEPARTMENT RESPONSE / ACTION PLAN	DEPT TARGET DATE
1	<p>The draft SOPs should be reviewed and distributed for use by Engineering Services as soon as practicable. Additional SOPs mentioned above should be drafted as well as other ideas deemed necessary. Since project management is performed by multiple departments/project managers within the City, consider establishing a working group to review the SOPs to ensure the processes can be implemented across all departments who manage capital projects to ensure consistency.</p>	<p>Draft SOP (or CIP Guide) currently under review by City Management and waiting further edits or approval to release. Draft CIP Guide can be release in the meantime with Director approval. Premise of guide is to perform as a living document that would be reviewed annually at the beginning of each fiscal year to be updated as needed. Current working group includes CIP Division, Engineering Divisions, and Public Works Project Management and can be expanded as needed. Discussions have also begun to included Land Acquisition documents and potentially at least a copy of any applicable Planning documents (i.e. rezoning cases). New SOPs covering the areas noted in the report will also be drafted, approved, and distributed.</p>	6/22/2023
2	<p>Engineering Services should implement an SOP over record retention processes when handling construction project records. The SOP should reference the requirements of the Records and Information Program Management Manual and detail how project managers are expected to retain and dispose of construction records in accordance with City policies. The SOP should also detail how project management project files should be structured on the network to ensure consistency across all departments who handle CIP related projects. Lastly, a step should be added to the SOP and the Close-Out Form to include retrieval of documents from the third-party portal in the event that the city will need to utilize a third-party portal in the future.</p>	<p>Engineering is working with City Projects Administrator and other departments as appropriate to establish a city portal called Projectmates for managing and retaining construction project records. This portal will be phased in as projects are started. A record retention standard will be created for existing projects and for projects going forward. All project managers annually review City Administrative Policy 55 - Records Management. Draft CIP Guide with file structure on network, file naming, and Close Out form with retrieval of document from third party portals ready to be implemented with Director and or City Management approval.</p>	6/22/2023

Avondale

City Auditor's Office

AUDIT RECOMMENDATION STATUS REPORT

May 11, 2023

11465 W CIVIC CENTER DR., #250 | AVONDALE, AZ 85323 | (623) 333-2048

Report Prepared by: Barbara Coppage, City Auditor, CIA, CFE, CQA

Barbara Coppage

PURPOSE

The purpose of this report is to present to the Audit Committee the implementation status of audit recommendations made from November 2021 through February 2023.

WHY THIS PROJECT IS IMPORTANT

Audit recommendations made in each audit report were designed to decrease the risk of loss to City assets and to improve the efficiency and effectiveness of operations. In response to each audit recommendation, City Management developed an action plan to address identified risks. It is important to report the status of audit recommendations to ensure that City Management is addressing the identified risk and implementing recommendations.

RESULTS

Fifty-eight (58) recommendations were made during the period of review. Overall, management implemented 41 (71%) audit recommendations. The remaining 17 (29%) recommendations are currently in progress or partially implemented. In the table below, recommendations that are not fully implemented are considered outstanding. Also see Appendix B for details.

STATUS OF RECOMMENDATIONS

Department	Total Recs	Implemented	Outstanding < 12 Months	Outstanding >12 Months
Development Services	3	0	0	3
Engineering	4	0	0	4
Finance and Budget	13	13	0	0
Human Resources	16	12	0	4
Information Technology	8	8	0	0
Public Safety	14	8	6	0
Total	58	41	6	11

APPENDIX A – SCOPE, METHODS, AND STANDARDS

SCOPE

We reviewed audit recommendations made from reports issued November 2021 through February 2023.

METHODS

After completing each audit, the auditor tracks recommendations and the target date of completion identified by City Management. The auditor periodically follows-up with City Management to identify the implementation status of audit recommendations with the appropriate City departments. Departments self-report on the status of each open audit recommendation. The auditor receives testimonial or documentary evidence for review. In some cases, the auditor will perform a more in-depth verification, directly observe implementation, or sample test transactions. When a more in-depth review is required to determine implementation, the auditor may need to open a follow-up audit to perform testing in a particular area.

STANDARDS

Generally Accepted Governmental Auditing Standards (GAGAS) 8.30 states that: “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.” This project is compliant with GAGAS, but the work performed within this follow-up project (non-audit) does not constitute an audit in accordance with Government Auditing Standards.

APPENDIX B – OUTSTANDING AUDIT RECOMMENDATIONS

The following outstanding audit recommendations relate to the **Engineering Department**.

Rec	1202101-Revenue Collection & Reporting Recommendation	Engineering Department Update	Original Target Date
1.1	<p>Work with F&B to develop and implement a process to perform a regular reconciliation of online and counter payments to include:</p> <ul style="list-style-type: none"> • An independent person who is not able to post or make edits to Accela payment information. • A process that matches both the dollar amount and general account information. • A process to make corrections where variances are found 	<p>Reconciliation of Accela payments and Munis for FY23 has been completed. A process is now in place to reconcile payments posted in Accela with Munis. Engineering is working with Finance and Budget to complete the FY22 reconciliation.</p>	5/1/2022
2.1	<p>Work with the Information Technology Department to ensure access control profiles are used in Accela and segregation of duties is considered when assignments are made.</p>	<p>Engineering has two staff that can enter and apply payments. A supervising staff member is doing a daily independent, objective review of all payments entered in Accela and has read-only access to Accela. Engineering is continually working with IT and a consultant to identify best practices, segregation of duties, and implementation of new access controls. The city is also considering the Accela Cashier module, which will allow financial segregation. The city anticipates the consultant to be onboarded by this summer.</p>	9/30/2022
2.2	<p>Work with Information Technology Department to re-introduce workflows within Accela to ensure no transaction is completed by a single person. Also restrict authorization to recording customer payments within Accela to only essential persons.</p>	<p>Engineering has two staff that can enter and apply payments. A supervising staff member is doing a daily independent, objective review of all payments entered in Accela and has read-only access to Accela. Engineering is continually working with IT and a consultant to identify best practices, segregation of duties, and implementation of new access controls. The city is also considering the Accela Cashier module, which will allow financial segregation. The city anticipates the consultant to be onboarded by this summer.</p>	9/30/2022

APPENDIX B – OUTSTANDING AUDIT RECOMMENDATIONS

Rec	1202101-Revenue Collection & Reporting Recommendation	Engineering Department Update	Original Target Date
2.4	Work with F&B to develop a written policy and/or procedure to address fee waivers or any other fee reductions to include at a minimum: <ul style="list-style-type: none"> a) Authority for fee waivers or reduced fees. b) Authorized approvers and levels of authority. c) Conditions for approvals. d) Tracking of fees waived and/or fee reductions and reporting amounts to F&B. 	A draft policy regarding fee waivers is currently under review and pending approval from the City Manager.	5/1/2022

APPENDIX B – OUTSTANDING AUDIT RECOMMENDATIONS

The following outstanding audit recommendations relate to the **Human Resources Department**.

Re c	1202001 Payroll Processing Recommendation	Human Resources Department Update	Original Target Date
3.1	<p>HR work with F&B to update payroll policies to clarify the following:</p> <ul style="list-style-type: none"> • Recording of time for non-exempt employees. • Requirements of supervisory comments and approvals to be documented in ADP. • Allowable processes for supervisor to add missed punches. • Reporting requirements for consistent missed punches (i.e. broken machine, etc.) so problems could be addressed. Clarify policy for City standard regarding lunch breaks. 	<p>HR Director was recently hired on 5/1/23. HR and Finance continue to collaborate on revisions to Chapter 6, Employee Benefits, and AP 38 Timekeeping Policy. ADP training (both supervisor and employee sessions) has been updated to address the items included in the recommendation. Implementation of this action plan will be a priority for the new HR Director.</p>	8/31/2023
4.2	<p>HR work with F&B to create a general standard or form for supervisors to track all time off requests (verbally or written). The purpose of tracking requested time off is to capture time not entered (i.e. missed) or duplicated in ADP.</p>	<p>HR Director was recently hired on 5/1/23. HR and Finance continue to collaborate on revisions to Chapter 6, Employee Benefits, and AP 38 Timekeeping Policy. ADP training has been revised to educate supervisors on the use of leave requests in the system. ADP training also includes a portion focused on how to utilize a calendar to maintain an out-of-office schedule. Implementation of this action plan will be a priority for the new HR Director.</p>	8/31/2023
8.4	<p>HR define Call-Out, who is eligible, when it should be used, and reporting requirements (i.e. using the comment block to document approval and times).</p>	<p>HR Director was recently hired on 5/1/23. HR and Finance continue to collaborate on revisions to Chapter 6, Employee Benefits, and AP 38 Timekeeping Policy. ADP training has been revised to include Call-Out eligibility, use and reporting. Implementation of this action plan will be a priority for the new HR Director.</p>	8/31/2023
9.1	<p>HR revise Chapter 6, Bereavement policy to:</p> <ul style="list-style-type: none"> • Clarify the maximum entitled hours and how it applies when employees have different normal working hours (i.e. 10-hour versus 8-hour shifts). • Require employees to include the name of the family member and the relationship in the ADP request for bereavement. If employee is not available to make the request, require the supervisor to include the information. 	<p>HR Director was recently hired on 5/1/23. HR and Finance continue to collaborate on revisions to Chapter 6, Employee Benefits. Implementation of this action plan will be a priority for the new HR Director.</p>	8/31/2023

APPENDIX B – OUTSTANDING AUDIT RECOMMENDATIONS

The following outstanding audit recommendations relate to the **Development Services Department**.

Rec	1202101-Revenue Collection & Reporting Recommendation	Development Services Department Update	Original Target Date
1.1	<p>Work with F&B to develop and implement a process to perform a regular reconciliation of online and counter payments to include:</p> <ul style="list-style-type: none"> • An independent person who is not able to post or make edits to Accela payment information. • A process that matches both the dollar amount and general account information. • A process to make corrections where variances are found 	<p>Reconciliation of Accella payments and Munis for FY23 has been completed. A process is now in place to reconcile payments posted in Accela with Munis. Engineering is working with Finance and Budget (on behalf of both the Engineering Department and the Development Services Department) to complete the FY22 reconciliation.</p>	5/1/2022
2.1	<p>Work with the Information Technology Department to ensure access control profiles are used in Accela and segregation of duties is considered when assignments are made.</p>	<p>Development Services is working with IT and a consultant to identify best practices, segregation of duties, and implementation of new access controls. The city is also considering the Accela Cashier module, which will allow financial segregation. The city anticipates the consultant to be onboarded by this summer.</p>	9/30/2022
2.2	<p>Work with Information Technology Department to re-introduce workflows within Accela to ensure no transaction is completed by a single person. Also restrict authorization to recording customer payments within Accela to only essential persons.</p>	<p>Development Services is working with IT and a consultant to identify best practices, segregation of duties, and implementation of new access controls. The city is also considering the Accela Cashier module, which will allow financial segregation. The city anticipates the consultant to be onboarded by this summer.</p>	9/30/2022

The Development Services Department and Engineering Departments were previously one department.

APPENDIX B – OUTSTANDING AUDIT RECOMMENDATIONS

The following outstanding audit recommendations relate to the **Public Safety Department**.

Rec	1202201 - Badge Audit Recommendation	Public Safety Management Update	Original Target Date
3.1	Discontinue the use of persons using multiple access devices.	Public Safety is awaiting final draft of AP30. This item will be completed within 30 days.	10/11/2022
3.4	Create a standard operating procedure for the Security Office that includes: a) Naming conventions that match employee names in ADP b) Adding employee identification numbers for each employee badge c) Monitoring activities conducted by the Security Office (i.e. deactivating unused access devices within a predetermined period of time, verifying employee badging to the active payroll listing, and providing an authorized access list to departments to verify authorization) d) Standard activation period for regular employees (i.e. 5 years), contracted employees, contractors (i.e. contract term), etc. e) Processes and documentation required for reactivating badges or revising the deactivation date.	Public Safety is awaiting the final draft of AP30 and then the Municipal Security policy will be updated to match.	11/11/2022
3.5	Revise AP30 to include department requirements as it relates to temporary, intern, and contract employees that include: a) Return all badges to the Security Office (versus Human Resources or leaving with the department) b) Report to the Security Office when badge holder is no longer with the City c) Report extended periods of badge holder absence, so badges are temporarily deactivated d) Monitor contractor badges.	Public Safety is awaiting final draft of AP30. This item will be completed within 30 days.	11/11/2022
3.6	Document badging requirements for temporary employees, contracted employees, and volunteers in AP30 or a standard operating procedure as appropriate.	Public Safety is awaiting final draft of AP30. This item will be completed within 30 days.	11/11/2022

APPENDIX B – OUTSTANDING AUDIT RECOMMENDATIONS

Rec	1202201 - Badge Audit Recommendation	Public Safety Management Update	Original Target Date
4.1	Establish documentation retention requirements for the Security Office in an operating procedure (also see Recommendation 3.4).	Public Safety is awaiting the final draft of AP30 and then the Municipal Security policy will be updated to match.	11/11/2022
4.2	Revise AP30 to include requirements for requesting new badges or changes to access levels on existing badges. a) Method to be used (i.e. form) for all new badges or changes to badge authorization b) Name and title of the person authorizing c) Name of the employee or contractor and contractor employer name d) Department authorizing e) Access level of the badge f) Verification the appropriate level background check was performed and reviewed g) Clarification on responsible manager (i.e. area manager or employee's manager) authorization and process.	Public Safety is awaiting final draft of AP30. This item will be completed within 30 days.	11/11/2022



AGENDA ITEMS # 6 & 7

TO: Max White, Audit Committee Chairperson and Committee Members

FROM: Barbara Copping, City Auditor

DATE: May 17, 2023

RE: CITY OF AVONDALE ANNUAL CITYWIDE RISK ASSESSMENT AND PROPOSED FY24 AUDIT PLAN

Purpose

This memo discusses the City's risk environment and how the City Auditor prioritizes audit areas to develop an annual audit plan for approval by the City's Audit Committee and the City Council.

Background

Risk is defined as the possibility of an event occurring that will impact the achievement of an organization's objectives. The City Auditor assesses Citywide risks on a continuous basis and reports this assessment to the Audit Committee annually. The results of this assessment are presented in terms of proposed audits. Available audit resources also play a role in determining what audits are conducted. Proposed audits are presented to the City's Audit Committee for approval then forwarded to the City Council for final approval.

Methods Used to Create the Citywide Risk Assessment

To assess risk within the City, the City Auditor analyzes financial data, reviews prior audit results, evaluates the implementation of prior audit recommendations, and conducts research of risk areas that may be specific to government.

Next, the City Auditor receives feedback from City management on their priority areas for audit.

Lastly, the City Auditor reviews the Report to the Nations Fraud Trends published by the Association of Certified Fraud Examiners (ACFE), which discusses specific occupational fraud areas (e.g., asset misappropriation, corruption, and financial statement fraud) and what factors are generally present when fraud occurs (e.g., opportunity, pressure, and rationalization).

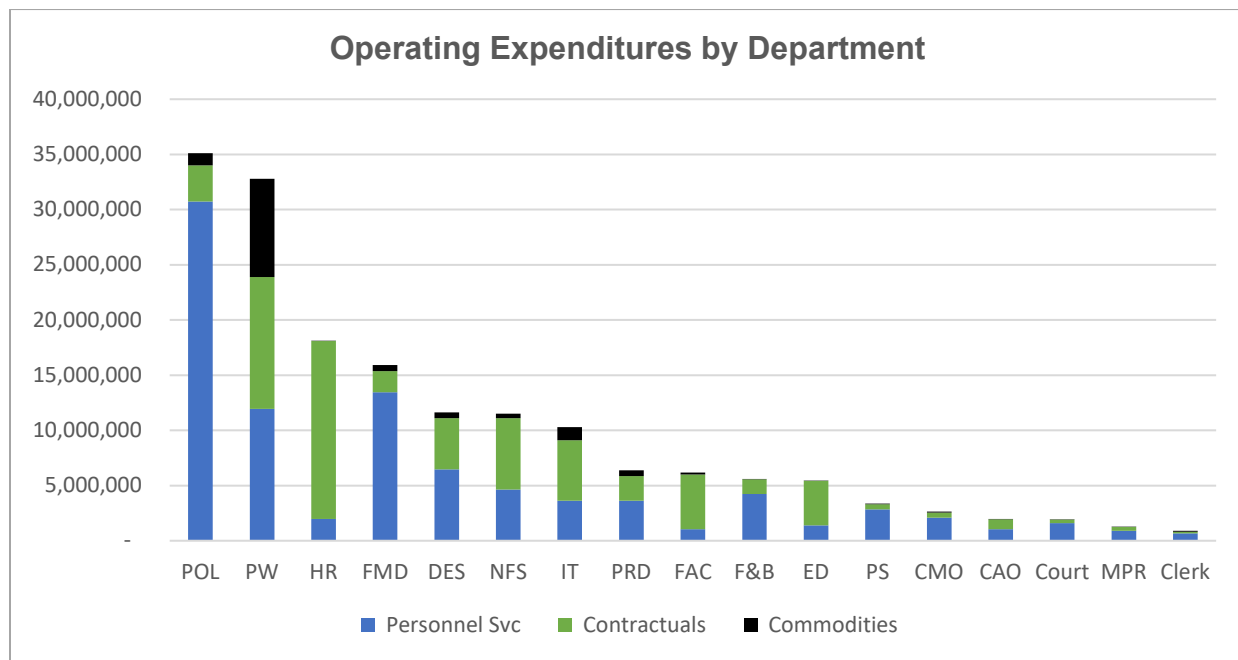
Citywide Risk Assessment Results

Eighteen City departments were included in the Citywide risk assessment. The City Auditor reviewed department expenditures, revenues, and programs for each department. Based on these areas, each department received a numeric score. Generally, departments with higher scores are more risky than departments with a lower score. Scores were assigned based on activity or dollar level. If a department did not have activity or spend within a category reviewed, it received a score of zero for that area. For example, not all

departments generate revenue or are responsible for collecting revenue. The scoring of programs was based on the information available to the City Auditor. This coming year, the City Auditor will be working with departments to identify programs within their department, identifying the major risks associated with the program and self-rating if controls are in place to mitigate the identified risk.

A separate risk assessment was performed for the Information Technology Department (“IT”) in FY23 by an external auditing firm. The external auditing firm also created a proposed schedule to audit IT-specific areas. These areas are incorporated within the proposed audit plan. The City Auditor also reviews risks related to IT throughout the year.

The following graph shows the amount of personnel service costs (salary and wages, overtime and benefits), contractuels (contracted services, claims and insurance, rentals and leases, repair and maintenance), and commodity expenditures (operating supplies, auto parts and supplies, fuel, technology) by department. The capital improvement budget is not included in this graph and is evaluated separately for risk.



Risk Management is Everyone’s Responsibility

Because every organization is unique and specific situations vary, there is no one “right” way to coordinate the underlying role of each group in the risk management process. The Institute of Internal Auditors describes three lines of defense that should exist within the City, each with a different role to play:

- The **first line of defense** is City Management who broadly assesses risk, implements controls, and monitors processes.
- The **second line of defense** is additional oversight from departments such as Finance and Budget, IT, the City Attorney’s Office, and Human Resources because they typically provide oversight to the City in their specialty area.
- The **third line of defense** is provided by internal audits, external auditors, and regulatory agencies who conduct audits and provide independent feedback to the Audit Committee, City Council and management.

The Audit Process

The City Auditor aids in the assessment of risks by analyzing the operating environment and identifying conditions that may impair the City's ability to achieve its goals. The City Auditor performs audits to provide reasonable assurance that the controls designed to address risks are operating effectively. The illustration to the right shows the various phases of the audit process.



The Audit Plan

The Audit Plan is the result of the City Auditor’s Citywide risk assessment. The audit plan includes audits that will be completed by external and internal resources. In addition to the proposed audit plan, the City Auditor conducts outreach and training on risk and controls to City management and employees. The City Auditor also continues to develop the internal audit program by implementing systems and processes, documenting quality reviews, and conducting investigations for the City. This year, the City Auditor will also implement new audit software, which is expected to take a considerable commitment.

Proposed Audit Plan for FY 2023/2024

The following proposed Annual Audit Plan is based on assessed Citywide risks. Other factors considered were available audit resources, audit coverage, and timing.

Audit Title	Preliminary Scope
Finance and Budget - Vendor Master File	Determine the adequacy of vendor master data management.
IT Audit - Munis	Scope of the audit will be based on the projects identified in the IT Risk Assessment or as other risks are identified.
Finance and Budget – Telestaff Validation	Review the application for controls over data input, processing, and output controls, including interfaces and error handling.
Human Resources – Pension Calculation and Contribution	Determine if pension calculations and contributions are adequately calculated, reported and recorded.
Citywide – Document Retention	Determine compliance with applicable State laws and City policies.
Status of Audit Recommendations	Review, assess, and report on the status of management’s corrective actions taken in response to prior audit recommendations.
Citywide – TBD	Other Services Upon Request / Auditor Discretion. Scope to be determined.
Citywide Risk Assessment	Perform Citywide risk assessment and develop the annual audit plan for the upcoming year.
Integrity Line Administration	Perform Integrity Line administrative tasks and periodically update the Audit Committee.