MEETING MINUTES
CITY OF AVONDALE, ARIZONA

Audit Committee

02/15/2023

Meeting Date

05/25/2023

Date Minutes Were Approved

Max White
Max White (May 31, 2023 20:46 PDT)

Chair

CERTIFICATION AND ATTESTATION

I hereby certify that the accompanying document is a true and correct copy of the minutes of the aforementioned meeting. I further certify that the meeting was duly called and held, and that the quorum was present.

Citlaly Salas
Citlaly Salas (May 30, 2023 16:06 PDT)

Staff Liaison

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 Coppage, 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 and City Auditor. 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.