

Audit Committee

May 25, 2023

Meeting Date

September 28, 2023

Date Minutes Were Approved

Max White

Max White (Dec 6, 2023 15:28 MST)

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.

Marcella Carrillo

Marcella Carrillo (Dec 5, 2023 10:03 MST)

Staff Liaison



MINUTES OF THE AVONDALE CITY COUNCIL
CITY OF AVONDALE, ARIZONA
SONORAN CONFERENCE ROOM
May 25, 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 3:30 pm.

Members Present: Chair Max White; Vice Chair Michael McGee; Committee Members Curtis Nielson, Norma Pacheco, Gloria Solorio; and non-voting Committee Members Ron Corbin and Renee Weatherless.

Members Absent: None.

Other Municipal Officials Present: Nicholle Harris, City Attorney, Citlaly Salas, City Clerk Specialist, Barbara Coppage, City Auditor

Audience: No members of the public were present.

1. ROLL CALL BY THE CITY CLERK

2. INTRODUCTIONS

No introductions were made.

3. APPROVAL OF AUDIT COMMITTEE MINUTES

Committee Member Curtis Nielson moved to approve the Audit Committee Minutes of the inaugural meeting of February 15, 2023. Committee Member Gloria Solorio seconded the motion.

Upon vote, the motion carried unanimously 5 to 0.

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

4. Annual Consolidated Financial Report

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

Brittney Williams, Engagement Partner, and Jared J. Young, Audit Manager with Heinfeld Meech, gave the report.

Ms. Williams reviewed the standards that are applicable to the audit. Ms. Williams discussed the Auditor's Report for Fiscal Year 2022, which resulted in a clean opinion, with the financial statements deemed materially correct.

Audit-related reports issued during the year include:

- Audit communication to those charged with governance: Sent 3/29/2023
- Annual Comprehensive Financial Report: Issued 3/29/23
- HURF Report: Issued 3/29/23
- Single Audit Reporting Package: Issued 3/29/23
- Annual Expenditure Limitation Report: Issued 3/30/23
- Bi-Annual Impact Fees AUP Report: Due in Fiscal Year 2023
- City Court Minimum Accounting Standards (MAS) Report: Due next year

A clean opinion was provided for the financial statements. There was one significant deficiency, however, no material weakness and no noncompliance. There were no findings identified for federal awards or major federal programs tested. Factors affecting the fiscal 2023 audit include that there continue to be federal funds coming to the City via the Coronavirus Response and Relief Supplemental Appropriations Action of 2021 (CRRSAA) Act, American Rescue Act and IJA. This funding will be applicable towards transportation, environment, climate control and technology. The GASB 96 pronouncement will be effective for the Fiscal Year 2023 audit, which will be applicable toward software leases. An overview of the upcoming Fiscal Year 2023 annual audit timeline was provided.

5. Audit Status Report and Report Discussion

The City Auditor presented an overview of completed projects. A status report was presented for all projects currently in progress. This item was for discussion only. No action was required.

The closed projects discussed included:

- Parks revenue collection and reporting,
- Fire Station 175, and
- Status of Audit Recommendations,
- Aquatic Center audit is complete; however, it has not been officially closed out.
- Investigation audit work is complete. The report is in draft form.
- Vendor Master File audit has not yet commenced and will carry over to the new audit plan.

Other projects include:

- Management and employee training on risk and controls: Two of the three items have been completed
- Audit software identification and implementation: Represents significant time commitment
- Website development: Identified as a first priority
- Certification preparation

(Committee Member Nielsen left the meeting at 4:24 p.m.)

Ms. Coppage reviewed the findings and recommendations for the Parks cash handling and revenue collection audit, and the Fire Station 175 audit.

Chair White noted that for the Fire Station 175 project, all project management [document management] is housed outside the City, even though the City has its own project management system. Ms. Coppage clarified that the City is looking into a system to house project documents within the City.

Vice Chair McGee addressed audits of construction projects and asked whether subcontractor work is performed on a lump sum basis and whether there are opportunities to look for cost compliance. Ms. Coppage discussed that this would be a CMAR. Vice Chair McGee clarified that some contractors may use subcontractors to complete the work. Ms. Coppage stated that she was unable to speak to this issue at this time, however, she would follow up on this. Chair White commented that one of the benefits of having a CMAR is the guaranteed maximum. This is especially relevant in the wake of COVID and inflationary factors. Ms. Coppage stated that multiple cities are considering the increased cost of materials. Oftentimes, in order to meet the GMP, contractors elevate the cost. At times, this may actually result in higher costs to the City than necessary.

Ms. Coppage addressed the status of the 58 prior year audit recommendations, noting that if an audit applies to three different departments, it is listed three separate times, in order that each can be tracked individually. A total of 41 have been implemented, with 6 outstanding for less than 12 months and 11 outstanding for longer than 12 months.

6. Citywide Risk Assessment Process

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

Department programs is a large category within the risk assessment process. Training has been provided to the management team to educate management leaders on the mitigation and identification risks within their departments.

7. Approval of the FY23/24 Audit Plan

The City Auditor presented a list of audits to be included in the Annual Audit Plan.

Ms. Coppage provided an overview of identified audits:

- Vendor Master File
- Munis
- Telestaff validation
- Pension calculation and contribution
- Document retention

Committee Member Nielsen asked whether pension documentation is organized via paper or electronic files. Ms. Coppage stated that based upon experience, this is likely tracked via a combination of both methods. The audit will focus on the calculation and

not the documentation that supports the eligibility. Mr. Corbin suggested that the audit also include verification on correct inception dates of contributions. For example, firefighters do not always begin to contribute until after completion of the academy. This may result in some inadvertent failures to commence contributions.

Chair White commented that document retention requirements may vary by department based on Arizona Revised Code. Mr. Corbin stated that the City Clerk has laid out the requirements. She meets regularly with departments to ensure compliance.

In response to a Committee Member question, Mr. Coppage stated that she is working with the Finance and Budget on the procurement of audit software.

In response to a question from Committee Member Nielsen, Ms. Coppage stated that Integrity Line audit applies to overall administration of the program.

Committee Member Norma Pacheco made a motion to approve the proposed Annual Audit Plan for fiscal year 2023; Vice Chair Michael McGee second the motion.

Vice Chair McGee asked about the approach for special request audits. Ms. Coppage stated that she has yet to experience this situation, however, perhaps it would be possible for her to contact the chair with any interim requests and present to the full Committee at its next meeting. Chair White stated that Committee processes would be added as discussion item for August.

Upon vote, the motion carried unanimously 5 to 0.

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

8. Calendar

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

Items identified for an upcoming meeting include:

- Process for addressing special request audits
- Alternative reporting styles and data capturing
- Review of audit items scheduled at greater than 12 months

The next scheduled Audit Committee meeting is Thursday, August 10, 2023 at from 2:00 to 3:30 p.m.

9. ADJOURNMENT

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

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

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

Meeting adjourned at 4:51pm.