

### Audit Committee

April 25, 2024

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Meeting Date

June 25, 2024

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Date Minutes Were Approved

*Max White*

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Max White (Jun 27, 2024 17:41 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.

*Emily Soria*

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Emily Soria (Jun 27, 2024 13:57 PDT)

Staff Liaison



**MINUTES OF THE AVONDALE AUDIT COMMITTEE**  
CITY OF AVONDALE, ARIZONA  
SONORAN CONFERENCE ROOM  
April 25, 2024

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 2:01 p.m.

**Voting Members Present:** Chair White; Committee Member Nielson; Committee Member Solorio\*; Committee Member Pacheco.

\*Committee Member Solorio joined the meeting via Zoom at 2:17 p.m.

**Non-Voting Members Present:** Committee Member Corbin and Committee Member Weatherless.

**Members Absent:** Vice Chair Cook.

**Other Municipal Officials Present:** Nicholle Harris, City Attorney; Marcella Sarmiento, City Clerk; Barbara Coppage, City Auditor, and Emily Soria, City Clerk Specialist.

**Other Officials Present:** Brittany Williams, Engagement Partner; and Jared Young, Engagement Manager.

**Audience:** No members of the public were present.

**1. ROLL CALL BY THE CITY CLERK**

**2. INTRODUCTIONS**

All Committee Members, City Staff, and other Officials present introduced themselves along with stating something they are looking forward to this summer.

**3. APPROVAL OF THE AUDIT COMMITTEE MINUTES**

Committee Member Pacheco moved to approve the December 6, 2023, minutes; Committee Member Nielson seconded the motion.

Upon vote, the motion was carried unanimously 3 to 0.

Chair White	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Absent for the vote
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Weatherless	Non-Voting Member

#### **4. INTEGRITY LINE UPDATE**

The City Auditor provided an update on the Integrity Line. This item was for discussion only.

Barbara Coppage, City Auditor, noted that the Integrity Line was successfully transitioned from the City Attorney to the City Auditor's Office. She also provided a brief update, noting the language on the Integrity Line website has been revised and clarified so that HR reports will no longer unnecessarily flow through the Integrity Line. New pronouncements have been added to the bulletin boards in employees' lunchrooms. The system has been tested and it is working, but there have been no reports.

Mr. Corbin stated the trust in HR has increased and employees are filing their complaints directly with HR.

#### **5. STATUS OF PRIOR AUDIT RECOMMENDATIONS**

The City Auditor presented the status of prior audit recommendations. This item was for discussion only.

Barbara Coppage, City Auditor, reviewed prior recommendations that were over a year old, noting Finance and Budget has three; Human Resources has three; Engineering has one; and Parks and Rec have one. These recommendations will be discussed in more detail at the next meeting.

In response to Committee Member Nielson's question, Ms. Coppage explained the recommendations are being worked on but are taking longer than a year. Recommendations completed in less than a year are not included in this report and there are also instances where recommendations are revolving. Ms. Coppage also discussed the purpose of an auditor looking at recommendations, such as assuring they are implemented. There are times when it makes sense to accept management telling the auditor the recommendation is completed. There are other higher-risk audit items, such as payroll, that require an actual audit or follow-up audits.

#### **6. 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.

Barbara Coppage, City Auditor, explained the approved Audit Plan is considered the priority listing and stated everything has been completed except the Vendor Master File Management Audit. Ms. Coppage is hoping to have a draft prepared by the end of the fiscal year. The Committee had previously agreed the Munis Audit would straddle the fiscal years due to the budget funds; therefore although it has been opened, it will intentionally close around September. As agreed, the Record Retention project is on hold.

Non-Audit Projects, also referred to as Management Service, are projects where the City Auditor assists the Finance Department with data for ADP within strict guidelines so they can conduct the audit later. There are three such projects that have been completed.

- Audit Software Initial Implementation, which is up and running but still needs some tweaking.
  - Various audit shops have advised it is best to make the adjustments during the initial installation to avoid experiencing problems later.
- In response to Chair White's question, Ms. Coppage explained, although she prefers to keep the program as standard as possible, the program forces choices to tailor it to fit your configuration.
  - She noted the 3-year Strategic Plan was very comprehensive.
- Auditor Evaluation Standard Template that will be utilized by the City Council has been completed.

Two projects were closed.

- ASRS – Arizona State Retirement System
  - This does not cover Public Safety, Elected Officials, or Detention Officers.
  - The City must follow the rules put forward by the ASRS system
  - The auditor reviews controls within the Finance and Human Resources Departments, which include calculations, contributions, and recording of such on financial statements.
  - The conclusion of the audit found:
    - The current software does not ensure eligible employees are assigned to a pension plan.
    - There were thirty instances where employee start dates did not match their ASRS membership date.
    - Two employees' contributions were not calculated correctly.
    - Ten or more inactive pay codes were still available in the system that could be used inadvertently and pay employees incorrectly.
  - Recommendations are inline with the conclusions.
- Telestaff – The scheduling system utilized by the Fire Department
  - The data from Telestaff is not compatible with ADP and MS Access or Excel must be used to convert the data from one system to the other
  - The auditor reviewed the basic controls, such as transfer of data, input processing and output, and who has access and how much of it.
  - The conclusion was the Fire Department is unclear of what "all access" means.
    - No one should have more access than they need to do their job, which is both IT policy and City Policy, Chapter 16.
    - A consultant who is very familiar with Telestaff will be working with the City.
  - A future audit will include:
    - What data is being entered, the understanding of it, and the output.
    - ADP is very complex because it uses many formulas.
    - The Finance Department is actively looking at this prior to the auditing coming in.

In response to questions, Mr. Corbin explained the way Firefighters get paid is nontraditional and does not follow normal practices due to their complex pay structures.

Ms. Weatherless discussed the complexity of the things that get paid and how they get paid in accordance with MOUs. Telestaff is necessary to ensure that all parts of the pay structure, such as peril pay, are calculated correctly.

## **7. CITYWIDE RISK ASSESSMENT AND APPROVAL OF FY24/25 AUDIT PLAN**

The City Auditor provided a presentation on the Citywide Risk Assessment and the Annual Audit Plan.

Barbara Coppage, City Auditor, reviewed the proposed Audit Plan for FY 2025 noting many things need to be audited before you truly can assess the risk. Items to be audited include:

- Water Billing and Collections -- The anticipated scope would be to ensure everyone is being billed for the service, it is on time, and accurate.
- Information Active Directory -- this is the database that tells us who has access to the City's network. The scope will be making sure it automatically removes someone when they transfer departments or leave employment. This will include working with IT and an outside consultant.
- Payroll Timekeeping -- the scope will be to look to make sure the recommendations from the 2021 audit were implemented.
- Pension Calculations and Contributions, Public Safety Pension Retirement System (PSPRS) -- this is a complex audit and the scope may separate out the calculations and contributions depending on time, funding, and resources.
- Fleet Management -- another complex audit with a broad scope because the risk level is unknown. Preliminarily, asset inventory is an area of concern.

A discussion ensued regarding Fleet Management's risk areas, including asset management, maintenance programs, and overall management.

A contingency Audit Plan was presented should there be time and funding available. Contingent items could include:

- Document Retention, which is not a high risk, but is on the current audit plan.
- Purchasing Cards, which use innovative techniques that will be taught as part of a Cohort if enough Cities get involved.
- Surprise Cash Counts, which include unannounced visits to things like the Aquatic Center to ensure everything is okay and they are doing what they should be.

Committee Member Solorio moved to approve the Annual Audit Plan and the Contingency Audit Plan for the fiscal year 2024/2025; Committee Member Nielson seconded the motion.

Upon vote, the motion was carried unanimously 4 to 0.

Chair White	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Weatherless	Non-Voting Member

## 8. AUDIT FOUNDATION/SUSTAINABILITY FOCUS

The City Auditor discussed a plan that incorporates the approved change of priorities to focus on foundational documents and internal processes. This plan includes a strategic plan; a strengths, weaknesses, opportunities, and threats (SWOT) analysis; a communication plan; and projects to create a sustainable foundation for the Office of the City Auditor.

Barbara Copping, City Auditor, reviewed and discussed a proposed document that can be used from year to year to ensure the function of the City Auditor's Office is sustainable. She also reviewed the Key Performance Indicators, the Communication Plan, and projects for future years. She asked for the Committee's feedback related to the strengths, weaknesses, opportunities, and threats.

Chair White suggested considering data accessibility and integration as a threat. She also commented on the City Council communication plan, suggesting removing urgent matters and adjusting individual meetings with Council Members to quarterly with continued interaction outside of the meeting via email.

Committee Member Pacheco moved to approve the Strategic Plan for the fiscal years 2024-2027; Committee Member Solorio seconded the motion.

Upon vote, the motion was carried unanimously 4 to 0.

Chair White	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Weatherless	Non-Voting Member

## 9. EXTERNAL AUDITOR DISCUSSION

The external auditors from HeinfeldMeech presented the status on the Annual Consolidated Financial Report, the Single Audit Report, and other related audits in progress. This item was for discussion only.

Brittany Williams, Engagement Partner; and Jared Young, Engagement Manager, provided an overview of the Independent Auditor's Report and the dates the reports were

issued for FY 2023. Everything was good except for the significant deficiency in the financial reporting closing process. Having a fully staffed Finance Department will allow the necessary time for accurate preparation of the Financial Reporting Closeouts.

The Coronavirus State and Local Fiscal Recovery Funds for FY 2023 were tested as required and will be tested again next year along with the CDBG grant funds. The GASB 100, related to accounting changes or prior adjustments, will come forward in FY 2024. GASB 101, related to compensated absences, will come forward in FY 2025 and work will begin this year on implementing the liabilities.

Mr. Young explained the risk-based approach and analytics applied to the external audit process for confirming the validity of expenditures and revenues. Ms. Williams noted they use IDEA software to run data analytics.

In response to questions, Ms. Williams explained an annual risk assessment is required for all Federal monies the city spends, which is conducted ever three years depending on the program and if they are told to test it. The main finding in the Single Audit Reporting Package was the Financial Reporting and Closing Process, which had a lot to do with timing and staffing issues. It was noted that steps are already being taken to correct this for the future and it is recommended to incentivize and maintain consistent staff in the Finance Department. Mr. Young discussed a targeted auditing approach for this fall to help streamline the final auditing process and make it easier for the Finance Department. Mr. Corbin noted the repeat finding with the Financial Reporting and Closing Process was also related to the transition of systems which is being resolved and is expected to be fixed by the end of this fiscal year.

## 10. CALENDAR

A proposed 2024 Audit Committee calendar was presented.

- Tuesday, June 25, 2024 - 9:00 a.m. to 10:30 a.m.
- Thursday, November 21, 2024 - 2:00 p.m. to 3:30 p.m.

Committee Member Nielson moved to approve the June 25, 2024, and November 21, 2024, Audit Committee Meeting dates; Committee Member Pacheco seconded the motion.

Upon vote, the motion was carried unanimously 4 to 0.

Chair White	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Weatherless	Non-Voting Member

Ms. Coppage asked Committee Members to complete a survey to determine the information they obtain from these meeting and any suggestions for improvement.

## 11. ADJOURNMENT

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

Upon vote, the motion was carried unanimously 4 to 0.

Chair White	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye
Committee Member Corbin	Non-Voting Member
Committee Member Weatherless	Non-Voting Member

Meeting adjourned at 3:20 p.m.