



Audit Committee Meeting Agenda

Thursday, May 8, 2025

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

REGULAR MEETING

2:00 PM

Physical Access to the conference 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 13, 2025 Audit Committee meeting minutes. The Committee will take appropriate action.

4. Audit Status Report

The City Auditor will present an overview of ongoing projects from the FY2025 approved Audit Plan. This item is for discussion only. No action is required at this time.

5. Citywide Risk Assessment and Annual Audit Plan

The City Auditor will provide a presentation on the Citywide Risk Assessment and the Annual Audit Plan. The Audit Committee will consider a request to recommend approval of the proposed Annual Audit Plan for the fiscal year 2025/26. The Committee will take appropriate action.

6. City Auditor End of the Year Report

The City Auditor will provide a summary of accomplishments completed during the year. This item is for discussion only.

7. Government Auditing Standards Certification

The City Auditor will provide a description of the certification process. This item is for discussion only.

8. Calendar

The proposed Audit Committee meeting dates for calendar year 2025 will be presented. This item is for discussion only.

The next Audit Committee meeting is scheduled for Thursday, September 4, 2025 at 2:00.

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.

MINUTES OF THE AVONDALE AUDIT COMMITTEE
CITY OF AVONDALE, ARIZONA
SONORAN CONFERENCE ROOM
February 13, 2025

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 2:00 p.m.

Voting Members Present: Chair White; Vice Chair Cook; Committee Member Nielson; Committee Member Solorio; Committee Member Pacheco.

**Chair White attended the meeting virtually.*

Non-Voting Members Present: Committee Member Stevens (for Committee Member Corbin) and Committee Member Weatherless.

Members Absent: None.

Other Municipal Officials Present: Barbara Coppage, City Auditor; Nicholle Harris, City Attorney; Jeff Scheetz, Chief Information Officer; Mark Neerings, Assistant Chief Information Officer; and Emily Soria, City Clerk Specialist.

Audience: No members of the public were present.

1. ROLL CALL BY THE CITY CLERK

2. INTRODUCTIONS

3. APPROVAL OF THE AUDIT COMMITTEE MINUTES

Committee Member Nielson moved to approve the December 12, 2024, meeting minutes; Committee Member Solorio seconded the motion.

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

Chair White	Aye
Vice Chair Cook	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye

4. EXTERNAL AUDITOR UPDATE

The City's external auditors for the Annual Consolidated Financial Report provided an update. This item was for discussion only.

Brittney Williams and Jared Young from HeinfeldMeech presented an audit update for FY24, noting their firm specializes in Government not for profit audits and all staff training and resources are dedicated to specific Government audit items. Ms. Williams

explained how the Independent Auditor's Report is created and that the City of Avondale received a clean opinion, meaning everything looks good. The audit reports completed and issued for FY24 were reviewed. The Annual Comprehensive Financial Report being submitted on December 20, 2024, allowed the City of Avondale to obtain the Certificate of Financial Reporting Excellence from GFOA, which has been received for several years and is commendable. The Bi-Annual Impact Fees AUP Report for FY24 has not been issued but will begin next month; however, it is still one year ahead of schedule.

Mr. Young spoke about the Annual Expenditure Limitation Report, noting voters approved a permanent base adjustment for the city's annual expenditure limit effective FY25. This will add close to \$500 million to the expenditure limitation that is issued by the Economic Commission every year. The Annual Expenditure Limitation Report required slight changes in numbers and formatting and was presented in accordance with the Constitutional requirements

Ms. Williams reviewed the items included in the Single Audit Report. The most important page of the report is the summary page which provides the results of the results and opinions issued. Several resources were provided for Committee Members to obtain a better understanding of Government financial statements.

Ms. Williams recognized and thanked Renee Weatherless, Maggie Lam and their team for a great job.

Committee members were given an opportunity to comment and ask questions. It was noted that the Auditors will present this to the City Council at their upcoming meeting. Chair White recognized Ms. Weatherless, Ms. Lam and their team for their work in providing the information and making Avondale a low-risk municipality.

5. CITY AUDITOR REPORT PRESENTATION

The City Auditor discussed completed audits. This item was for discussion only.

Barbara Coppage, City Auditor and Lupita Martinez, Principal CPA with CliftonLarsonAllen reviewed and discussed the Utility Billing Audit Report. Ms. Martinez provided an overview of the objective of CLA's engagement in evaluating the appropriateness and effectiveness of Public Works which includes wastewater, water, and solid waste processes. Finance and budget utility billing policies and collection processes were also reviewed. The report issued and included in the committee's packet showed twenty-three findings ranked by risk, which are summarized in the cover letter.

- Write-offs of customer account balances totaling approximately \$441,000 in FY24 in accounts receivable in the general ledger. A direct write-off method was used instead of the allowance method.
- Collecting revenues due total approximately \$31,312. Two commercial accounts still owe the city money and collection efforts are recommended.

- Adjusting customer account balances are currently and per policy being made by one person. Stronger controls are recommended by requiring separate approval for an adjustment above a certain dollar threshold.
- The Account Receivable AG Report does not consistently reflect adjustments to customer account balances. The auditor is currently working with the vendor to correct this process.
- Inactive water accounts prior to October 2024 showing unauthorized usage and loss of revenue. It is recommended that all inactive water meters be read and billed accordingly.
- Tracking trash bins to allow solid waste to manage procurement of replacement or new trash bins.
- Consistent work order reconciliation to ensure that each request is completed and nothing is missed
- Reviewing the residential and commercial customer base and services they receive. It is recommended to follow up on the outliers.

Committee members were given an opportunity to comment and ask questions. In response to the questions, Ms. Coppage noted the City of Avondale does not use collection agencies. The reconciliation between the general ledger and receivables did not work and the process is still being worked on. A discussion ensued regarding the unauthorized use of inactive water meters and the new procedures being implemented to reduce the cost to the city. For clarification purposes, an explanation of work orders and the process was provided. Tracking the trash bins is a new process which is more a recommendation to formalize their process. A discussion ensued.

Ms. Coppage noted this was one of the largest and most comprehensive audits with several different divisions and four different systems.

Ms. Coppage provided an overview of the Status of Audit Recommendations. Overall, there were ninety-three recommendations implemented during the calendar year 2024 and January 2025. Twenty of the recommendations are currently in progress and two have been opened for more than two years and the City Manager is working with HR to close those out because they are mostly policies. Additional recommendations have been completed since preparing this report and this does not include the utility billing recommendations.

Vice Chair Cook commented on tracking an additional metric being a target date for completion of the recommendation and allowing for revisions as necessary.

6. INFORMATION TECHNOLOGY SECURITY PRESENTATION

The Chief Information Officer provided a presentation on the topic of information security. This item was for discussion only.

Ms. Coppage explained that an Active Directory audit would be completed by the next Audit Committee meeting.

Jeff Scheetz, Chief Information Officer presented an overview of the AD, which is the central system that manages all user access across every platform within the city. This includes providing and managing role-based rights and permissions.

The presentation continued into security and risk management which reviewed and discussed authentication and authorization, single sign-on, and Geo-Blocking. These are all methods in place to verify users, determine access, mitigate cyber-attacks, control access to cloud-based software, and prevent unauthorized access from high-risk regions.

The presentation proceeded with AD Compliance and Audit overview. Key components are ensuring all users and groups are set up correctly to manage role-based access. Logging, Incident Response and Recovery for when the Security Operations Center notices a potential breach. Monitoring Access Control flags repeated failed log-in attempts.

User accounts and memberships are reviewed regularly to ensure permissions are set up properly. The goal is to make sure new users are in the right group at the right time with the right permissions.

There are three significant regulatory agencies that work with the city, being the National Institute of Standards in Technology (NIST), Center for Internet Security (CIS), and Criminal Justice Information Systems (CJIS). NIST focuses on AD, access controls, and auditing and these audits are done internally. CIS focuses on long passwords and ensuring users are logging in properly and accounts are being removed timely. CJIS focuses on everything law enforcement and encryption.

In conclusion, a review of best practices reminds everyone of the requirement for strong passwords, multi-factor authentication, Zero-trust, regular account audits, and vulnerability testing and remediation. Vulnerability testing is done by completing penetration testing with simulated internal and external cyber-attacks, phishing emails, Security Awareness Training, and AZ Statewide Cyber Readiness Program. A Cyber Security Awareness Campaign will kick off in March using a video series. Every October is Cyber Security Awareness Month where poker chips are made and provided to everyone.

Mr. Scheetz introduced Mark Neerings, Assistant Chief Information Officer, a twenty plus year employee with the City of Avondale who works on everything security wise and stays on top of it.

Committee members were given a chance to comment and ask questions. In response, Mr. Scheetz explained one audit can be conducted among the three agencies as they all compliment each other. Unfortunately, there is not enough time to review all emails unless it is submitted for review and there are times when one slips through. Mobility is an encrypted network on laptops that allow users to work at a non-city facility and connect to the network and is part of the procedures and requirements. Police Officers use this the most and are required to attend Security

Awareness Training, conduct a lot of PEN testing, and are audited by the State and FBI every three years because the police have connections with the State.

7. PROJECT STATUS REPORT

The City Auditor provided an update on the status of all open projects. The Committee will take appropriate action.

Barbara Coppage, City Auditor, presented an overview of the Audit Report Status, noting three reports are in fieldwork with anticipation the AD report will be ready for the next meeting in May but all of them will be completed prior to the end of the fiscal year. The Citywide Risk Assessment is a continuous effort and requires dedicated time. The Audit Plan will be on the agenda for the next meeting and will require approval from the committee.

Other projects were reviewed to include the report highlights for all audit reports, end of year audit activity report, the audit manual, and customer surveys. Ms. Coppage discussed the purpose of a short survey and the preference of the Committee to have one annually or after each completed audit. After a brief discussion the consensus was to complete the survey after each audit report.

Ms. Coppage spoke about money that was returned from an audit that did not use all the anticipated funds and asked for the Committees permission to use the available funds in the budget to enter a contract to start a new audit.

Chair White moved to approve a new audit using remaining available contract funds for contributed assets; development fees; and developer agreements. Committee Member Solorio seconded the motion.

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

Chair White	Aye
Vice Chair Cook	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye

8. CALENDAR

The Committee decided if there are any specific items they would like included on the next agenda and on the proposed Audit Committee meeting dates for calendar year 2025. The Committee will take appropriate action.

The next meeting is Thursday, May 8, 2025, at 2:00 p.m. to 3:30 p.m.

Committee Member Nielson moved to approve the meeting scheduled for Thursday, December 4, 2025, at 2:30PM; Committee Member Solorio seconded the motion.

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

Chair White	Aye
Vice Chair Cook	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye

9. ADJOURNMENT

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

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

Chair White	Aye
Vice Chair Cook	Aye
Committee Member Nielson	Aye
Committee Member Solorio	Aye
Committee Member Pacheco	Aye

Meeting adjourned at 3:23 p.m.

TO: Chair White
Vice Chair Cook
Audit Committee Members

FROM: Barbara Copping, City Auditor

DATE: May 8, 2025

SUBJECT: DRAFT FY26 AUDIT PLAN

Purpose

The draft FY26 Audit Plan is presented to the Audit Committee for their recommended approval to the City Council.

The FY26 Audit Plan provides guidance to the City Auditor for work to be performed during fiscal year 2026. The work will be performed using internal resources and contracted third-party audit firms.

Background

Risk is defined as the possibility of something going wrong that could impact people, resources, or the City's strategic goals. The City Auditor assesses risk on a continuous basis. Assessing risk is performed through analytical reviews, management interviews, gathering input from other local governments, collaborating with other auditors, and through research. The City Auditor presents the results of the risk assessment to the Audit Committee annually.

Audit Plan

The annual audit plan is created from the risk assessment and Audit Committee input. The City Auditor identifies what audits to place on the audit plan by considering risk, available resources, impact on organizational operations, and auditor judgment. The annual audit plan serves as the workplan for the City Auditor.

Risk Management is Everyone's Responsibility

While the City Auditor helps identify risks and performs audits to help the City effectively mitigate those risks, risk management is everyone's responsibility. The Institute of Internal Auditors describes three lines of defense that should exist within every organization.

1. The **first line of defense** is City Management who assesses risk, implements controls, and monitors processes.
2. The **second line of defense** comes from departments that typically provide oversight in their specialty area, such as the Human Resources, Information Technology, and Finance and Budget departments.
3. The **third line of defense** is provided by internal audits, external audits, and regulatory agencies who conduct audits and provide independent feedback.



Other Audit Activities

The City Auditor performs other activities that are not included in the audit plan such giving presentations to employees and the public and taking continued professional education training as required by government auditing standards. For FY26, the City Auditor will be preparing for its' first generally accepted government auditing standards certification review expected in FY27.

Respectfully,

Barbara Coppage

Barbara Coppage, CIA, CFE, CQA, MPA
City Auditor

Attached: FY26 Proposed Audit Plan

The Annual Audit Plan is based on assessed Citywide risks. Other factors considered are available audit resources, audit coverage, and timing of the audit to be performed.

FY26 Audit Plan

Audit Title	Preliminary Scope
Citywide – Unscheduled Point of Sale Verifications	Verify the existence, accuracy, and proper custody of City funds at a specific point in time.
Citywide – Developer Agreements & Contributed Assets	Determine if key agreement terms and contributed assets between developers and the City are properly recorded and amounts owed are timely received.
Citywide – Overtime Analysis	Determine whether overtime earned by employees is monitored, justified and calculated correctly.
Citywide – P-Card Expenditures	Determine whether the control environment is designed to prevent and detect misuse or fraudulent activities.
Facilities – Facilities Maintenance	Determine whether the City’s assets are accounted for and properly maintained and managed.
Finance and Budget –Vendor Master File / Accounts Payable	Determine the adequacy of vendor master data management.
Fire and Medical – Vehicle Management	Determine whether Fire and Medical fleet management processes follow City policies and best practices.
Info Technology – General Controls	Determine the effectiveness of foundational controls within the information technology infrastructure.
Citywide – Other Services Upon Request	To be determined.
Integrity Line – Inquiries / Investigations	Investigate tips relating to potential fraud, waste, or abuse of City resources.
*Status of Audit Recommendations	Review, assess, and report management’s corrective actions taken in response to prior audit recommendations.
*Citywide Risk Assessment	Review, assess, and report management’s corrective actions taken in response to prior audit recommendations.

*Auditor Quality Assurance Review	Verify and create controls to ensure auditor workpapers comply with audit standards.
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*Required by audit standards

The following is the proposed Contingency Audit Plan for FY26. A contingency plan is proposed so that an additional audit can be conducted should additional funds or other resources become available.

FY26 Contingency Audit Plan

Audit Title	Preliminary Scope
Info Technology – Software and Device Management	Determine the effectiveness and processes used to manage software and secure devices.
Police – Sensitive Assets	Evaluate the processes used to ensure adequate tracking and recording of sensitive assets.