

DRAFT



**MINUTES
AUDIT COMMITTEE
CITY HALL, CONFERENCE ROOM 3A
5850 W. GLENDALE AVE.
GLENDALE, ARIZONA 85301
JANUARY 9, 2020
2:00 P.M.**

1. CALL TO ORDER

The Chair, Councilmember Hugh, called the meeting to order at 2:05 p.m.

2. ROLL CALL

Present: Raymond Malnar, Councilmember
Ian Hugh, Councilmember
Lauren Tolmachoff, Councilmember
Irene Avalos, Member
Rusty Simmons, Member
Kevin Phelps, City Manager, Ex-officio Non-voting Member
Lisette Camacho, Budget and Finance Director, Ex-officio Non-voting Member

Also Present: Emmanuel Ogutu, Internal Audit Program Manager
Jean Moreno, Director, Department of Organizational Performance
James Gruber, Deputy City Attorney

3. CITIZEN COMMENTS

No members of the public were present. No comments.

4. APPROVAL OF THE MINUTES

Councilmember Tolmachoff motioned to approve the Audit Committee minutes of the December 5, 2019 meeting as written. Councilmember Malnar made the second. Motion carried unanimously.

5. PROCUREMENT OF CONTRACTED FIRMS

Mr. Ogutu gave a detailed presentation, which included the following:

- The City Code requires that this Committee consider several firms to help in executing the annual audit plan.
- Staff worked with the Procurement Department and on November 14th, a Request for Statement of Qualifications (RSOQ) was issued through the City's website, which was open for the weeks and closed on December 6, 2019. Five vendors submitted standards and provided recommendations to the Mayor and City Council and all were found the meeting the necessary requirements.

- The five firms were: Securance LLC, Protiviti Inc., Moss Adams, Henry & Horne, and Heinfeld Meech.

Mr. Ogutu announced that staff is recommending the following:

- All five vendors to be included on a Qualified Vendors List.
- The Qualified Vendors List to be valid for up to 4 years.
- Staff will issue a Request for Quote (RFQ) to the Qualified Vendors to execute eight audits in the FY2020 Audit Plan.
- The RFQ process will follow the City's procurement requirements.
- Work to begin immediately following completion of the RFQ process.
- Staff can issue a new RSOQ process to add more qualified vendors to the list at any time.

Mr. Ogutu shared that Staff is seeking an Audit Committee recommendation to the City Council to approve the proposed Qualified Vendors List for a period not to exceed four years.

Councilmember Tolmachoff noted that Securance only conducts technology audits. Mr. Ogutu confirmed and stated that Securance is a specialized firm in conducting technology audits, which is part of the internal audit program and they are highly qualified to conduct technology audits. Councilmember Tolmachoff asked if Securance would be used exclusively for technology audits. Mr. Ogutu replied in the positive.

Mr. Simmons asked if it would be more efficient to have Protiviti or Moss Adams do all of the audits, perhaps to get one price for all of the audits. Mr. Ogutu stated that this may have to be considered. Mr. Ogutu relayed that these last six months of the fiscal year will serve as a good test to see how they respond when we issue a request for quotations. Mr. Ogutu added that if in the future it is going to be more beneficial to use one or two, staff will bring that consideration back to the Committee.

Councilmember Tolmachoff asked how it would be determined which vendor will do which audits. Mr. Ogutu replied that that is the initial process and once the list of firms is approved, staff will develop a comprehensive statement of work for each of the eight audits. Then, a request for quotes will be sent to all of these firms for any or all of the eight audits and their responses will be evaluated.

Councilmember Tolmachoff motioned to recommended Council approval of the five internal audit vendors for the RFQ process as follows: Securance LLC, Protiviti Inc., Moss Adams, Henry & Horne, and Heinfeld Meech. Councilmember Malnar made the second. Motion carried unanimously.

6. **USE OF TECHNOLOGY TO LEVERAGE AUDITS**

Mr. Ogutu commented that Committee-member Simmons had requested a presentation on the use of audit software.

Mr. Ogutu reported the following:

- The City Code requires the Committee to evaluate each audit for compliance with professional standards.
- IIAP Administrative policy requires IIAP to consider use of software to increase efficiency.
- Both IIA and GAGAS standards encourages audit organizations to consider use of audit software in the audit process.
- Staff has been in talks with several audit software and will narrow the options down

- to one or two providers.
- The cost for FY2020 and FY2021 can be absorbed in existing budget.

Mr. Ogutu presented a slide listing the benefits of using Audit Management Software, including quick audit turnaround, the audit program is able to test 100% of transactions, integrates daily workflow, easier to extract data, and tracks status of recommendation implementation.

Mr. Simmons noted software support and upgrades would be needed and asked if the City technology team would be able to handle this or if the City would have to buy a package from the vendor. Mr. Ogutu explained that in his conversation with two of the vendors, they are putting together proposals in which the software will be hosted through cloud and will be web-based.

7. **AUDIT PROGRAM GENERAL UPDATE**

Mr. Ogutu shared a general update of the Audit Plan Progress, which included the following:

- FY 2020 has twelve audits planned.
- Eight of these will be contracted to third-party providers once the list is approved by the Council.
- Four audits are being conducted internally by the IIAP Manager, Mr. Ogutu. Mr. Ogutu has already completed one, which was an independent review of the City Code. He will present the draft report to the Committee in the Executive Session. As for the remaining three audits, one is in process and two have not yet been started.
- A chart detailed the Status of Audit plan implementation was presented.

Mr. Ogutu presented information in response to Committee-member Avalos' question at the last meeting.

- Committee-member Avalos had noticed that the Audit Plan included "ASTA" compliance audit and requested more information on this item
- Mr. Ogutu had the Audit Plan corrected to reflect "AZSTA" – Arizona Sports and Tourism Authority.
- The City has a contractual obligation related to sales tax rebate to AZSTA.
- This will be a compliance audit in FY21 of that contractual obligation between the City, AZSTA, and Arizona Cardinals executed November 2004.

There were no questions.

8. **COMMITTEE COMMENTS AND SUGGESTIONS**

No Comments.

9. **FUTURE MEETINGS**

Mr. Ogutu announced that the next regular meeting of the Audit Committee was scheduled for Thursday, February 6, 2020 at 2:00 p.m.; not February 3 as indicated on the agenda.

Councilmember Tolmachoff asked if the Committee would continue meeting monthly. Mr. Ogutu relayed that it is required that staff is seeking direction from the Committee regarding future meetings. Mr. Ogutu stated that the Committee is to meet at least once a quarter, if there are agenda items.

Councilmember Malnar inquired about the agenda topics for next month's meeting. Mr. Ogutu replied that the industry practice is to have quarterly meetings. Mr. Ogutu explained that the work of this Committee is to review draft reports and when there is a report to review, it would be better to have a meeting sooner rather than waiting for a

three-month period. Mr. Ogutu anticipated the current audit that he is working, the Revenue Audit, will take about six weeks to complete.

Mr. Phelps commented it was good for the Committee to meet early on to go get the systems and programs in place. Mr. Phelps recommended meeting quarterly in the future, such as the first month of the quarter and using August for the third quarter, October for the fourth quarter. Mr. Phelps stated that special meetings could be called as needed.

Councilmember Tolmachoff suggested the last month of the quarter: March, June, September.

Mr. Phelps said this timeline would put a meeting in December which can be a tough month, however, the Committee should schedule according to its benefit.

Councilmember Malnar agreed with once a quarter, and more can be called as needed.

Mr. Simmons asked if there was any requirement in the charter that requires Audit Committee approval within a certain timeline. Mr. Ogutu replied in the negative.

Councilmember Malnar stated that the Committee would want to be timely, however. Mr. Ogutu agreed.

Ms. Avalos asked if the quarterly review would include the status of responses to audit findings and audits to review as well. Mr. Ogutu replied in the positive.

Councilmember Tolmachoff reiterated Mr. Phelps' quarterly suggestion of April and August for the quarterly meetings. No opposition was voiced.

10. **MOTION TO CALL FOR AND ENTER INTO EXECUTIVE SESSION**

Councilmember Tolmachoff motioned to enter into Executive Session at 2:31 p.m. Councilmember Malnar made the second. The motion carried unanimously.

11. **EXECUTIVE SESSION**

Executive Session was held.

12. **ADJOURNMENT**

The Chair, Councilmember Hugh confirmed there were no further comments and adjourned the meeting at 2:41 p.m.

The Audit Committee meeting minutes of _____, 2020 were submitted and approved this ____ day of _____, 2020.

Emmanuel Ogutu
Internal Audit Program Manager