

DRAFT MINUTES

**CITY OF GLENDALE
AUDIT COMMITTEE
CITY HALL, COUNCIL CHAMBERS
5850 W. GLENDALE AVE.
GLENDALE, ARIZONA 85301
OCTOBER 8, 2020
2:00 P.M.**

1. CALL TO ORDER

The Chair, Councilmember Hugh, called the meeting to order at 2:02 p.m.

2. ROLL CALL

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

Absent: Rusty Simmons, Member

Also Present: Emmanuel Ogutu, Internal Audit Program Manager
Jean Moreno, Department of Organizational Performance Director
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 June 18, 2020 meeting as written. Ms. Avalos made the second. Motion carried unanimously.

5. MOTION TO CALL FOR AND ENTER INTO EXECUTIVE SESSION

Councilmember Tolmachoff motioned to enter into Executive Session at 2:03 p.m. Ms. Avalos made the second. The motion carried unanimously.

6. EXECUTIVE SESSION

Review and discuss draft audit reports pursuant to Glendale City Code §2-54b and §2-58c (A.R.S. §38-431.03 (A)(2)). Session was held.

7. MOTION TO ADJOURN EXECUTIVE SESSION AND RECONVENE IN OPEN SESSION

Open Session was reconvened at 2:15 p.m.

8. CONSIDERATION AND POSSIBLE VOTE ON EXECUTIVE SESSION ITEMS

Councilmember Hugh announced that the Committee would review and consider vote to approve the Development Agreements and City-wide Cash Handling Audit Reports.

Mr. Ogutu relayed that pursuant to City Code on the Internal Audit Program, staff has finalized this audit process, has discussed the report with management, and has received management responses. He is requesting that the Committee approve this report, that staff finalize the report, and forward the results to City Council within thirty days as is required by City Code.

Councilmember Tolmachoff motioned to approve the Development Agreements and City-wide Cash Handling Audit Reports. Ms. Avalos made the second. The motion carried unanimously.

9. INDEPENDENT INTERNAL AUDIT PROGRAM STAFF UPDATE

Mr. Ogutu gave a presentation on the recent activities of Internal Audit Program staff between July 1 and September 30, 2020, which included the following information:

- IIAP Staff Accomplishments – Quarter 1
 - Risk Assessment for FY22 Plan
 - Ongoing
 - IIAP Procedure Manual
 - In progress. Estimated completion December 31, 2020
 - Audit Software Implementation
 - Complete. Post-implementation training ongoing
 - Audit Follow-Ups
 - Ongoing
- 18-Month Audit Plan Implementation Plan Status
 - Chart displayed and explained which detailed the number of audits completed, pending review, in process, next in line, and deferred to FY22.
 - 29 total audits were approved in the plan: 11 to be conducted by staff and 18 to be conducted by a contracted firm. 6 audits were deferred due to impacts from COVID. Therefore, 23 audits are planned to be conducted by June 30, 2021.
 - Ms. Avalos requested a list of the deferred audits. Mr. Ogutu will provide this information to the Committee.
- Staff Audits by IIAP Manager
 - City Court Revenue and Receivables: Completed
 - Development Agreements Review: Pending Audit Committee Action
 - City-wide Cash Audit: Pending Audit Committee Action
 - Community Action Program Audit: In progress. Estimated completion 11/30/20
 - Time Sheets/Payroll Continuous Review: In progress. Estimated completion 12/15/20
- Contracted Audits
 - Vendor Management: In progress. Estimated completion 10/31/20
 - Asset Management Program: In progress. Estimated completion 10/31/20
 - Telestaff Business Process: In progress. Estimated completion 11/15/20
 - IT Governance: Starting November. Estimated completion 12/15/20
 - IT Security: Starting November. Estimated completion January 2021
- Next In Line: Staff Audits by IIAP Manager
 - Purchase Card Review: January – March 2021
 - Recovery of ROW Damage Claims: January – March 2021
 - Travel Policy Compliance Review: April – June 2021
 - Human Relations Program Evaluation: April – June 2021
- Next In Line: Contracted Audits
 - Overtime Use and Compliance: January – March 2021
 - ASTA Contract Compliance: January – March 2021
 - Public Records Law Compliance: January – March 2021
 - Custodial Contract Compliance Evaluation: January – March 2021
 - Contract Compliance and Performance: April – June 2021
 - Position Control Policy Evaluation: April – June 2021
 - Police Operations Staffing Analysis: April – June 2021
 - Storm Water Management Program Evaluation: April – June 2021

- FY2021-22 Audit Planning Timeline: Presented and explained.
- Audit Recommendations Implementation Status
 - Address unresolved recommendations from prior audit organization.
 - Work with management to review/restore outstanding recommendations.
 - Provide quarterly update to the Audit Committee.
 - New audits allow for twelve months to implement, per IIAP Policy.
 - Chart detailing the numbers of audits implemented, in-process, and pending review prior to FY20 and beginning FY20 was presented.

Councilmember Tolmachoff requested clarification of the Human Relations Program Evaluation Audit. Mr. Ogutu explained that this will be an audit of the Human Relations Program under the City's Human Relations Department.

Mr. Ogutu reported that with the implementation of the audit management software, staff is now able to track all of the prior audit recommendations raised by the prior audit organization as well as the current audits being conducted. Mr. Ogutu announced that the software has been programmed to send reminders to staff on a quarterly basis to either close out the audit or circle back on outstanding issues. In total, 79 recommendations are being tracked at this time. Mr. Ogutu shared statistics on items being tracked.

Ms. Avalos inquired about the timeline for resolution on the audits prior to FY2020. Mr. Ogutu replied that the plan is to have those resolved by June 30, 2021, however, some of them relate to new systems that are being implemented. Mr. Ogutu shared an example of the software system called Smartgov, which depending on the timeline of implementation, may delay completion of the audit by June 30, 2021.

Ms. Avalos asked if any of the items prior to FY20 were deemed to be high risk. Mr. Ogutu stated that most of the audits were not rated and if they did have a rating, only a few are high while the majority is in the moderate category.

10. GOAL SETTING AND TOPICS FOR DISCUSSION

Mr. Ogutu introduced the Goal Setting agenda item:

- Pursuant to Glendale City Code Chapter 2, Article VIII, all Boards and Commissions are required to set goals and discuss issues it would like to consider for the upcoming year.
- Staff is seeking the Committee's direction on the goals the Committee would like to set and the issues the Committee would like to consider during the upcoming year.
- Proposed goals for the Audit Committee:
 - To develop a work plan for implementation of the IIAP quality assurance and improvement program in preparation for a peer review of IIAP in FY2024.
 - To monitor remediation of all outstanding recommendations from the prior audit organization to ensure they are fully implemented by June 30, 2021.

Councilmember Tolmachoff motioned to approve the Audit Committee goals for FY2021 as presented by staff. Ms. Avalos made the second. The motion carried unanimously.

The agenda item was concluded.

11. COMMITTEE COMMENTS AND SUGGESTIONS

Councilmember Tolmachoff asked if staff could send one email with the links to the agenda and Zoom information three to four days before the meeting, as emails sent too far prior can get buried and hard to find quickly. Mr. Ogutu replied in the positive.

Ms. Avalos asked if the Committee could be provided with a report of the audit items being tracked for the second goal and their status on an ongoing basis. Mr. Ogutu replied in the positive.

Mr. Phelps congratulated Mr. Ogutu on his one-year anniversary of serving as the City's Audit Program Manager. Mr. Phelps stated that Mr. Ogutu in only twelve months has helped the City update and establish Audit Policies and Procedures, completed the first risk assessment that has been conducted during Mr. Phelps's time at the City, helped issue the RFP and select contracted audit firms, implemented new technology and software to improve reporting and streamline processes, assists and supports the Audit Committee, created relationships with all of the City Departments, is working to complete eleven internal audits, and helping to facilitate eighteen contracted external audits. Mr. Phelps noted that this is a lot of activity within twelve months and light-years of advancement has been made in terms of how audits are being conducted, which is assuring to the public.

Ms. Avalos concurred with Mr. Phelps' comments and stated that Mr. Ogutu is very receptive to feedback and provides timely response when items are requested. Ms. Avalos stated that Mr. Ogutu has done an incredible job over this past year.

Councilmember Tolmachoff estimated that the audit productivity was at least three times higher than what the City was getting done before Mr. Ogutu.

Mr. Phelps stated that he could obtain the numbers and added that even beyond the number of audits, the high quality and confidence level in the work that has been completed is evident. Mr. Phelps also complimented the establishment of the Audit Committee as well.

12. NEXT MEETING

The next regularly scheduled meeting of the Audit Committee will be held January 7, 2021 at 2:00 p.m.

13. ADJOURNMENT

Councilmember Hugh adjourned the meeting at 2:49 p.m. No objection was made.

The Audit Committee meeting minutes of October 8, 2020 were submitted and approved this ___ day of _____, 20__.

Emmanuel Ogutu
Internal Audit Program Manager