



**MINUTES
AUDIT COMMITTEE
GLENDALE CITY HALL – 4TH
FLOOR CONFERENCE ROOM
5850 W. GLENDALE, ARIZONA 85301
March 3, 2022
2:00 P.M.**

Vice Mayor Jamie Aldama, Chairperson
Councilmember Ian Hugh, Member
Councilmember Raymond Malnar, Member
Irene Avalos, Member
Rusty Simmons, Member
City Manager Kevin Phelps, Ex-officio Non-voting Member
Budget and Finance Director Lisette Camacho, Ex-officio Non-voting Member

1. CALL TO ORDER

Vice Mayor/Councilmember Aldama (Chair), called the meeting to order at 2:02 p.m.

2. ROLL CALL

Present: Vice Mayor and Councilmember Jamie Aldama, Chair
Councilmember Ian Hugh, Member
Irene Avalos, Member
City Manager Kevin Phelps, Ex-officio Non-voting Member
Budget & Finance Director, Lisette Camacho, Ex-officio Non-voting Member
Absent: Councilmember Raymond Malnar, Member
Rusty Simmons, Member

Also present: Khala Stanfield, Department of Organizational Performance Director
Mike Kingery, Independent Internal Audit Program Manager
James Gruber, Chief Deputy City Attorney
Jack Friedline, Assistant City Manager
Shahid Abbas, Director, Transportation
Dan Cleavenger, Interim Director, Transportation
Tony Abbo, City Traffic Engineer, Transportation
Allan Galicia, Transportation Systems Administrator, Transportation
Stin Weber, ITS Supervisor, Transportation
Feroz Merchhiya, Chief Information Officer, Innovation & Technology
Arlene Chemello, Deputy Chief Information Officer, Innovation & Technology
Jonathan Hill, Tax & License Manager, Budget & Finance
Albert Zatonskiy, BI Assistant, Department of Organizational Performance
Chelsea Ritchie, Consulting Manager, Moss Adams (Guest)
Tammy Lohr, Manager, Moss Adams (Guest)
Jessie Lenhardt, Consulting Senior, Moss Adams (Guest)
Paul Ashe, President, Securance Consulting (Guest)

3. CITIZEN COMMENTS

No members of the public were present. No comments.

4. APPROVAL OF THE MINUTES

Councilmember Hugh motioned to approve the Audit Committee Minutes of the December 7, 2021 meeting as written. Member Avalos made the second. Motion carried unanimously.

5. MOTION TO CALL FOR AND ENTER INTO EXECUTIVE SESSION

Councilmember Hugh motioned to call for and enter into Executive Session at 2:05 p.m. Member Avalos made the second. 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

Councilmember Hugh motioned to adjourn Executive Session at 2:32 p.m. Member Avalos made the second. Motion carried unanimously and Open Session was reconvened.

8. CONSIDERATION AND POSSIBLE VOTE ON EXECUTIVE SESSION ITEMS

Chair Aldama announced that the committee would review and consider vote to approve the following three audit reports: Intelligent Transportation System (with modification to one management response); Arizona Sports & Tourism Authority (AZSTA); and, IT Security. Councilmember Hugh motioned to approve all three audit reports. Member Avalos made the second. Motion carried unanimously.

Mr. Kingery presented the proposed FY23 audit plan for committee consideration. Mr. Kingery provided a background and brief summary/scope of the following 12 audits (the first 8 by contracted vendors; the remaining four by the City's Independent Internal Audit Program (IIAP)) for FY23: Field Operations – Facilities Management & Maintenance evaluating the initial year of utilizing the new asset management system (Lucity); two separate audits within Community Services, one each in Housing and in Revitalization to evaluate new processes and systems; two separate audits within IT, one pertaining to Third Party Risk of our IT vendors and one to address Password Security across the City, with special focus on Police systems as part of their CALEA accreditation requirements; Fire Department Asset Management, including vehicles and large equipment, along with supplies taken to each call; complete review of the non-purchasing card Procurement process (bids, awards, purchase orders, payments, vendor onboarding, etc.) and benchmarking against other municipalities for staff size, responsibilities, and staff/council

approval limits; and an audit of City Fees related to general services such as business licenses, permitting, Fire, safety, and construction inspections, any associated penalties and/or late fees, and assessment of how fees are determined and how often they are reviewed. Excluded from the review would be fees for specific service usage such as landfill or water that have their own volume-based rates, along with Development Impact Fees (which Ms. Camacho indicated are audited every other year as part of the annual external audit and presented to City Council).

Vice Mayor Aldama asked about the purchasing card (p-card) portion of Procurement and how that would be audited. Mr. Kingery stated that a p-card audit will be conducted in FY22 and will begin very soon. It will be a “traditional” audit in the sense of compiling statistics (number of cardholders, cards, reviewers/approvers, etc.) and testing a sample of transactions for compliance with policy. The most recent p-card audit was performed in FY19; the hope for this and subsequent years was to have p-cards and several other audits moved to a continuous monitoring model using analytics and Robotic Process Automation (RPA) technology. Mr. Kingery has done some initial research to determine available options for obtaining audit scripts in a move towards continuous monitoring. This will require additional funding, which is part of the IIAP FY23 supplemental budget request.

The remaining proposed FY23 audits for IIAP include: a review of the Glendale Airport related to leases, rates and charges, and compliance with Federal Aviation Administration regulations; the triennial Agreed Upon Procedures (AUP) audit of the City’s Courts as required by the Arizona Supreme Court; and, an audit of the Police Department’s current Property Evidence facilities and policies, practices, and procedures in preparation of the planning and construction for a new evidence/lab facility already approved by City Council. This will be a “before” audit to determine potential gaps and needs the Police may currently face, with an “after” audit to be performed at the new facility once it’s been in operation for a couple years or so. Vice Mayor (and Chair) Aldama appreciated this approach; City Manager Phelps stated that some of the issues faced now might be due to the current built environment limiting the extent of what our Police can do in-house. By incorporating needed design elements into a new facility, the City should be able to manage and maintain its property evidence more effectively and efficiently. Chairperson Aldama commented on the size and capabilities of the facilities for the City of Phoenix and he and Mr. Phelps agreed that we need to include for the new facility all the special considerations (such as refrigerated or cooled storage) to ensure proper preservation of evidence.

With no further questions or comments, Chair Aldama asked for a motion to approve the FY23 audit plan as presented. Councilmember Hugh motioned to approve the FY23 audit plan. Member Avalos made the second. Motion carried unanimously.

9. FY22 AUDIT PLAN

Mr. Kingery provided the status of the audits scheduled for IIAP on the FY22 audit plan (Moss Adams provided an update on the contracted audits during Executive Session). The p-card audit previously discussed is about to begin as well as the Telecommuting Policy and Compliance audit. Possible scope for that audit will include analysis of available data related to productivity before and during the pandemic with some departments working remotely, along with overall policy compliance. Both the Cash Management and Payroll Process audits will be pushed back until we can get some analytics and robotics in place as discussed earlier with continuous monitoring. Both of these audits were completed in the 18-month audit plan that just ended; the p-card audit has not been done since FY19, which is why that will occur now. There were no additional questions or comments.

10. STATUS UPDATE OF AUDIT COMMITTEE GOALS

Mr. Kingery reviewed the goals that were approved by the Audit Committee during the September 8, 2021 meeting. The goals are: 1) developing a work plan for implementation of an Independent Internal Audit Program (IIAP) quality assurance and improvement program in preparation for a peer review in FY24, and 2) monitoring remediation of outstanding recommendations from prior audits to ensure they are fully implemented by June 30, 2022. Mr. Kingery stated that he has been in contact with the auditor from the City of Surprise, who is about to undergo their second peer review. Mr. Kingery has been invited to sit in on the preliminary planning meetings between the Surprise auditor and the peer review team to learn the process.

For the second goal, Mr. Kingery noted that the number of findings still outstanding had gone from the original count of 80+ to approximately a dozen as of today. Other than a few findings that cannot be closed out until new systems are implemented in FY23, the remaining items have been addressed with the intent of closing them out prior to FY22 year-end. Updates to the status of both goals will be provided at the next Audit Committee meeting. There was no further discussion on this agenda item.

11. COMMITTEE COMMENTS AND SUGGESTIONS

There were no additional questions, comments, or suggestions.

12. NEXT MEETING

The next regularly scheduled meeting of the Audit Committee will be on Thursday, June 2, 2022, at 2:00 p.m. All committee members agreed on that date/time. Chairman Aldama asked for the record to include that Councilmember Malnar had an excused absence from today's meeting.

13. ADJOURNMENT

Chairman Aldama asked for a motion to adjourn the meeting. Councilmember Hugh motioned to adjourn at 2:50 p.m. Member Avalos made the second. Motion carried unanimously.

The Audit Committee meeting minutes of December 7, 2021 were submitted and approved this 3rd day of March, 2022.

Michael Kingery
Independent Internal Audit Program Manager