

# DRAFT



**MINUTES  
AUDIT COMMITTEE  
CITY HALL, CONFERENCE ROOM B3  
5850 W. GLENDALE AVE.  
GLENDALE, ARIZONA 85301  
JUNE 1, 2022  
2:00 P.M.**

**1. CALL TO ORDER**

Vice Mayor Aldama (Chairperson), called the meeting to order at 2:05 p.m.

**2. ROLL CALL**

Present: Jamie Aldama, Vice Mayor  
Ian Hugh, Councilmember  
Raymond Malnar, Councilmember  
Irene Avalos, Member  
Kevin Phelps, City Manager  
Lisette Camacho, Budget and Finance Director

Absent: 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  
Jim Brown, Director, Human Resources & Risk Management  
Dianne Shoemake, Risk Manager, Risk Management  
Lorena Sanchez Zumph, HR Program Manager, Risk Management  
Hillary Zagara, Risk Management Specialist, Risk Management  
John Murphey, Administrator – Budget & CIP, Engineering Services  
Storm Johnson, BI Assistant, Department of Organizational Performance  
Chelsea Ritchie, Consulting Manager, Moss Adams (Guest)  
Annie Rose Favreau, Manager, Moss Adams (Guest)  
Stephen Bacchetti, Partner, Construction Advisory, Moss Adams (Guest)  
Cameron Lagrone, Government Audit Manager, Moss Adams (Guest)  
Maria Stroth, Manager – Strategy & Operations, Moss Adams (Guest)

3. **CITIZEN COMMENTS**

No members of the public were present. No comments.

4. **APPROVAL OF THE MINUTES**

A motion was made by Councilmember Ian Hugh, Member Irene Avalos seconded the approval of the Minutes of the March 3, 2022, meeting as written.

AYE: Vice Mayor Jamie Aldama  
Councilmember Ian Hugh  
Councilmember Raymond Malnar  
Member Irene Avalos  
Other: Member Rusty Simmons (ABSENT)

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

Councilmember Hugh motioned to call for and enter into Executive Session at 2:07 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 2:40 p.m. Member Avalos made the second. Motion carried unanimously and Open Session was reconvened.

8. **CONSIDERATION/POSSIBLE VOTE ON EXECUTIVE SESSION ITEMS**

Chairperson Aldama announced that the committee would review and consider vote to approve the following two audit reports: Workers' Compensation Process Review and Capital Improvement Program (CIP) Evaluation. Councilmember Malnar motioned to approve both audit reports, with an amended management response to the fourth finding of the CIP Audit (for response clarification). Member Avalos made the second. Motion carried unanimously.

9. **UPDATE ON FY22 & FY23 AUDIT PLANS**

Mr. Kingery provided the status of the audits scheduled on the FY22 audit plan. Both the Purchasing Card (p-card) audit and the Telecommuting Policy and Compliance audit are in the fieldwork phase and will be presented at the next Audit Committee meeting. Moss Adams has three audits currently in the fieldwork or planning phase: City Transit Program; Housing Management & Maintenance; and, Fleet Management Program, which will also be presented at the next meeting. Mr. Kingery mentioned that the remaining audit on the FY22 plan (Contract Compliance and Performance) will be rolled into the full-scale Procurement audit in FY23, expanding the scope of that engagement.

For the contracted audits on the FY23 audit plan that was approved by City Council on April 26 (Mr. Kingery mistakenly stated the May 10 meeting during his report), Mr. Kingery gave a brief recap of the engagements on the plan, including the role that Robotic Process Automation (RPA) and analytics might play. He noted that the supplemental budget request that was approved by Council will allow us to work with our auditing

software vendor to determine what automation/analytics options exist, and how they could best be utilized in either a p-card and/or payroll audit.

Chairperson Aldama asked how long staff had been working on the current (FY22) p-card audit. Mr. Kingery explained that this “traditional” p-card audit is an extremely labor intensive, manual process to look up each transaction and its supporting documentation individually. It is a large sample of monthly statements and transactions, cutting across all departments throughout the City. Chairperson Aldama also asked if the cardholders and/or their administrators are reconciling their transactions each month. Mr. Kingery explained the process and how it involves at least one person other than the cardholder to review and approve each statement and its transactions.

Chairperson Aldama acknowledged that the process is cumbersome and asked specifically what the audit is trying to find. Mr. Kingery explained that each item is tested for compliance with city policy and meeting the documentation requirements.

Chairperson Aldama asked what the annual spend is for p-cards; Mr. Kingery was uncertain and said he would check and get back to everyone. Chairperson Aldama asked how the potential RPA/analytics could help the audit process. Mr. Kingery replied that until he saw the capabilities offered by our vendor, there was no way to know. The hope is that it could at least track items like dates, limits, and totals, but likely would not be able to analyze the pdf in the system supporting each transaction.

Chairperson Aldama asked what was needed to get the RPA functionality and when staff expects the current p-card review to be completed. Mr. Kingery said the current audit should be wrapped up in July and that he would need to work with our vendor and our IT department to determine which analytics could work with our financial system and provide the best return on our investment (which might be payroll or some other analytics, not necessarily related to p-cards). Chairperson Aldama requested an update at the next Audit Committee meeting.

Member Avalos asked that since staff is already deep into the current p-card audit, if it would make more sense to see if payroll analytics could be utilized when a relevant audit for that process begins. Mr. Kingery replied that he was leaning that way. Ms. Avalos asked if the audit staff was just one person and Mr. Kingery confirmed that it was just him. Ms. Avalos suggested that if there was an audit intern (or similar), that they could do a lot of the tedious, manual testing such as that of the p-card audit and Mr. Kingery could oversee the project and review the fieldwork. Mr. Kingery replied that the Department of Organizational Performance just hired a new Business Intelligence Assistant (intern) that started yesterday and introduced him to the committee. The goal is for the new intern to assist with data related to audits as well as Organizational Performance.

Mr. Kingery noted that all assistance is welcome, and that our new contract with our p-card provider bank may also allow us to use their upgraded system to capture more data than we currently obtain. Chairperson Aldama stated that since p-cards are low risk but cut across the City and touch every department’s spend, that we owe it to ourselves to refine the process and find/report any errors. Ms. Stanfield mentioned that we have a relationship with Arizona State University’s data analytics group that might be able to assist us as well.

Mr. Kingery mentioned that staff invited our five qualified vendors (selected from RSOQ 20-18 issued in November of 2019) to submit proposals and quotes for the audits on the FY23 audit plan that they were interested in performing. The deadline for their responses is June 8, 2022, with evaluation and selection to occur by June 30. 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 noted that the number of findings still outstanding had gone from the original count of 80+ to just a handful as of today. Most are awaiting finalization of policy updates that have a deadline of June 30, 2022, along with a few findings that cannot be closed out until new systems are implemented in FY23. In addition, there are some findings that have been closed because they will be addressed again with audits already scheduled on the approved FY23 audit plan.

For the other goal, Mr. Kingery mentioned that he recently attended the annual conference of the Association of Local Government Auditors (ALGA). The conference included a full-day workshop on the peer review process, and Mr. Kingery is now qualified to be on a peer review team for a fellow local government organization. This will allow staff to see how the entire process works prior to the peer review of IIAP in FY24. The biggest takeaway from the conference is how much work staff will need to do prior to FY24 so that all the required policies, procedures, and other documentation items are in place. Staff noted that between preparing for peer review, possible RPA/analytics implementation, performing audits, and coordinating audits with our contracted vendors, FY23 will be an extremely busy year.

Ms. Avalos asked if staff was currently scheduled to be on a peer review team. Mr. Kingery replied that he is in the pool of reviewers and the one opportunity offered thus far had a scheduling conflict. However, there should be many opportunities in FY23, and there is no cost to the City. The obligation to pay for the peer reviewers' expenses lies with the organization under review, so those costs will be factored into IIAP's FY24 budget request. Mr. Kingery indicated that 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**

Ms. Avalos commended both the auditors and the auditees for completing two of the most tedious audits conducted since she began serving on the committee. She mentioned that the auditors did a good job of documenting the processes and results and that City staff does a tremendous job handling the volumes they do with such limited staffing. There were no other comments or questions.

12. **NEXT MEETING**

The next regularly scheduled meeting of the Audit Committee will be held on September 8, 2022, at 2:00 p.m. All committee members agreed on that date/time.

13. **ADJOURNMENT**

Chairperson Aldama asked for a motion to adjourn the meeting. Councilmember Hugh motioned to adjourn at 3:00 p.m. Member Avalos made the second. Motion carried unanimously.

The Audit Committee meeting minutes of June 1, 2022, were submitted and approved this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

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Michael Kingery  
Independent Internal Audit Program Manager