

Risk Assessment Report FY2025-2026



INTERNAL AUDIT OFFICE



Risk Assessment Report

About This Report

Mission

The City of Goodyear Internal Audit Office works to strengthen the City of Goodyear's ability to create, protect, and sustain its value chain. We do this by providing the City Council, Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Purpose Of This Report

This report documents the City of Goodyear Internal Audit Office's citywide risk assessment—an effort to understand the risks most likely to affect the City's ability to achieve its objectives and sustain its value chain. The results provide a common, risk-based view for the City Council, Audit Committee, City leadership, and the public, and will be used to inform Internal Audit's planning and ongoing work. The risk-based audit plan will be presented separately.

From Risk Assessment to Audit Plan

Internal Audit supports the City's strategic priorities by applying a systematic, disciplined approach to evaluating—and improving—the City's governance, risk management, and control processes.

In accordance with Global Internal Audit Standards (GIAS) and where required Generally Accepted Government Auditing Standards (GAGAS), Internal Audit develops a risk-based audit plan that sets the priorities for our audit work.

This report explains the process we used to evaluate risk and develop the audit plan.

How We Set Audit Priorities

Internal Audit defines **risk** as the likelihood and impact of an event that **could** adversely affect the City's ability to achieve its objectives. City management is responsible for establishing risk management



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and control processes. Internal Audit's role is to independently evaluate how effective those governance, risk, and control processes are.

The City Council and City leadership set the direction of City operations through a three-year plan—currently **FY 2026–2029**—that serves as the City's roadmap to the future. City leaders and managers are entrusted to carry out the plan by setting strategic goals and performance measures. Risks that could threaten the strategic plan may be physical, financial, or operational in nature.

Internal Audit conducts risk assessment on a continuous basis so we can stay responsive to a changing City environment. Our audit planning process begins with evaluating the City Council's strategic direction and identifying obstacles that could impede progress toward goals. We also gather information through discussions with employees who hold key roles throughout the City.

What We Assessed Citywide

As part of this risk assessment, Internal Audit defined audit entities of City departments and citywide functions, and an initial list of risk entities through interactions with leadership, department leadership and City Councilmembers recommendations:

Audit entities: we used departments as broad risk entities (for future plans, detail divisions and units within departments).

Risk entities: we considered city activities, programs, processes, systems, major revenue/expenses, capital projects, third parties, etc.

These entities represent the primary organizational areas where risks were considered and scored.

Audit entities (departments and Citywide functions):

- City Clerk
- Citywide (*cross-department processes and risks that span multiple areas of the City, such as enterprise-wide policies, shared services, and organization-wide initiatives*)
- CMO (*City Manager's Office—leadership and enterprise-level coordination functions that support City operations and strategic priorities*)
- Development Services
- Digital Communications
- Economic Development

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- Engineering
- Finance
- Fire
- Human Resources
- Information Technology
- Parks & Recreation
- Police
- Public Works
- Water Services

With this audit universe as our starting point, the next step was to evaluate risk consistently across these departments and Citywide functions. To do that, we applied a common scoring approach that compares both impact and likelihood using a basic set of risk components. The following section explains how we measured risk Citywide and how total risk scores were calculated.

How We Measured Risk Citywide

To compare risks consistently across the City, Internal Audit used a weighted scoring model. Each component below was assigned an impact weight factor from 1–10 (higher weight = greater potential impact). Then, each City activity identified with risk was assigned a likelihood rating from 1–10 for each component (with 10 representing the highest likelihood of an adverse event). The likelihood rating for each component was multiplied by its impact weight factor, and the results were summed to produce a total risk score for each activity.

1. **Public Service Nature** – How directly the activity affects services delivered to the public and the community’s day-to-day experience.
2. **Mission-Critical Nature** – How essential the activity is to achieve the City’s objectives and maintaining core operations.
3. **Supporting Nature** – The extent to which the activity enables other departments or Citywide functions to operate effectively.
4. **Exposure to Public Displeasure** – The likelihood the issue could generate public concern, complaints, negative attention, or loss of confidence.



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5. **Cash-Convertible Nature** – The degree to which assets involved can be readily converted to cash or otherwise misappropriated (e.g., cash handling, valuables, portable items).
6. **Effect/Impact – Regulations** – The potential compliance impact if requirements are missed, including regulatory findings, penalties, or mandated corrective actions.
7. **Staffing Level (Vacant Full-Time Equivalent Employee's)** – Capacity risk based on vacancy levels, staffing stability, and the ability to maintain controls and service levels.
8. **Budgeted Revenues** – The relative size and risk exposure associated with revenue streams (accuracy, completeness, collection, volatility).
9. **Budgeted Expenses** – The relative size and risk exposure associated with spending (authorization, procurement, payroll, and cost controls).
10. **Employee Satisfaction** – Workforce sentiment as a leading indicator of operational risk, service quality, and retention pressures.
11. **Employee Turnover** – The rate and impact of turnover, including knowledge loss, training demands, disruption to operations, and control consistency.
12. **Prior Audit** – The recency and results of prior audit coverage, including repeat issues, unresolved recommendations, or areas with limited recent review.

Now that we've explained how we measured risk Citywide, it's equally important to clarify how risk is managed day to day. Effective results depend on more than a score—they depend on the City's governance, risk management, and control processes, including who owns risks, how controls are designed and carried out, and how issues are identified and addressed. The next section summarizes how these responsibilities work across the City.

Governance, Risk Management, and Control Processes

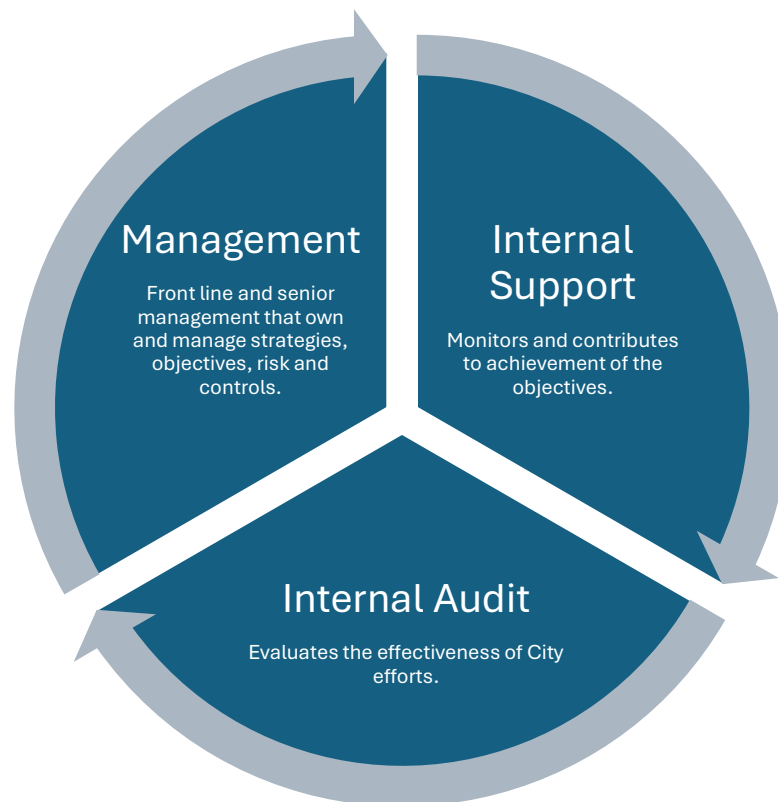
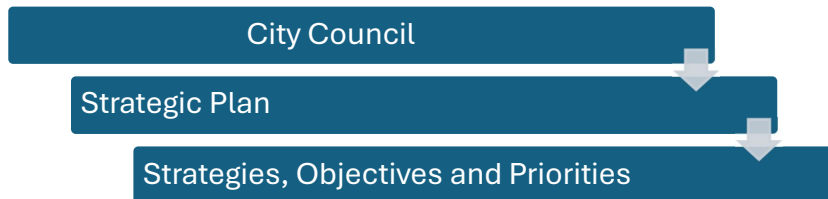
What this means in practice: achieving the City's objectives takes more than good planning and requires well-coordinated governance, risk management, and controls across the organization. City leadership sets direction and expectations, management designs and operates day-to-day processes and controls, and employees carry them out. Internal Audit then provides independent assurance by evaluating whether these processes are working as intended and whether risks are being identified, communicated, and managed effectively.

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When these elements are aligned, the City is better positioned to deliver services reliably, safeguard resources, comply with requirements, and respond quickly as conditions change.

To illustrate how these responsibilities work together Citywide, the following graphic summarizes the key roles involved in managing risk and strengthening internal controls. It highlights the “three lines of defense” concept: management as the first line (owning risks and operating controls), internal support programs as the second line (providing guidance, expertise, and monitoring), and Internal Audit as the independent check (assessing effectiveness and recommending improvements).

Why This Takes a Citywide Effort



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Developing a risk-based audit plan is a Citywide effort. Different groups play distinct roles in setting direction, managing risk, and providing oversight—and each perspective helps Internal Audit focus on what matters most.

- **City Council** – Adopts the City’s **Strategic Plan** and periodically updates it. The current plan, adopted on **November 17, 2025**, covers **FY26–29**. The City’s Strategic Plan establishes the City’s vision, mission, and guiding principles, and serves as a roadmap for leadership and staff to advance that vision. To inform audit priorities, we conducted interviews with **City Councilmembers** to gather their insights on issues and topics of interest for audit consideration.
- **Management** – Using the City’s Strategic Plan as the foundation, management develops strategies and objectives to achieve the City’s vision and mission. Successfully carrying out the Strategic Plan requires effective governance, risk management, and internal controls. Management is the **first line of defense**: they run day-to-day operations, own the risks, design and carry out the controls that protect the City’s value chain and support the City Council’s Strategic Plan. We met with City leadership and department leadership to better understand their processes and key risk areas.
- **Internal Support programs** – Functions such as finance and budget; security (people, assets, technology); information technology; continuous improvement; human resources; and risk management play a crucial role in helping management achieve strategies and objectives. These support functions are the **second line of defense**: they help management by setting guidance and standards, providing expertise, and monitoring key risk areas. Through meetings and interviews with these support functions, we gathered impressions of areas of elevated risk.
- **Internal Audit** – Provides independent and objective assurance on the adequacy and effectiveness of the City’s governance, risk management, and control processes. As a **third line of defense**, Internal Audit provides an **independent check**: we assess whether governance, risk management, and controls are well-designed and working as intended, and we recommend improvements when needed. Internal Audit also serves as a resource to management by identifying opportunities for improvement—acting as a *strategic partner and trusted advisor* while maintaining independence and objectivity.

With these Citywide roles and responsibilities in view, we also step back to consider what’s changing in the internal audit environment more broadly. The risks facing organizations today

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are evolving quickly—often driven by technology, shifting expectations, and increasingly interconnected operations. The next section highlights the key audit trends we’re watching and how they shape our understanding of emerging risk across the City.

Key Audit Trends We’re Watching

To build an audit plan that stays relevant, Internal Audit looks beyond today’s risks and considers the trends shaping the internal audit profession and the broader public-sector environment. These trends influence what stakeholders expect from Internal Audit, where new risks emerge, and how audit work can provide the most value. The following trends helped inform our planning this year.

- **Risks are increasingly continuous, compounding, and interconnected.** What starts as a single issue can cascade quickly across operations, technology, finances, and service delivery.
- **Traditional annual or periodic audit plans can’t always keep pace.** More organizations are moving toward rolling plans and risk sensing, supported by data analytics, automation, and—in some cases—AI-enabled continuous monitoring.
- **Leading internal audit teams are shifting from periodic assurance to continuous insight and foresight.** Stakeholders are looking for earlier visibility into emerging risks and faster, practical feedback—not just after-the-fact conclusions.

Taken together, these trends reinforce why our audit approach must remain flexible and responsive. The following outlines how we’ll apply these ideas in practice as we finalize the audit plan and move into execution.

From Planning to Action

Building on the trends we’re seeing, Internal Audit is also adjusting how we plan to stay connected to risk throughout the annual cycle. Rather than relying only on periodic checkpoints, we are emphasizing timely visibility, earlier warning signals, and faster, focused analysis when conditions shift. The steps below summarize how we plan to put this approach into action and keep our risk assessment current and useful.

- **Implement continuous risk monitoring dashboards** to provide timely visibility into key risk indicators and emerging issues. (*Alteryx Platform and Power BI*)
- **Use AI-enabled analytics** (where appropriate) to help anticipate shifts, identify patterns, and surface early warning signals. (*AuditBoard Platform*)



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- **Conduct targeted “risk sprints” and scenario testing** to quickly assess dynamic exposures and evaluate how well current controls would hold up under changing conditions.

In conclusion, this Citywide risk assessment provides a shared, risk-based view of the issues most likely to affect the City’s ability to achieve its objectives and sustain its value chain. It reflects input from City Council, management, and key internal support programs, along with Internal Audit’s independent perspective. Because risks are increasingly dynamic and interconnected, Internal Audit will continue to monitor changes throughout the year and communicate material shifts to leadership and the Audit Committee. The results of this assessment will inform Internal Audit’s risk-based planning and prioritization, and the annual audit plan will be presented separately.