

Audit Committee

Goodyear City Hall - La Jolla Vista Conference Room (2nd Floor)
1900 N. Civic Square
Goodyear, AZ 85395

**Monday, January 26, 2026****3:00 p.m.****Meeting Agenda**

Physical access to the meeting location will be available 15 minutes prior to the meeting.

CALL TO ORDER**ROLL CALL****PUBLIC COMMENTS**

Before you begin to speak, identify yourself by clearly stating for the record, your name and if you are a Goodyear resident. This is the time for members of the public who would like to address the Board on any non-agenda item within the jurisdiction of the Board. The Board will listen to comments, and may take any one of the following:

- Respond to criticism
- Request that staff investigate and report on the matter
- Request that the matter be scheduled for a future agenda

BUSINESS**1. APPROVAL OF MINUTES**

Approve the draft minutes from the Audit Committee meeting on November 17, 2025.

2. PAYROLL & TIMEKEEPING ASSESSMENT UPDATE

Review, Discuss and Possible Action for Payroll & Timekeeping Assessment.

3. INTERNAL AUDIT RULES OF PROCEDURE

Review, Discuss and Possible Action for Internal Audit Rules of Procedure.

4. RISK ASSESSMENT REPORT

Review, Discuss and Possible Action on Risk Assessment Report.

5. AUDIT PLAN

Review, Discuss and Possible Action on Audit Plan.

6. **PAYROLL ERROR REVIEW**

Review, Discuss, and Possible Action on Payroll Error Review.

INFORMATION ITEMS

Comments, Commendations, Report on Current Events and Presentations by Board, Commission or Committee Members, staff or members of the public. The members may not propose, discuss, deliberate or take any legal action on the information presented pursuant to A.R.S. § 38-431.02.

FUTURE MEETINGS

The next meeting is tentatively scheduled for April 27, 2026.

ADJOURNMENT

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Commission and to the general public that the Commission will hold a meeting open to the public. Public body members of the city of Goodyear will attend either in person or by telephone conference call and/or video communication.

THE CITY OF GOODYEAR ENDEAVORS TO MAKE ALL PUBLIC MEETINGS ACCESSIBLE TO PERSONS WITH DISABILITIES. With 48-hour advance notice, special assistance can be provided for sight and/or hearing-impaired persons at this meeting. Reasonable accommodations will be made upon request for persons with disabilities or non-English speaking residents. Please call the City Clerk (623) 882-7830 or Arizona Relay (TDD) 7-1-1 to request an accommodation to participate in this public meeting.

For Non-English assistance please contact the City Clerk at (623) 882-7830.

Si necesita asistencia o traducción en español, favor de llamar al menos 48 horas antes de la reunión al (623) 882-7830.

POSTING VERIFICATION

This agenda was posted on January 21, 2026 at 3:30 p.m. by (AR).

ITEM #: 1.
DATE: 01/26/2026



Audit Committee

SUBJECT
APPROVAL OF MINUTES

Recommendation:

Approve the draft minutes from the Audit Committee meeting on November 17, 2025.

Attachments

Draft Minutes 11.17.2025 Audit Committee

Audit Committee

Goodyear City Hall - La Jolla Vista (2nd Floor)
1900 N. Civic Square
Goodyear, AZ 85395



Monday, November 17, 2025

3:30 p.m.

Meeting Minutes

CALL TO ORDER

Chair Brannon Hampton called the meeting to order at 3:35 p.m.

ROLL CALL

Present: Chair Brannon Hampton; Councilwoman Vicki Gillis; Vice Chair Trey Terry

Staff Present: Interim Finance Director Michael Shoemaker; Acting Deputy City Manager Paul Luizzi; Internal Audit Manager Billy Vickers; Finance Manager Mayette Bailey; Senior Accountant Jessica Archuleta; Management Assistant Kelli Gieszler; Legal Assistant Ariana Ramirez

Attendees: Jill A. Shaw, CPA - Heinfeld, Meech & Co., P.C, External Auditor

PUBLIC COMMENTS

There were no public comments.

BUSINESS

1. APPROVAL OF MINUTES

MOTION BY Councilwoman Vicki Gillis, **SECONDED BY** Vice Chair Trey Terry to **APPROVE** the August 25, 2025 meeting minutes.

AYE: Chair Brannon Hampton, Councilwoman Vicki Gillis, Vice Chair Trey Terry
Passed - Unanimously

2. REVIEW, DISCUSS AND POSSIBLE ACTION OF THE RESULTS OF THE FY2025 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) AND ASSOCIATED EXTERNAL AUDIT

Mayette Bailey, Finance Manager presented the Audit Committee with the results of fiscal year 2025 Annual Comprehensive Financial Report (ACFR) and Associated External Audit. Ms. Bailey reported that the city ended fiscal year 2025 with a strong financial position, including a government-wide net position of \$1.558 billion and a \$181 million increase driven largely by growth in capital assets and added the governmental funds saw a combined funds balance increased to \$470.6 million, and the general fund's balance rose by \$49 million to \$296.7 million. She further reported that Heinfeld, Meech & Co., P.C. conducted the city's annual audit and issued an unmodified ("clean") opinion reporting no significant deficiencies or material weaknesses in the city's financial statements for fiscal year 2025.

Jill Shaw, External Certified Public Accountant Auditor of Heinfeld, Meech & Co., P.C. informed the committee that the audit was completed on time, with reports due March 31 submitted well ahead of deadlines and in time for ACFR filing with the Government Finance Officers Association (GFOA), an award-granting entity for high-quality ACFRs. She noted that accounting records required no adjustments and had no findings, which is a strong indicator of a successful audit.

Ms. Bailey further highlighted the city's continued improvement in its ACFR and noted that the city earned the GFOA Certificate of Excellence for fiscal year 2024. She added that, compared to the 2023 ACFR, fiscal year 2024 included only two immaterial findings versus nine in that prior year, reflecting positive progress.

Chair Brannon Hampton, asked whether any low-level trends were identified between previous years and the current year. Ms. Bailey confirmed there were none.

3. REVIEW, DISCUSS AND POSSIBLE ACTION ON THE PAYROLL & TIMEKEEPING ASSESSMENT

Billy Vickers, Internal Audit Manager presented the Audit Committee with an update on the Payroll and Timekeeping Assessment. Mr. Vickers reported that the standardized payroll timeline and processing, as well as the comprehensive payroll training program and related process improvement and compliance tracking updates, were all completed. He noted the recommendation to enhance payroll data accuracy through validation is currently delayed and will be finalized once the compliance dashboard is complete. In response to Councilwoman Vicki Gillis', Mr. Vickers confirmed the delay is tied to the dashboard, with anticipated completion by January. He added that Human Resources and Finance are continuing to work with Information Technology on data extraction and testing, and that staff will be adding additional data and metrics to the dashboard as needed and will be evaluating recommendations related to the various timekeeping systems, with the goal of enabling direct data entry rather than imports.

INFORMATION ITEMS

Billy Vickers, Internal Audit Manager informed the Audit Committee of upcoming items he will bring forward at the next meeting, including the internal audit rules of procedure, risk assessment, audit plan, and his report on the payroll error audit.

Chair Hampton, inquired about the payroll error audit completion internally. Mr. Vickers confirmed that he will engage external sourcing to assist with certain audit projects and is seeking additional budgeting. He added that the risk assessment results will guide work

allocation, and stated that the implementation of the audit plan, including any necessary adjustments, will remain under internal oversight.

FUTURE MEETINGS

The next meeting is scheduled for January 26, 2026, at 3:00 p.m. in La Jolla Vista Conference Room.

ADJOURNMENT

There being no further business to discuss, Chair Brannon Hampton adjourned the meeting at 3:53 p.m.

Respectfully Submitted by:

Ariana Ramirez, Audit Committee Board Secretary

Michael Shoemaker, Interim Finance Director

Date:_____

Approved at Audit Committee Meeting held on _____, 2026.

ITEM #: 2.
DATE: 01/26/2026



Audit Committee

SUBJECT
PAYROLL & TIMEKEEPING ASSESSMENT UPDATE

Recommendation:

Review, Discuss and Possible Action for Payroll & Timekeeping Assessment.

ITEM #: 3.
DATE: 01/26/2026



Audit Committee

SUBJECT

INTERNAL AUDIT RULES OF PROCEDURE

Recommendation:

Review, Discuss and Possible Action for Internal Audit Rules of Procedure.

Attachments

Internal Audit Rules of Procedure

Internal Audit Rules of Procedure



INTERNAL AUDIT OFFICE



Rules of Procedure

Internal Audit Rules of Procedure

Purpose

The purpose of the internal audit function is to strengthen the City of Goodyear's ability to create, protect, and sustain the value chain by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the City of Goodyear's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

City of Goodyear's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor's Global Internal Audit Standards (GIAS), and in accordance with the United States Government Accountability Office Government Auditing Standards (GAS) which are set in the public interest.
- The internal audit function is independently positioned with accountability to the Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Government Auditing Standards

All Internal Audit activities will be conducted in accordance with the United States Government Accountability Office, 2024 Government Auditing Standards Revision (Yellow Book GAO-24-106786 [Yellow Book](#)).

Commitment to Adhering to the Global Internal Audit Standards

The City of Goodyear's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' Global Internal Audit Standards ([Red Book](#)) and Topical Requirements. The City Auditor will report annually to the Audit Committee and senior



Rules of Procedure

management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Each audit engagement will identify the standard used to conduct the audit.

Mandate

City of Goodyear Municipal Code § 3-1-10 City Auditor. (A) A City Auditor shall be appointed by the City Manager to provide independent and objective assurances on City programs and activities. Services provided are designed to add value, improve organizational operations, identify opportunities to minimize organizational risks, maximize efficiency and effectiveness, and strengthen public confidence and accountability.

Authority

The City of Goodyear's Audit Committee grants the internal audit function the mandate to provide the Audit Committee and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its reporting relationship to the Audit Committee. Such authority allows for unrestricted access to the Audit Committee.

The Audit Committee authorizes the internal audit function to:

- City of Goodyear Municipal Code § 3-1-10 City Auditor. (F) Access. The City Auditor will have access, consistent with law, to all City records, property, information systems, and personnel necessary to accomplish the objectives related to approved annual audit plans.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of the City of Goodyear and other specialized services from within or outside the City of Goodyear to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

City of Goodyear Municipal Code § 3-1-10 City Auditor. (D) Independence of Internal Audit Program. The City Auditor will be appointed by and report to the City Manager. The independence of the internal audit program will be established through the periodic

Rules of Procedure

reporting to the Audit Committee required under the responsibilities of the City Auditor. The City Auditor will not conduct work where there is, or the appearance of, a conflict of interest.

The City Auditor will report functionally to the Audit Committee and administratively (for example, day-to-day operations) to the City Manager. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference and supports the City Auditors' ability to maintain objectivity.

The City Auditor will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the City Auditor will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence.

City of Goodyear Municipal Code § 3-1-10 City Auditor. (G) Interference with City Auditor prohibited. A department, office, or program subject to an audit shall cooperate with the City Auditor or their designee and is prohibited from interfering with the audit process, from initiation to completion, including the findings, conclusions, and recommendations of the audit and any associated reports.

The City Auditor will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Rules of Procedure

Circumstances may justify a follow-up discussion between the City Auditor, Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit Rules of Procedure. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant change in the Government Auditing Standards.
- A significant reorganization within the City.
- Significant changes in the City Auditor's office, Audit Committee, and/or senior management.

Rules of Procedure

- Significant changes to the City of Goodyear's strategies, objectives, risk profile, or the environment in which the City operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Audit Committee Oversight

To establish, maintain, and ensure that the City of Goodyear's internal audit function has sufficient authority to fulfill its duties, the Audit Committee will:

- Discuss with the City Auditor and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the City Auditor has unrestricted access to and communicates and interacts directly with the Audit Committee, including in private meetings without senior management present.
- Discuss with the City Auditor and senior management other topics that should be included in the internal audit Rules of Procedure.
- Approve the internal audit function's Rules of Procedure, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit Rules of Procedure annually with the City Auditor to consider changes affecting the City, such as the employment of a new City Auditor or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit Rules of Procedure annually.
- Approve the risk-based internal audit plan.
- Collaborate with senior management to determine the qualifications and competencies the City expects in a City Auditor, as described in the Global Internal Audit Standards (Principle 7, Standard 7.2 Chief Audit Executive Qualifications).
 - May provide guidance to the City Manager when requested for appointment and retention of the City Auditor and staffing of the internal audit function.
 - Compensation of the City Auditor and staff.
 - Feedback about the City Auditors' performance with the Audit Committee.
- Receive communications from the City Auditor about the internal audit function including its performance relative to its plan.

Rules of Procedure

- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the City Auditor to determine whether scope or resource limitations are inappropriate.

City Auditor Roles and Responsibilities

Ethics and Professionalism

The City Auditor will ensure that internal auditors:

- Conform with the Government Audit Standards and the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competence, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the City and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The City Auditor will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the City Auditor determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

Rules of Procedure

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for the City of Goodyear or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any City of Goodyear employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the City Auditor, Audit Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The City Auditor has the responsibility to:

- At least annually, develop a flexible risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in the City of Goodyear's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with audit standards.

Rules of Procedure

- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and senior management quarterly and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the audit standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact City of Goodyear and communicate to the Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to the City of Goodyear's relevant policies and procedures unless such policies and procedures conflict with the internal audit Rules of Procedure or the audit standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the City Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary, escalated to the Audit Committee.

Communication with the Audit Committee and Senior Management

The City Auditor will report quarterly to the Audit Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance are relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with the Government Auditing Standards and

Rules of Procedure

The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.

- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond City of Goodyear's risk appetite.

Quality Assurance and Improvement Program

The City Auditor will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Government Auditing Standards and Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the City Auditor will communicate with the Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments). External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the City of Goodyear; qualifications must include at least one assessor holding an active Certified Internal Auditor credential, and the City Auditor will communicate the results of the external assessment to the Audit Committee and senior management.

Scope and Types of Internal Audit Services

City of Goodyear Municipal Code § 3-1-10 City Auditor. (B) Scope of the office of the City Auditor. The scope of the office of the City Auditor will be adequately comprehensive to assist City management and the Audit Committee with determining whether the City's network of risk management, control, and governance processes is adequate and functioning in a manner to ensure:

- (1) Risks are appropriately identified and managed.



Rules of Procedure

- (2) Significant financial, managerial, and operating information is accurate, reliable, and timely.
- (3) Employees' actions comply with policies, standards, procedures, and applicable laws and regulations.
- (4) Resources are acquired economically, used efficiently, and adequately protected.
- (5) Programs, plans, and objectives are achieved.
- (6) Quality and continuous improvement are fostered in the City's control process.
- (7) Activities are conducted to acceptable professional standards.

The scope of internal audit services covers the entire breadth of the organization, including all City of Goodyear's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the City of Goodyear.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of City of Goodyear's strategic objectives are appropriately identified and managed.
- The actions of City of Goodyear's officers, directors, management, employees, and contractors or other relevant parties comply with City of Goodyear's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.



Rules of Procedure

- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the City of Goodyear.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the Audit Committee at its meeting on January 26, 2026.

Acknowledgments/Signatures

City Auditor

Date

City Manager

Date

Audit Committee Chair

Date

ITEM #: 4.
DATE: 01/26/2026



Audit Committee

SUBJECT

RISK ASSESSMENT REPORT

Recommendation:

Review, Discuss and Possible Action on Risk Assessment Report.

Attachments

Risk Assessment Report

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



Risk Assessment Report

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

Risk Assessment Report

- 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.

Risk Assessment Report

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

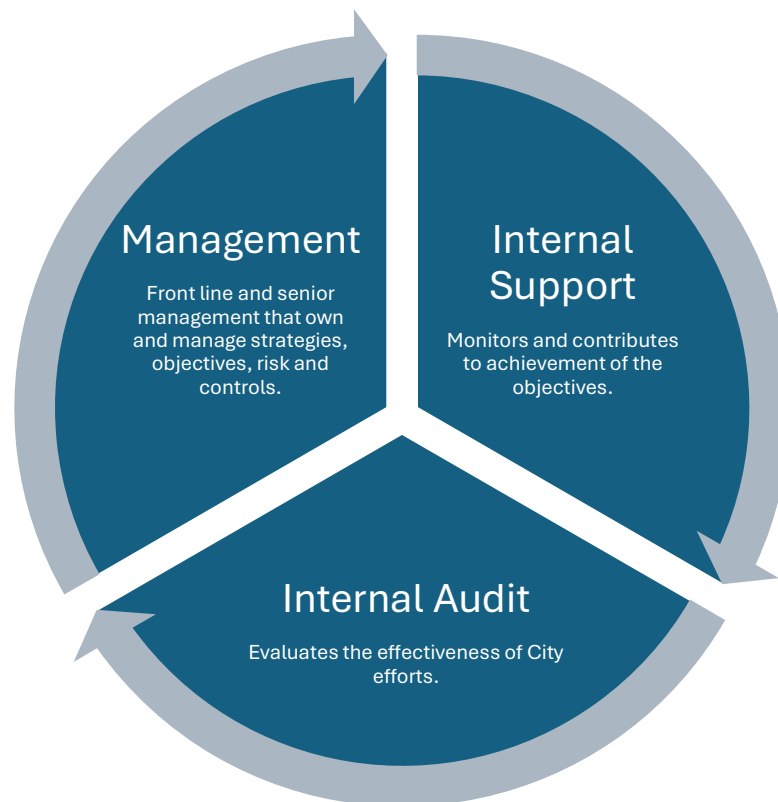
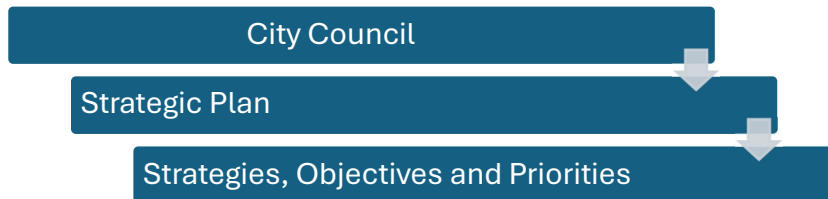
What this means in practice: achieving the City's objectives takes more than good planning and requires well-coordinated governance, risk management, and controls across the organization. City leadership sets direction and expectations, management designs and operates day-to-day processes and controls, 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.

Risk Assessment Report

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



Risk Assessment Report

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

Risk Assessment Report

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*)



Risk Assessment Report

- **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.

ITEM #: 5.
DATE: 01/26/2026



Audit Committee

SUBJECT
AUDIT PLAN

Recommendation:

Review, Discuss and Possible Action on Audit Plan.

Attachments

Audit Plan

Audit Plan FY2026-27



INTERNAL AUDIT OFFICE





Audit Plan FY2026-27

About This Plan

Introduction

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

This Audit Plan communicates Internal Audit's planned work, including the audits and other engagements we expect to complete, how that work aligns to City priorities and risk themes, and how we will report progress. While this plan reflects the best information available at the time it was developed, it is designed to remain flexible. As risks, priorities, or conditions change, Internal Audit may adjust the plan and will communicate material changes to the Audit Committee. The Citywide risk assessment that informed this plan is presented separately.

Purpose and Scope

Purpose

The purpose of this Audit Plan is to communicate Internal Audit's planned work and the audit coverage we intend to provide based on City priorities and identified risk themes. It describes how Internal Audit resources are expected to be allocated across planned engagements and other support activities, and it provides transparency into what Internal Audit will focus on and why. This plan also serves as the basis for Audit Committee review and approval of Internal Audit's planned work and priorities.

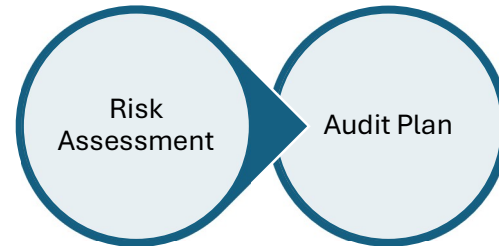
Scope

The scope of this Audit Plan covers the remainder of FY25-26 and FY26–27. Planned work includes a mix of assurance engagements, advisory projects, technology reviews, and compliance audits, as well as follow-up work to assess progress on prior recommendations. In addition, the plan includes efforts to further develop the City's continuous audit processes to improve timely risk visibility and support a more responsive audit approach throughout the year.

Audit Plan FY2026-27

Relationship with the Risk Assessment

This Audit Plan is informed by the City Internal Audit Office's separate **Risk Assessment Report**, which documents the risk themes, evaluation factors, and scoring approach to compare risk across the audit universe. The risk assessment provides the underlying risk-based view that helps guide audit planning and prioritization; however, it is presented as a standalone report to maintain clarity between risk identification and planned audit coverage. Together, the risk assessment and this Audit Plan provide the Audit Committee, City leadership, and interested members of the public with a transparent picture of the City's risk environment and how Internal Audit intends to focus its work on response.



- City Council
- Executive Management
- Departments

How We Built the Plan

Input

Internal Audit developed this Audit Plan using a risk-based approach based around the Risk Assessment and informed by city leadership priorities. Inputs included the results of the Risk Assessment, which evaluated risks across the audit universe using a consistent scoring method based on impact and likelihood and the City's strategic direction under the **FY26–29 Strategic Plan**.

We also incorporated input from City Councilmembers, City leadership, department leadership, and key internal support programs gathered through meetings and interviews, as well as consideration of citywide governance, risk management, and control processes and the “three lines of defense” roles across the organization.

In addition, we considered any prior audit coverage and the status of follow-up work, required or mandated reviews where applicable, and emerging risks that may warrant attention during FY26–27.

Audit Plan FY2026-27

Planning Principles

Internal Audit follows three guiding principles when building the Audit Plan. First, the plan is risk-based—work is prioritized using the Risk Assessment results and aligned to the City’s strategic direction. Second, the plan is designed to remain flexible so Internal Audit can respond to emerging risks, significant organizational changes, or urgent issues that arise during FY26–27; when priorities shift, we will communicate material adjustments to the Audit Committee. Third, we seek coordination with any external auditors or regulators, where applicable, to reduce duplication, leverage relevant work already performed, and ensure overall assurance coverage is as complete and efficient as possible.

Independence and Maintaining Objectivity

Internal Audit provides both assurance and advisory support while maintaining the independence and objectivity required for credible oversight. Assurance engagements deliver independent conclusions on whether governance, risk management, and control processes are adequately designed and operating effectively. Advisory work is intended to help management strengthen processes—by sharing insights, facilitating risk discussions, and offering recommendations—without taking on management responsibilities or making operational decisions. When Internal Audit provides advisory support, we clearly define our role, protect decision-making authority for management, and apply safeguards as needed (such as separating advisory work from later assurance coverage) to ensure our independence and objectivity remain intact.

Internal Audit Strategic Priorities (FY26–27)

To deliver the most value from Internal Audit resources—and remain responsive to a changing risk environment—Internal Audit will focus on the following strategic priorities during FY26–27:

1. **Strengthen timely risk identification and response** - maintain an overall approach for identifying, prioritizing, and responding to risks as conditions change, including increased use of ongoing risk sensing and timely communication of significant risk shifts.
2. **Use agile, forward-focused audit practices** - apply flexible audit methods—such as targeted reviews, focused testing, and “risk sprints”—to address dynamic risks faster and provide insight earlier, while still delivering high-quality assurance where it is needed.

Audit Plan FY2026-27

3. **Increase collaboration and risk information flow** - partner with City stakeholders and professional peers to increase engagement, share best practices, gain new perspectives, and promote an open flow of risk information across the organization.
4. **Deliver meaningful assurance, advice, and insight to leaders** - provide the City Council, Audit Committee, and City leadership clear and actionable assurance, advice, and insight on the key risks that matter most to achieving City objectives and sustaining the City's value chain.
5. **Promote continuous improvement and practical results** – contribute and cultivate to the continuous improvement philosophy that emphasizes incremental change, problem solving, and sustained improvements, helping management strengthen governance, risk management, and internal controls over time.
6. **Invest in staff development** - engagement with leadership and staff development strategies that strengthen performance, build capability—ensuring the Internal Audit function remains effective and resilient.

These strategic priorities guide how Internal Audit will approach its work during FY26–27 and how we stay responsive to risk, collaborate across the City, and deliver meaningful assurance and insight. With that foundation in place, the next section outlines what we plan to audit: the engagements and focus areas selected to provide the most value and coverage of the City's key risks during the plan period.

What We Plan to Cover

The Audit Plan is designed to provide balanced coverage of the City's highest-priority risks while supporting reliable operations and accountability across the audit universe and within available resources. The work planned for FY26–27 includes a mix of assurance and advisory engagements, technology, compliance reviews, follow-up work on prior recommendations, and ongoing development of continuous audit processes. The following summarizes the planned areas of coverage to ramp up the City's audit function:

Initial Audit Ramp up Phase:

Non-Audit Projects:

Implementation of *AuditBoard Platform*

Implementation of *Alteryx and Power BI Platforms*

Assurance Audits

Ambulance Billing – Fire and Finance



Audit Plan FY2026-27

Development Impact Fees – Development Services
In Lieu Payments – Development Services

Follow-up Reviews

Payroll Review – Human Resources and Payroll (Protiviti, Follow-up In-House)
Payroll Error Review – Human Resources and Payroll
Capital Improvement Plan – Engineering (Protiviti, Follow-up In-House)
(As new reviews are concluded they will rotate into the follow-up group)

Continuous Monitoring Process Development Projects

Purchasing Cards (P-Cards) – Finance
Accounts Payable – Finance
General Ledger – Finance
Pay and Benefit Reconciliation – Human Resources and Finance

Phase 2: (anticipated in the new fiscal cycle and FY26-27 Budget)

Assurance Audits

Permitting Fees – Development Services
Parks and Recreation Governance – Parks and Recreation
Cash Controls – Finance (and cash handling units)
Inventory Controls – Citywide
Non-Monetary Asset Governance – Citywide
Contract Performance – Citywide

Advisory Reviews

City Growth Governance – Citywide

Technology

Data Governance and Integrity – Police
System Requirements Analysis Process – Information Technology

Compliance

Overtime Authorization – Citywide
Policy and Procedure Governance – Citywide
Gift Declaration – Citywide

For Future Consideration

Assurance Audits

Pavement Mileage Projects to Contract Performance – Public Works
Travel Expense and Per Diem Governance – Finance



Audit Plan FY2026-27

Advisory Reviews

Water Fees and Collections – Finance

Water and Wastewater Fee Governance – Finance

How We Will Stay Flexible

Ongoing and Responsive Work

While this Audit Plan identifies the work we expect to complete during FY26–27, Internal Audit also reserves capacity to respond to issues that emerge during the year. Emerging risks may come to light through monitoring activities, changes in City operations, significant projects or system implementations, incidents or control breakdowns or complaint information (where applicable), external audit/regulatory activity, or direct requests from the City Council, Audit Committee, City leadership, or management. When time-sensitive matters arise, Internal Audit may conduct targeted reviews, “risk sprints,” or focused testing to provide timely insight and recommendations.

Internal Audit will consider several factors when adding, removing, or reprioritizing work. These include the potential impact on the public and service delivery, financial exposure, compliance and regulatory risk, technology and cybersecurity implications, reputational risk, the likelihood and urgency (risk velocity), whether the issue is Citywide or affects multiple departments, and whether there is adequate existing oversight or coverage by external auditors or regulators. We will also consider resource availability, timing constraints, dependencies, auditor judgement and the opportunity to prevent or reduce risk early.

When plan adjustments are necessary, Internal Audit will communicate material changes to the Audit Committee in a transparent and timely manner during the quarterly meetings. Updates will typically be provided as part of regular Audit Committee quarterly reporting, and urgent changes may be communicated sooner as needed. Plan updates will summarize what is changing, why the change is being made, and how the change affects timing, resource use, or planned coverage.

Resource Plan

This section summarizes the resources available to deliver the FY26–27 Audit Plan and the assumptions used in allocating audit work. The plan is designed to align available capacity with the City’s highest-priority risks while reserving flexibility for emerging issues.



Audit Plan FY2026-27

Available staffing - Internal Audit's planned work is based on an assumed staffing level of one FTE during FY26–27, and currently no additional FTEs are planned. Where specialized expertise or temporary capacity is needed, plans include co-sourcing support particularly in areas such as Information Technology, Cybersecurity, data analytics and other needs (based on proposed budget).

Budget assumptions - This plan assumes an operating budget sufficient to support baseline audit activities, training and professional development, tools/technology, and any planned co-sourcing. The total of the preliminary starting budget for FY25-26 included resources of \$82k net of wages and related expenses. The remaining budget for FY25-26 limits the progress possible through June 2026 until the new budget begins. Budget assumptions include Other Professional Services, Telecommunications and Data, Equipment Related, Employee Training and Development, Professional Dues and Memberships, and Office Supplies. The proposed budget for FY26-27 includes adding an additional \$175k (\$250k in total) to the Other Professional Services account to accommodate the co-sourcing support and implement of the audit plan. We believe this budget sufficiently funds the FY26-27 plan. If budget conditions change materially, Internal Audit will reassess scope and timing and communicate impacts to the Audit Committee.

Skill Coverage - Internal Audit will apply a mix of skills to meet the needs of the plan, including IT and technology, performance/operational auditing, compliance, and data analytics. Where needed, Internal Audit will supplement internal capability through training, coordination with internal partners, or through co-sourcing.

Constraints and tradeoffs - Audit coverage is ultimately constrained by available staffing, timing, and competing priorities (including emerging risks and urgent requests). If capacity shifts—due to major incidents, or significant unplanned work—Internal Audit may defer or rescope lower-priority engagements, adjust timing, or use co-sourcing where feasible. Any material changes to planned coverage, timing, or resource use will be communicated to the Audit Committee.

Coordination and Coverage - Internal Audit plans to coordinate where appropriate with key oversight and support partners—such as external auditors, regulators, risk management, compliance, IT/security, and continuous improvement—to strengthen overall assurance coverage and reduce duplication of effort.

Where appropriate, we consider existing reviews, monitoring results, and regulatory activity when scoping our work and scheduling engagements. When reliance is feasible and supported by the quality and relevance of the work performed, Internal Audit may leverage



Audit Plan FY2026-27

that work to improve coverage efficiency, focus audit resources on higher-risk gaps, and provide the Audit Committee and leadership a clearer, more complete picture of Citywide risk and control effectiveness.

How We Will Report Progress

Reporting and Success Measures

Internal Audit will keep the Audit Committee and City leadership informed of progress throughout FY26–27 through clear, consistent reporting. Audit Committee materials will typically include quarterly updates on plan status (work completed, work in progress, and upcoming engagements), summaries of significant observations and recommendations, and updates on follow-up activity. Where available and appropriate, Internal Audit may also provide dashboards or other visual summaries to highlight trends, key risk indicators, and the status of major recommendations.

To track effectiveness and support continuous improvement, Internal Audit will monitor a modest set of performance measures. These may include plan completion (percent of planned work delivered, adjusted for approved changes), recommendation implementation (management progress in implementing agreed-upon actions), and stakeholder feedback (brief satisfaction/input from key stakeholders on usefulness and clarity). These measures are intended to promote transparency, accountability, and steady improvement in how Internal Audit delivers assurance, advice, and insight.

Audit Plan FY2026-27

Key Terms and Definitions

- **Advisory Engagement** — Work that provides advice, insight, or recommendations to help improve processes or address risk, without taking on management responsibilities or issuing an assurance opinion.
- **Assurance Engagement** — Independent work that evaluates whether governance, risk management, and controls are adequately designed and operating effectively, resulting in an objective conclusion.
- **Audit Universe** — The full set of City departments, functions, programs, processes, and systems considered in the risk assessment and available for audit coverage.
- **Citywide** — Cross-department processes and risks that span multiple areas of the City, such as shared services, enterprise policies, and organization-wide initiatives.
- **City Manager's Office (CMO)** — Leadership and enterprise-level coordination functions that support City operations and strategic priorities.
- **Control** — A policy, procedure, practice, or activity designed to reduce risk and help achieve objectives (e.g., approvals, reconciliations, access controls).
- **Continuous Audit / Continuous Monitoring** — Ongoing use of data, dashboards, and periodic automated checks to identify trends, exceptions, and early warning signals between audit cycles.
- **Impact (Risk Impact)** — The potential severity if a risk event occurs, including effects on service delivery, financial stewardship, compliance, safety, and reputation.
- **Likelihood** — The probability that an adverse event will occur.
- **Risk** — The likelihood and impact of an event that could adversely affect the City achieving objectives.
- **Risk Sprint** — A short, focused review designed to quickly assess a dynamic risk area and provide timely insight, targeted testing, and practical recommendations.
- **Three Lines of Defense** — A model describing how risk is managed: **management** as the first line (owns risks and operates controls), **internal support programs** as the second line (guidance, expertise, monitoring), and **Internal Audit** as the independent check (assesses effectiveness and recommends improvements).



Audit Plan FY2026-27

- **Total Risk Score** — A weighted score used to compare risks across activities: component **likelihood ratings (1–10)** are multiplied by component **impact weight factors (1–10)** and summed to produce an overall score.

ITEM #: 6.
DATE: 01/26/2026



Audit Committee

SUBJECT
PAYROLL ERROR REVIEW

Recommendation:
Review, Discuss, and Possible Action on Payroll Error Review.

Attachments

Payroll Error Review

Payroll Error Review



INTERNAL AUDIT OFFICE





Payroll Error Review

Finance-Payroll, Human Resources & Information Technology FY25 Payroll Error Review

Why We Did This Review

The City uses a centralized payroll process, relying on individual departments to record and report employee work hours for each payroll cycle.

Effective controls over timekeeping—such as accurate collection of employee hours and timely updates to the employee master file—are essential to ensure payroll runs efficiently and accurately.

During payroll startup, errors occur that halt processing until corrected. This review examined departmental timekeeping sub-systems and the data import process into the payroll system to identify the root causes of these errors.

We appreciate the cooperation and support provided by Finance – Payroll, Human Resources, and Information Technology during this review.

Key Observations

- Implement preventive controls between timekeeping systems and the payroll system to streamline processes and minimize errors.
- Monitor and manage the timing of employee master file updates within the payroll cycle to reduce the risk of data-related errors.
- Define and enforce clear cutoff dates for employee master file changes to ensure accurate data flow and prevent processing delays.

What We Reviewed

We conducted an analysis of timekeeping sub-systems, time import files, and the resulting error data for errors that stop the payroll from processing. In addition, we reviewed errors that affect employee pay but do not stop payroll processing. The pay-related errors are corrected either during initial error remediation or through subsequent adjustments.





Payroll Error Review

Audit Results

We analyzed error data from six payroll cycles and found that an average of 416 errors occur per pay cycle or 10,820 annually, and *halting* payroll processing until corrected. Within these errors, we noted that ten groups of errors account for most issues. Additionally, we identified 34 *conditions* that may affect employee pay, although these do not stop payroll processing.

We estimated the impact of correcting the errors as:

Estimated Labor Cost of Correcting Errors

Annually	\$89,228.10
Without Errors	<u>\$ 2,144.05</u>
Potential Savings	<u>\$87,084.05</u>

Reducing or eliminating these errors could result in an estimated savings of \$87,045, as payroll processes would run efficiently without interruptions.

Our analysis determined that all errors stem from a lack of preventive controls within the systems, leading to data mismatches. Currently, the sub-systems are not integrated with the centralized payroll system for data validation. When system-based preventive controls are absent, manual controls must be implemented to compensate.

Conclusion

We recommended implementation of ten interim compensating preventive controls, and all detailed recommendations received responses from management with action plans. Management concurred with all recommendations and established target completion dates. We will perform a follow-up in the future to confirm implementation of the action plans and reassess the status of errors.

For payroll related system security reasons, further details are restricted from public reporting.