



Date: February 14, 2019

To: Mark Schott, Assistant City Manager

From: Carol Holley, Senior Internal Auditor *CH*

Subject: Quarterly Audit Recommendations Status Report

As part of the Annual Audit Plan, the Internal Audit Department periodically reports to the Audit Committee on the implementation status of audit recommendations.

The attached report contains the status of 11 recommendations from FY2018 and two recommendations from FY2017. Five recommendations are close and eight recommendations were carried forward for additional monitoring by the Internal Audit Department. Staff has initiated corrective actions and estimate completion of the remaining eight recommendations by October 2019.

Attachment



SURPRISE

ARIZONA

City of Surprise

Quarterly Audit Recommendations Status Report

February 13, 2019

Carol Holley, Sr. Internal Auditor

Table of Contents

EXECUTIVE SUMMARY	1
Scope and Purpose	1
Methodology	1
Summary of Implementation Status.....	2
Conclusion	2
EXHIBITS.....	3

EXECUTIVE SUMMARY

Scope and Purpose

Enclosed is the quarterly summary of outstanding audit recommendations. The purpose of this report is to inform the Audit Committee of the implementation status of audit recommendations made by Internal Audit (IA).

As of October 2018, 11 recommendations from FY2018 and two recommendation from FY2017 remained open or were pending management status update. IA conducted follow-up procedures on all outstanding recommendations between October 2018 and February 2019.

The recommendations referenced in each audit report were designed to decrease the risk to the City of Surprise (City) assets and improve the efficiency and effectiveness of operations. The purpose of performing an audit follow-up review is to determine the status of corrective actions. The need for audit follow-up procedures is referenced in *Governmental Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*:

Governmental Auditing Standards:

GAGAS 6.36 – “Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives.”

International Standards for the Professional Practice of Internal Auditing:

2500 – Monitoring Progress

“The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.”

2500.A1 – “The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.”

Methodology

After the completion of each audit, audit observations and recommendations are tracked in an Excel spreadsheet by IA. Quarterly, IA performs follow-up procedures on the status of audit recommendations with the appropriate City departments and responsible individuals. Departments self-report the status of their corrective actions. Testimonial or documentary evidence is obtained and reviewed by IA. In some cases, IA will go beyond the standard process and perform a more in-depth verification of the extent to which certain audit recommendations have been implemented, and issue a

separate report on this work. All recommendations reviewed were placed in the following status categories:

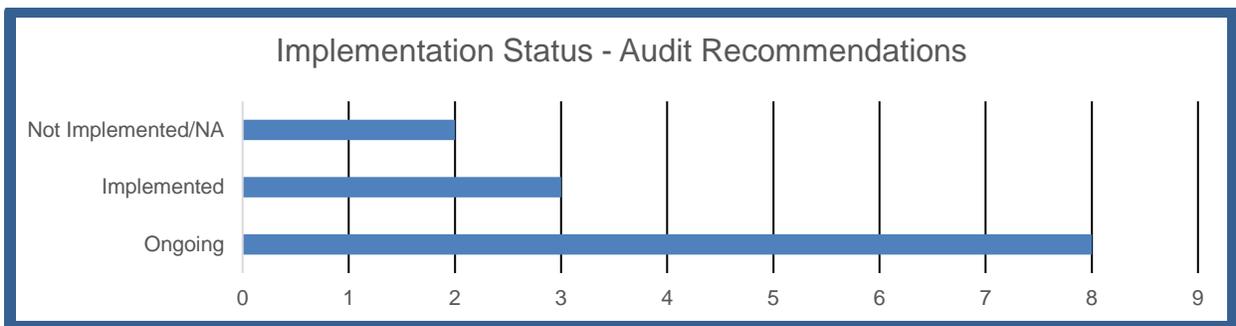
Ongoing – City staff provided some evidence of progress on the recommendation; however, either elements of the audit recommendation were not addressed, or the department reported it has begun to implement the audit recommendation and has not yet completed the implementation **(See Exhibit A)**.

Implemented – City staff provided sufficient and appropriate evidence to support elements of implementing the audit recommendation **(See Exhibit B)**.

Will Not Implement/Not Implemented or N/A – The audited department is currently implementing new software. IA will conduct a new audit of the area at a later date. **(See Exhibit C)**.

Summary of Implementation Status

Of the 13 previously open or pending recommendations 3 (23%) were implemented, 8 (62%) are ongoing, and 2 (15%) are no longer applicable as the department is currently implementing a new software application. IA will conduct a new audit of the area after the software application implementation. Staff has initiated procedures to address the eight remaining ongoing recommendations. Staff estimates the completion of all ongoing items by October 2019. The eight remaining ongoing recommendations will be carried forward and monitored by IA.



Conclusion

IA commends City staff for their efforts in implementing audit recommendations. The implementations included reducing risk to City assets and personnel by limiting access to City assets, such as cash and property; enhancing authorization and administration procedures; automating manual processes; training departmental employees, and creating and updating departmental policies and procedures.

EXHIBITS

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Exhibit A
Ongoing Audit Recommendations

Count	Division/Department	Report Title	Report Date	Recommendation	Status as of April 6, 2018	2018 Management Update Comments	Management Update Comments February 10, 2019	Risk Level
1	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Develop a comprehensive automated training program using Target Solutions to educate City staff on public records requests procedures. The training should incorporate updated records management policies and procedures.	Ongoing	This is still a work in progress, will finalize once we have an automated system in place. Original estimated completion date: August/September 2018	We are holding our 2nd set-up meeting with IT on the Records Request Program through City Source. Once the program is completely set-up, we will start training staff on how to use the program and add a section into our policy. Extending completion date to: February/March 2019.	Low
2	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Work with the appropriate City staff to establish a precise retention period for City emails. If an extended period is required, initiate the process to obtain approval from the State to update the City's retention schedule. Communicate any changes in the retention period to the IT Department and City staff.	Ongoing	Working with the appropriate city staff to establish a policy	Working with the appropriate city staff to establish a policy	Medium
3	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Establish a time limit policy for holding completed public records requests. The policy should include, but not limited to: <ul style="list-style-type: none"> ➤ The number of days completed documents are held for pickup before they are destroyed ➤ Requiring the completion of new public records request if pickup attempts are made after documents are destroyed ➤ Fees collected for documents destroyed after holding period should not be refunded, as service was performed ➤ Updating the Form to reflect the new policy 	Ongoing	Extension of completion date to August/September 2018.	This will also be included in the Records Request Policy, and completion will be extended to February/March 2019.	Low
4	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Develop and implement controls to enhance current procedures for managing the public records requests Excel spreadsheet. The controls should include, but not limited to: <ul style="list-style-type: none"> ➤ Periodically reviewing the spreadsheet for accuracy, completeness, and training opportunities ➤ Reconciling the fees column of the spreadsheet to the general ledger to ensure all fees assessed were correctly deposited promptly ➤ Coordinate efforts with other departments when working on the same public records requests to eliminate duplicate efforts ➤ Use Excel Data Validation function to format spreadsheet and eliminate keying errors 	Ongoing	This is still a work in progress. Right now, staff is reviewing the spreadsheet every other week to follow up with requestors and to balance the amounts due and received. Once implemented, the automated request tracking program will have monitoring capability, therefore the Excel spreadsheet will be eliminated. The automated system will also eliminate the issue of duplications between departments. Extend completion date to December 2018.	Once City Source is launched, the Excel spreadsheet will be eliminated. Extending completion to February/March 2019. In the meantime, these tasks are being reviewed every other week, and old requests are being reviewed with staff from Finance to verify if payment was received.	Medium
5	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Continue to work with the IT Department to assess the potential of automating tracking public records request utilizing current City applications, such as SharePoint, Council agenda software, or legal software. The selected software should allow applicable City staff view privileges to check the status of requests in an attempt to eliminate duplication of staff efforts.	Ongoing	This has been a work in progress in conjunction with IT staff. We visited the City of Phoenix March 9, 2018 to view the SharePoint Program. They shared their coding with us. In the meantime we found out that through Civic Plus, the City's Website, there may be a program already in place that is called Citizens Request Tracker. We are scheduled for a Demo on Tuesday, May 8th with IT staff. If this is adequate, we will work immediately to tailor to our needs and implement as soon as possible.	Getting ready to launch the program City Source, training this week. Estimated completion extended to February/March 2019.	Medium

Audit Observation Risk Rating

High	Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to city assets.
Medium	Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate potential risk of loss to city assets.
Low	Represents an observation for consideration by management for correction or implementation associated with the process being audited. Low risk observations should be implemented to improve efficiency and effectiveness of operations.

Exhibit A
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6	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	<p>Formalized and document revenue policies and procedures to include, but not limited to:</p> <ul style="list-style-type: none"> Establishing when to assess fees Identifying when and who can authorize fee waivers Identify documentation required to waive fees 	Ongoing	<p>The original Records Request Policy was created in the Attorney's Office. I met with the City Attorney on this issue, once we have established an automated system, we will update the policy to include this information.</p> <p>I have not received a legal opinion on the authority to waive fees at this time. I also discussed this issue with the Finance Department to create language in the policy for collecting fees.</p>	<p>I have been assigned an attorney in the Legal Dept., to assist with writing a policy that will contain the Records Request Policy and Records Management in one. I submitted a draft in December, the document has come back to me with revisions. Estimated completion time is February/March 2019.</p> <p>The Legal Dept., is aware that the majority of the requests through the automated system will be electronic. We are in the process of reviewing what type of requests we will be allowed to charge a fee for according to State Law. This will also be included in the policy. Estimated time of completion will be February/March 2019.</p>	Medium
7	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Review the copy fee schedule rates and make adjustments as necessary. The review should include, but not limited to establishing a minimum service level at which fees will be assessed.	Ongoing	<p>I met with Finance in December 2017 on the fee schedule for records requests. Finance is currently reviewing records request fee structure for the City Clerk's Office.</p> <p>Finance will be conducting a 60 day tracking for Clerk, PD, Fire, CD and Engineering records requests.</p> <p>Extend completion date - December 2018 per Finance Dept.</p>	On 2/2/18, in response to the Auditor's findings, the Finance Department contacted the City Clerk, Community Development, Fire-Medical, and the Police Departments to propose a citywide revision to the record request fees. On 5/8/18, the Finance Department requested that the City Clerk's Office, City Attorney's Office, Fire-Medical, Police, Public Works, and Community Development Departments collect 60 days of record request processing time data. On 11/29/18, the data collection process was complete and a meeting was held with Finance to review the data and discuss the necessary financial analysis. The Finance Department anticipates that the identification of a new citywide fee structure for record requests will be finalized by October 2019.	Medium
8	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	<p>Work in conjunction with the Finance Department to:</p> <ul style="list-style-type: none"> Submit a complete public records requests fee schedule to City Council for review and approval by resolution Replace the current copy fees statement on the bottom of the City Clerk Form with "Copy fees will be assessed in accordance with the adopted Citywide Fee Schedule" 		<p>Auditor's Note: Ongoing. An email was received on May 8, 2018 from the Finance Process and Policy Analyst discussing record request fees.</p>	On 2/2/18, in response to the Auditor's findings, the Finance Department contacted the City Clerk, Community Development, Fire-Medical, and the Police Departments to propose a citywide revision to the record request fees. On 5/8/18, the Finance Department requested that the City Clerk's Office, City Attorney's Office, Fire-Medical, Police, Public Works, and Community Development Departments collect 60 days of record request processing time data. On 11/29/18, the data collection process was complete and a meeting was held with Finance to review the data and discuss the necessary financial analysis. The Finance Department anticipates that the identification of a new citywide fee structure for record requests will be finalized by October 2019.	Medium

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1	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	<p>Ensure that cash handling and A/R billing duties are correctly segregate to prevent the opportunity for fraud or misappropriation of assets. Controls should include, but not limited to:</p> <ul style="list-style-type: none"> • Prohibiting access to funds, including original checks, by the individual creating A/R invoices • Developing a process for tracking, monitoring, and balancing A/R invoices • Transferring and centralizing A/R billings through the Finance Department. Work with the Revenue Manager to transition the A/R billing process to the Finance Department. A/R invoicing should be recorded and managed in MUNIS, the citywide financial management system. • Prohibiting one person from having control over creating a transaction, managing the supporting documentation for the transaction, and processing the associated payment. 	Implemented	<p>We have made changes internally for the collection of records request fees but have not finalized the written policy.</p> <p>Changes includes:</p> <p>The Records Technician responsible for processing the request, notifies the requestor and defines the payment amount through an invoice or email. The request is not finalized until we receive payment through the mail, or the customer stops by City Hall.</p> <p>The Records Technician does not open the mail, this task has been given to the Deputy Clerk and Administrative Assistant to open mail, and hand-deliver checks to the cashier for deposit and receipts.</p> <p>Once the receipts are issued from Finance, they are given to the Records Technician for finalizing request and notifying the customer.</p>	<p>In compliance with current City policy on collection of fees.</p> <p>All items in this category are being followed and implemented. This task was completed in May 2018.</p>	High
2	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Ensure staff complies with fee collection policy or update policy to reflect actual collection practice.	Implemented	<p>Currently in progress.</p> <p>Extend completion date to September 2018.</p>	Clerk staff in compliance with current fees collected.	High
3	Human Resources	Stadium Concession Contract	2/22/2016	Work in conjunction with the IT Department to review and update the EPM to include a comprehensive data security policy that address industry standard best practices. The updated	Ongoing	EPM, 8.4 Security, is still pending and in development. The majority of chapter 8 of the EPM relies heavily on other departments to assist in the development.	Auditor's Note: Target Solution training provided in August 2018.	Low

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Moderate	Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate potential risk of loss to city assets.
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1-2	Executive Session Discussion	E-Session	4/20/2017	2 Audit Opportunities from Executive Session Discussion Open	Removed from Status Report-Pending New Software Implementation	Estimated Completion date for one opportunity is July 1, 2020. Estimation completion date for second opportunity is ongoing, as staffing permits.	Auditor's Note: The department is currently implementing new software. Internal Audit will audit the area after software implementation .	Medium

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