



City of Goodyear

See meeting location
below

Meeting Minutes

City Council Subcommittee: Audit

Councilmember Sheri Lauritano
Councilmember Joe Pizzillo
Councilmember Brannon Hampton

Monday, July 17, 2017

3:30 PM

Goodyear Justice Center
14455 W. Van Buren St.
Goodyear, AZ 85338

1. CALL TO ORDER

Finance Director Doug Sandstrom called the meeting to order at 3:32 p.m.

2. ROLL CALL

Present: 3 - Councilmember Pizzillo, Councilmember Lauritano and Councilmember Hampton

Staff Present: City Manager Brian Dalke, Finance Director Doug Sandstrom, Interim Financial Services Manager Christen Wilcox, Management Assistant Khala Stanfield, Assistant to the Council Jessica Perry

Others Present: Heinfeld, Meech & Co., PC, Engagement Partner Jill Shaw, In-Charge Auditor Matt Miller

3. CITIZENS COMMENTS/ APPEARANCES FROM THE FLOOR

None.

4. OLD BUSINESS

None.

5. NEW BUSINESS

5.1 Introduction of Heinfeld & Meech

Finance Director Doug Sandstrom gave an overview of the mission/purpose of the Audit Subcommittee.

Interim Financial Services Manager Christen Wilcox introduced Jill Shaw and Matt Miller with Heinfeld & Meech, & Co., PC, the city's auditing firm. Christen Wilcox also stated that due to staffing issues and our new Financial Systems implementation, we have asked the auditors to prepare the City and CFD CAFRs as well as perform the audit. Preparation of the CAFR is a common practice and our auditors had prepared the City of Goodyear's CAFR until very

recently.

5.2 Discussion of Upcoming Comprehensive Annual Financial Report (CAFR) Audit

Jill Shaw discussed the audit engagement letter which consisted of the following topics: financial statements and notes, issuance of a separate audit opinion, Highway User Revenue Fund (HURF) review, expenditure limitation report opinion, auditing standards, internal controls (non-opinion), management versus auditor responsibilities, fees and non-attest services.

The audit report has the same scope as previous years. No federal audit is required this year. The final audit report will be ready for the December Council meeting.

Changes this year include Governmental Accounting Standards Board (GASB) 77 which will have new disclosures for tax abatement for all governments nationwide. This discloses how much the city has abated for that year.

The following questions were raised by the council members to the auditors:

Councilmember Pizzillo:

Why can't the auditors write an opinion on the internal controls? Shaw responded that due to the vast amount of processes and procedures, they can't provide an opinion. They will look for areas that might have significant inefficiencies.

How do we look at redundancy controls? Shaw responded that the auditors would be looking into controls on the back end (detected controls).

How many people are we down in the Financial Services Division? Sandstrom responded that we are down 2 of the 9 (22%) authorized FTEs. We reclassified the position of Controller to Finance Manager-Financial Services and will be interviewing on July 24th. Our Senior Accountant is currently being filled by a contracted employee.

Will there be a parallel performed when the Financials phase goes live in the new Financial System? Sandstrom responded that there will be multiple tests prior to going live for the Financials phase on July 1, 2018. Payroll will have several parallel tests ran and two complete payrolls will be ran parallel to each other in December.

Councilmember Lauritano:

Per the audit engagement letter it says the fees are \$48.5K to the City and \$24K to CFDs, how are the CFDs charged? Sandstrom confirmed that the \$24K will be allocated across all of the CFDs.

Councilmember Hampton:

Do you provide a best practice recommendation? Shaw responded that they use the CAFR, notes and verbal discussion to provide best practice recommendations.

What triggers a federal audit? Shaw responded 750K in total federal expenditures during the year.

Do you look at procurement items? Shaw responded that they look at a random sample to ensure they adhere to different procurement requirements.

Do you follow-up on any past deficiencies? Miller responded that they always review controls over areas that were deemed deficiencies in the prior year. Sandstrom stated that internally all past deficiencies are reviewed and either fixed or mitigating controls established if a system or staffing limitation

How will we be impacted by Prop 206? Sandstrom responded that this went into effect on July 1 and the city has implemented policies.

Dalke asked what a typical sampling looks like? Miller responded that for payroll and expenditures we'll select 25 transactions. If we are doing a Single Audit, we would select 40 federal transactions based on audit guidance. We're also reviewing 10 cash receipts each for utilities and licenses & fees, 5 to 10 purchasing selections. These usually vary based on what was seen in the prior year, but not necessarily a percentage of transactions.

5.3 Discussion of Input and Requests from Audit Committee

Due to the lack of a uniform system to track overtime data, Pizzillo would like a review of the overtime, internal controls and documentation for public safety to ensure it is being properly reported and calculated.

Pizzillo would like P-Cards to be reviewed to ensure compliance.

Hampton would like a review of sole source contracts.

Pizzillo would like follow-up on any audit and reimbursement amounts resulting from last year's Parks & Recreation audit. Sandstrom confirmed that the Finance department performed an internal audit six months after policies and procedures were put in place. Findings showed that the Parks & Recreation department was materially compliant. Wilcox also confirmed with Tim Fisher, Goodyear's Continuous Improvement Manager, that we did receive all of our monies back from the insurance company.

Per council request, Khala Stanfield has provided the overview of Policy 200-Employee Compensation (Reclassifications and Promotions) prepared for the audit committee last fiscal year.

5.4 Auditors' Comments and/or Questions

None.

6. INFORMATION ITEMS

None.

7. ADJOURNMENT

There being no further business to discuss, Finance Director Sandstrom adjourned the meeting at 4:10 p.m.

Respectfully Submitted by:

Khala Stanfield, Management Assistant

Doug Sandstrom, Finance Director

Date: _____