



Minutes

City of Tempe Audit Committee

January 4, 2024

Minutes of the Tempe Audit Committee meeting held on Thursday, January 4, 2024 at 2:00 p.m. via Microsoft Teams.

(MEMBERS) Present:

Rosa Inchausti, Chair	Ben Rieck
Tom Duensing	Keely Hitt
Councilmember Berdetta Hodge	Greg Hill
Councilmember Doreen Garlid	

(MEMBERS) Absent:

None

City Staff Present:

Bill Greene, City Auditor – Staff Liaison
Angela Hill, Senior Auditor
Jaki Gerald, Senior Auditor
Lisette Camacho, Financial Services Director
Ann Fang, City Controller
Tara Ford, Municipal Utilities Director
Craig Caggiano, Deputy Municipal Utilities Director Water Utilities
Greg Humphries, Control Center Supervisor
Jared Morris, Information Technology Director
Shandy Odell, Database Administrator
Todd Arjes, IT Supervisor

Guests Present:

Brittney Williams, HeinfeldMeech

Chair Inchausti called the meeting to order at 2:01 p.m.

Agenda Item 1 – Public Appearances

Mr. Greene stated that no members of the public were in attendance and no written comments were received via email.

Agenda Item 2 – Approval of Meeting Minutes

Chair Rosa Inchausti called on committee members to review the minutes from the October 2, 2023 committee meeting. There were no revisions proposed.

Motion to Approve Minutes: Councilmember Berdetta Hodge

Motion Seconded: Councilmember Doreen Garlid

Vote: Unanimous vote to Approve

Agenda Item 3 – IT Audit Recommendations

City Auditor Greene introduced Tara Ford, Municipal Utilities Director, to discuss the SCADA Application Audit. Ms. Ford introduced Craig Caggiano, Deputy Municipal Utilities Director Water Utilities, who provided an overview of the remediation status of findings from the audit. Mr. Caggiano discussed the risk ranking of findings and plans to implement recommended changes and recommendations completed.

Keely Hitt confirmed for highest risk items identified there are plans on the roadmap but there are no plans for the interim. Jared Morris, Information Technology Director, stated that there is a roadmap for software replacement and Municipal Utilities has received additional funding to contract with a company to implement changes more quickly than IT is able to assist. Mr. Morris stated some of the recommendations will take time and IT is working with Municipal Utilities staff and contractors to accelerate execution.

Ben Rieck asked if SCADA systems are web based. Mr. Morris stated they are not web based to ensure security is as high as possible. Mr. Rieck asked if there are any out of the box MFA partners that would work with the existing software. Mr. Morris stated typically SCADA systems are built for very specific industrial purposes and out of the box software would not offer that capability.

Ms. Hitt asked if shared usernames and passwords exist across physical sites are we able to rely on physical security. Mr. Morris stated there are multiple layers of security in place that would make it less of a risk and it is currently not a critical risk.

Ms. Ford informed the committee that the Municipal Utilities Department has been working on implementing these recommendations with the contractor and that there is onsite security for the center and the remote sites additionally have security to reduce risk. She also stated SCADA

software is customized for the utility and there is not an out of the box option but they have been working with the contractor for years to implement changes and have made progress.

Mr. Morris thanked Ms. Ford and mentioned that he rarely sees SCADA application audits with such great scores. Mr. Morris then provided an overview of the Database Security Audit findings. He noted several recommendations have been implemented regarding password changes and that this year IT is looking to replace the City's financials and HR systems. He stated that will resolve several of the high-risk areas identified in the audit in lieu of continuing patches.

Ms. Hitt stated she was unaware there would be a switch to a new ERP system this year. Mr. Morris stated that the process would start in 2024 beginning with an RFP and it would take 1-3 years. He stated it would be the best option to make systems more secure.

Councilmember Garlid thanked Mr. Morris for his presentation and mentioned she was glad we are replacing the ERP system.

Agenda Item 4 – External Auditor Update

Tom Duensing introduced Brittney Williams, Partner, HeinfeldMeech. Ms. Williams presented information on auditing standards and noted this year was the first time utilizing Workiva Software to prepare the ACFR. Ms. Williams also highlighted GASB 94 and 96 implementations for software contracts and SBITA, and discussed upcoming reports due in March. Ms. Williams also stated there are plans to meet more frequently with management to discuss audit status updates.

Greg Hill stated the audit communication letter provided to the committee was very informative.

Ms. Inchausti thanked Ms. Williams for her presentation and work with the City of Tempe.

Agenda Item 5 – Internal Audit Office Update

City Auditor Greene introduced Jacqueline Gerald, Senior Auditor, as the most recent hire for the IAO. He noted that her recent hire makes the IAO fully staffed for the first time since February of 2022. Ms. Gerald provided a background of her auditing knowledge and experience noting she previously worked for the City of Phoenix for 27 years and is a current Certified Public Accountant, ACL Certified Data Analyst, and Certified Information Systems Auditor.

City Auditor Greene then introduced Angela Hill, Senior Auditor, to discuss the recent Association of Local Government Auditors (ALGA) Regional Training. Ms. Hill discussed her

tenure on the ALGA Regional Training Committee and the November 2023 conference noting the attendance, CPE offered, and partnership with the local chapter of the Arizona ACFE.

Ms. Gerald then gave a presentation on a current audit software she is reviewing. Ms. Gerald discussed that the IAO is currently testing data analytic software with the goal of enhancing data utilization in engagements. Ms. Gerald noted if the IAO is able to obtain a data analytics software they will be able to enhance identification for risk for error, provide more resources to target fraud and abuse through data analysis, and conduct impactful audits focused on analytics.

Ben Rieck asked for the name of the software. Ms. Gerald stated the current software being tested was Arbutus.

Greg Hill stated he was excited to see Ms. Gerald taking on this venture.

City Auditor Greene then presented an overview on the current status of the Audit Plan for FY 2024. He noted the overall objective, stage of completion for each audit and consulting engagement, in addition to specifying the reports published. Mr. Greene provided additional information about the Grant Management Pt. 2 consulting engagement and how this differs from the Grant Management Pt. 1 audit completed in FY 2023.

Ms. Inchausti thanked Ms. Gerald and Ms. Hill for their presentations.

Agenda Item 6– Future Agenda Items

Chair Inchausti called for future agenda items for the next meeting. None were suggested.

Agenda Item 7 - Adjournment

Chair Rosa Inchausti adjourned the meeting at 2:49 p.m.