

Auditors deliver update to Surprise council

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The audit firms hired by the city of Surprise to review development agreements, building permit fees and impact fee management over the past 11 years delivered their first update to the City Council Sept. 18, confirming progress but cautioning their work might take longer than the initial estimated date of December 31.

CliftonLarsonAllen and Red Oak Consulting briefed council members in a public workshop at Surprise City Hall, broadcast on Surprise 11. Both firms agree their goal is to determine with ““reasonable certainty”” that the city’s financial reporting in these areas is accurate, the first step to a clean or unqualified audit opinion, an important fiscal milestone.

CliftonLarsonAllen (CLA) discussed its task of reviewing business permits and development impact fees. According to the firm, they have sampled commercial permits from July 1, 2000 through June 30, 2011, and are evaluating the results of that testing. The testing is to determine whether building permit and impact fees were correctly assessed, collected and properly assigned to the correct funds.

CLA will perform a similar evaluation of residential permits and is currently evaluating testing methods before sampling begins.

CLA sampled all permits issued between the dates above and is reconciling the impact fees associated with those permits to previously issued financial statements. The firm says a total of 180,334 development fees were charged during the 11 fiscal years being reviewed.

CLA is also documenting internal controls and processes and finalizing recommendations.

Red Oak Consulting updated its review of Development Agreements dating back to FY2000 and Development Fee expenses, or money expended from impact fee funds, from FY2000 to FY2006.

Development fees from FY 2007 to FY2011 were covered in a previous study, which also included the expenses and debt of the Surprise Municipal Property Corporation from FY2000 to FY2010.

Representatives of the firm told the Council they are making progress on their review of financial tracking and results of the Development Agreements and have begun reconciling their results with CliftonLarsonAllen.

Red Oak says it is ““cautiously optimistic”” about the impact of their final report on City of Surprise current cash balances, saying at this point there appear to be fewer issues that might affect cash balances.

The firm says its goal is to complete the analysis by December but administrative issues and possible issues of legal interpretation may add to the timeline.

Both consultants are working with city staff to review the transactions that utilized impact fee fund dollars. Red Oak will confirm the review and separately review specific transactions to ensure they conform to state law.

This task should be completed by December, Red Oak said.

