



AUDIT, FINANCE & ENTERPRISE COMMITTEE

January 9, 2020

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on January 9, 2020, at 8:36 a.m.

COMMITTEE PRESENT

Jennifer Duff, Chairperson
Mark Freeman
David Luna

COMMITTEE ABSENT

None

STAFF PRESENT

Christopher Brady
Michael Kennington
Dee Ann Mickelsen
Jim Smith

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation, discuss, and provide a recommendation on the City's Comprehensive Annual Financial Report (CAFR) and Single Audit Reports for Fiscal Year Ended June 30, 2019.

Finance Director Irma Ashworth displayed a PowerPoint presentation. **(See Attachment 1)**

Ms. Ashworth stated the results of the financial statement audit showed an unmodified report with no material findings. She explained there was one finding related to journal entries and audit schedules with a recommendation to review current procedures and controls. She added financial statements are prepared following Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards. (See Page 2 of Attachment 1)

Ms. Ashworth highlighted during Fiscal Year (FY) 2019 the City's revenues increased by \$71.4 million. She pointed out a large portion of the gain was from the sale of the Pinal County land which in turn was used to defease Mesa's excise bonds. (See Page 4 of Attachment 1)

In response to a question posed by Committeemember Luna, Ms. Ashworth clarified after deducting the expenses, the profit was \$44 million.

Ms. Ashworth reported the Governmental Activities Revenues are made up of the General Fund, Special Revenue Fund, Capital Project Fund and Debt Service Fund. She described the primary revenue source for Governmental Activities comes from City sales tax which has increased over the last few years, then unrestricted intergovernmental revenues, transfers and program revenues. (See Page 5 of Attachment 1)

Ms. Ashworth reviewed the City's change in Net Position from 2017 to 2019. (See Page 6 of Attachment 1)

In response to a question from Committeemember Luna, Ms. Ashworth stated expenditures from 2018 and 2019 came in lower than anticipated and the Pinal County land sale revenues increased the Net Position.

Ms. Ashworth remarked at the end of FY 2019 the total assets were \$4.5 billion, with the largest portion being from Capital Assets, which includes buildings, infrastructure and land. (See Page 8 of Attachment 1)

In response to a question posed by Chairperson Duff, Ms. Ashworth confirmed the value of the capital assets is less depreciation.

Ms. Ashworth reported the balances of cash and investments, and at the end of FY 2019 the total was \$829 million. (See Page 9 of Attachment 1)

In response to a question from Committeemember Freeman, Ms. Ashworth stated Arizona State Statutes are followed in regard to long-term investments.

City Manager Christopher Brady clarified State law restricts the types and terms of investments and Council adopts internal policies for investments.

Ms. Ashworth explained the total liabilities at the end of FY 2019 were \$3.8 billion. She added the largest liabilities are long-term obligations and pension and Other Post-Employment Benefits (OPEB). (See Page 10 of Attachment 1)

Ms. Ashworth reported the outstanding long-term debt at the end of FY 2019 consisted of \$370 million in General Obligation Bonds, which are repaid through property tax; \$67 million in Highway User Revenue Bonds, repaid through highway user revenue tax; \$1.2 billion in Utility Revenue Bonds, repaid by utility revenues; and \$49 million in Excise Tax Obligations, which were defeased in September 2019 through the Pinal County land sale. (See Page 11 of Attachment 1)

Ms. Ashworth discussed the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) pensions and OPEB unfunded liabilities as follows: (See Page 12 of Attachment 1)

- ASRS Pension – \$227 million
- PSPRS – Fire Pension – \$203 million
- PSPRS – Police Pension – \$396 million
- PSPRS – Police OPEB – \$9 million
- City OPEB Plan – \$746 million

In response to a question from Committeemember Freeman, Ms. Ashworth verified the City is in Year 22 of a 25-year mortgage of the unfunded liabilities. She stressed PSPRS alone is over \$600 million and would be difficult to pay down any faster.

Chairperson Duff thanked Ms. Ashworth for the presentation.

It was moved by Committeemember Luna, seconded by Committeemember Freeman, to recommend that the City's Comprehensive Annual Financial Report (CAFR) and Single Audit Reports for Fiscal Year ending June 30, 2019 as recommended by staff be forwarded to full Council for consideration.

Upon tabulation of votes, it showed:

AYES – Duff-Freeman-Luna

NAYS – None

Carried unanimously.

2-b. Hear a presentation, discuss, and provide a recommendation on a draft policy regarding City Council Community Outreach Funds.

Deputy City Manager Scott J. Butler displayed a PowerPoint presentation. **(See Attachment 2)**

Mr. Butler stated at the request of Council, staff examined the current Community Outreach Funds policy guidelines and compared how other regions handle funds. He remarked currently there is no consistency and the procedures are unique to each Council and the projects they are dealing with in each community.

Mr. Butler commented one of the best practices gleaned from neighboring communities was heightened disclosure and training for Council and City staff. He advised the updated expenditure forms were drafted from City of Glendale disclosure forms that required the benefit to the citizens be stated ensuring that the expenditure complies with City policies. He described the difference in the forms for expenditures over \$50 and under \$50.

In response to a series of questions from Committeemember Luna, Mr. Butler commented a meal with a constituent would be appropriately categorized as discretionary funds. He stated every community event is unique and that training would be helpful for Council and City staff to understand the procurement policies to protect against errors when documenting expenditures.

Mr. Brady pointed out the concern with providing gift cards is tracking and ensuring it was used for the intended purpose. He added for City employees receiving gift cards there is an additional tax liability burden because the gift is a personal benefit. He suggested giving gift cards for a specific commodity such as a movie gift card or a shoe store to ensure disclosure and transparency.

Further discussion ensued relative to administrative difficulties of giving gift cards and ideas on staying compliant with City and State policies.

In response to a question from Committeemember Luna, Deputy City Manager/Chief Financial Officer Michael Kennington stated he does not believe movie tickets would be considered compensation.

Mr. Butler detailed the vast majority of expenditures from Council go to the United Food Bank, United Way and larger organizations, with a small percentage going toward community

engagements. He stressed the need to clarify the policies is the reason staff is recommending revisions and updates to the policy guidelines.

Chairperson Duff thanked Mr. Butler for the presentation.

It was moved by Committeemember Freeman, seconded by Committeemember Luna, to recommend that the draft policy regarding City Council Community Outreach Funds as recommended by staff be forwarded to full Council for consideration.

Upon tabulation of votes, it showed:

AYES – Duff-Freeman-Luna

NAYS – None

Carried unanimously.

2-c. Hear a presentation and discuss the following audits:

City Auditor Jennifer Ruttman introduced Deputy City Auditor Joseph Lisitano, who displayed a PowerPoint presentation. **(See Attachment 3)**

Mr. Lisitano reviewed the four audit reports issued July through December 2019.

1. FY19 Credit Card Security Annual Review

Mr. Lisitano stated the annual credit card security review is a Citywide review of operational compliance with Payment Card Industry Data Security Standards (PCI DSS) to protect cardholder data. He detailed the operational audit is to ensure screening and training of anyone who handles credit cards to remain compliant with the policies and procedures and mitigate risks. (See Pages 3 through 5 of Attachment 3)

Mr. Lisitano reviewed the six recommendations from last year's review, stating they were all successfully implemented. (See Page 6 of Attachment 3)

Mr. Lisitano listed the four findings of this year's review and explained the recommendations based on the following findings: (See Pages 7 and 8 of Attachment 3)

- Training was not always timely
- Records were not destroyed on schedule
- Cardholder data was accepted via unsecured emails and faxes
- Non-compliant contract with a payment processor

In response to a question from Committeemember Luna, Mr. Lisitano clarified Financial Services tracks who completes the training and will notify departments by email when an employee needs to complete the training. He stated the training takes place through a Learning Center training module.

Mr. Lisitano added staff communicates with the departments throughout the year to ensure successful implementation and continued compliance. (See Page 9 of Attachment 3)

2. Convention Center and Amphitheatre

Mr. Lisitano pointed out the audit was done to verify internal controls are in place to ensure fees and charges are accurately calculated, recorded and collected. (See Page 11 of Attachment 3)

Mr. Lisitano listed the eight findings of this year's review and explained the recommendations made were based on the following findings: (See Pages 12 and 15 of Attachment 3)

- Concert settlements were inaccurate
- Fees/charges were not always accurate; or were inconsistent with approved schedule
- Vendor payments not always accurate; or lacked supporting documentation
- Cash/cash equivalents not always safeguarded; reconciliation processes and oversight need improvement
- Pricing and revenue sharing arrangements were not always established in writing
- Refunds issued with no documented review or approval
- Direct cost recovery performance data reported by staff was not accurate
- Concert revenue was not recognized in a consistent and timely manner

In response to a question from Committeemember Freeman, Mr. Lisitano remarked the concert settlements showed an overpayment of approximately \$5,000 and an underpayment of approximately \$4,300.

Mr. Lisitano reported the recommended changes should be completed by April 2020 and that staff will remain engaged with the Mesa Convention Center and Amphitheatre to ensure successful implementation. (See Page 16 of Attachment 3)

3. i.d.e.a. Museum Earned Revenues (follow-up review)

Mr. Lisitano stated at the time of the follow-up review, four of the five recommendations had been implemented. The fifth recommendation to establish a process/criteria for price variances has since been implemented. (See Pages 18 and 19 of Attachment 3)

4. Eastmark (follow-up review)

Mr. Lisitano pointed out there were two recommendations from the November 2018 audit report, which have both been implemented. (See Page 21 of Attachment 3)

In response to a question from Committeemember Luna, Mr. Lisitano indicated that depending on the recommendations, staff will meet on a monthly basis to ensure compliance.

In response to a question posed by Committeemember Luna, Ms. Ruttman stated due to the extreme variations of activities being tracked, it has been administratively burdensome to have a centralized audit tracking system. She stated the procedure in place is that each auditor calendars the audits they are responsible for and communicates directly with the departments and requests evidence to prove the recommendations are being implemented.

In response to a question from Chairperson Duff regarding concert revenue not being recognized in a consistent and timely manner, Mr. Lisitano suggested concert revenue was not being coded properly and therefore was not being accounted for in the correct account.

Ms. Ruttman explained money is recognized as cash and placed in an unearned account until the event occurs, at which point the money needs to be moved into actual earned revenue for accounting purposes.

Chairperson Duff thanked staff for the presentation.

2-d. Hear a presentation, discuss, and provide a recommendation on the proposed fees and charges for the Parks, Recreation and Community Facilities Department.

Parks, Recreation and Community Facilities (PRCF) Department Director Marc Heirshberg displayed a PowerPoint presentation. **(See Attachment 4)**

Mr. Heirshberg discussed the process of comparing fees and charges with neighboring communities. He stated the minimum wage increase has impacted the budget approximately \$70,000 and increasing fees will assist in offsetting expenses. He added the proposed increased fees and charges are listed in the report. He reported the estimated fiscal impact for all recommendations is \$40,000 and the proposed effective date is April 1, 2020. (See Page 2 of Attachment 4)

Mr. Heirshberg highlighted the suggested adjustments and any fiscal impacts for the following locations: (See Pages 3 through 10 of Attachment 4)

- Hohokam Stadium
- City of Mesa Cemetery
- Dobson Ranch Golf Course
- Mesa Convention Center and Amphitheatre
- Aquatics
- Park use
- Recreation Center/Gymnasiums
- Sports Complex Field Use/Leagues

In response to a question from Chairperson Duff, Mr. Heirshberg advised a financial report is received monthly for the Dobson Ranch Golf Course showing business activity. He described the holding account used for improvements to the golf course.

In response to a question posed by Committeemember Freeman, Office of Management & Budget Deputy Director Brian Ritschel explained the subsidized \$800,000 last year came out of the Enterprise Fund because there were capital expenses still needed for FY19. He explained the forecasted revenue for the golf course will offset the expenses and will go back to a net zero.

Mr. Heirshberg informed the Committeemembers that staff is seeking direction to move forward to Council; and if approved by Council, the effective date for the fee adjustments will be April 1, 2020. (See Page 11 of Attachment 4)

In response to a question from Committeemember Luna, Mr. Heirshberg stated the Red Mountain Youth Center refers to the childcare center located in the lobby of the Red Mountain Multigenerational Center.

In response to a question from Committeemember Freeman regarding lighting fees, Mr. Heirshberg commented Mesa's fees are comparable with neighboring cities and pointed out Mesa is not even recovering the costs on lighting expenses.

Chairperson Duff thanked Mr. Heirshberg for the presentation.

It was moved by Committeemember Luna, seconded by Committeemember Freeman, to recommend that the proposed fees and charges for the Parks, Recreation and Community Facilities Department as recommended by staff be forwarded to full Council for consideration.

Upon tabulation of votes, it showed:

AYES – Duff-Freeman-Luna

NAYS – None

Carried unanimously.

2-e. Hear a presentation and discuss an update on the City's Investment Program.

City Treasurer Ryan Wimmer displayed a PowerPoint presentation. **(See Attachment 5)**

Mr. Wimmer explained the investment objectives the City is attempting to achieve are safety, liquidity and yield. (See Page 2 of Attachment 5)

Mr. Wimmer presented the history of the City's cash and investment balance, which have increased due to the strong economy. (See Page 3 of Attachment 5)

Mr. Wimmer described the majority of the City's investments and stated they are managed by Public Financial Management (PFM), a small portion is managed internally, and a portion with the State Treasurer's Office in the Local Government Investment Pool (LGIP). (See Page 4 of Attachment 5)

Mr. Wimmer reported on the different funds for the City's cash and investments, with the greatest percentage in United States (US) treasuries. (See Page 5 of Attachment 5)

Mr. Wimmer stated the fees to PFM and the LGIP for managing the City's investments are \$361,000 per year. He explained since the City's portfolio is fairly simple and the balances have grown, the plan is to shift more investments in-house to save on costs and fees. (See Page 6 of Attachment 5)

In response to a question from Committeemember Luna, Mr. Wimmer advised the City Treasurer position was created within the last year to enable in-house management of its investments using a Bloomberg Terminal which will assist in lowering management fees.

In response to a series of questions posed by Committeemember Freeman, Mr. Wimmer stated the plan is to gradually shift investments from the LGIP first and then from PFM, and he is

unsure how long the process will take. He advised the portfolio yield last quarter was 2.14% which easily covers the fees associated with managing the investments, but the City will save that cost in the budget by transitioning to in-house management.

In response to a question from Committeemember Freeman, Mr. Kennington advised the current yield is published in the quarterly reports sent to Council.

In response to a question from Chairperson Duff, Mr. Kennington stated the fees reported are net fees and that the fees charged are small compared to what is earned.

Chairperson Duff thanked staff for the presentation.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 9:58 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 9th day of January 2020. I further certify that the meeting was duly called and held and that a quorum was present.


DEE ANN MICKELSEN, CITY CLERK

OVERVIEW OF FISCAL YEAR 2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Audit, Finance and Enterprise Committee

January 9, 2020

Irma Ashworth
Finance Director



COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF MESA, AZ
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



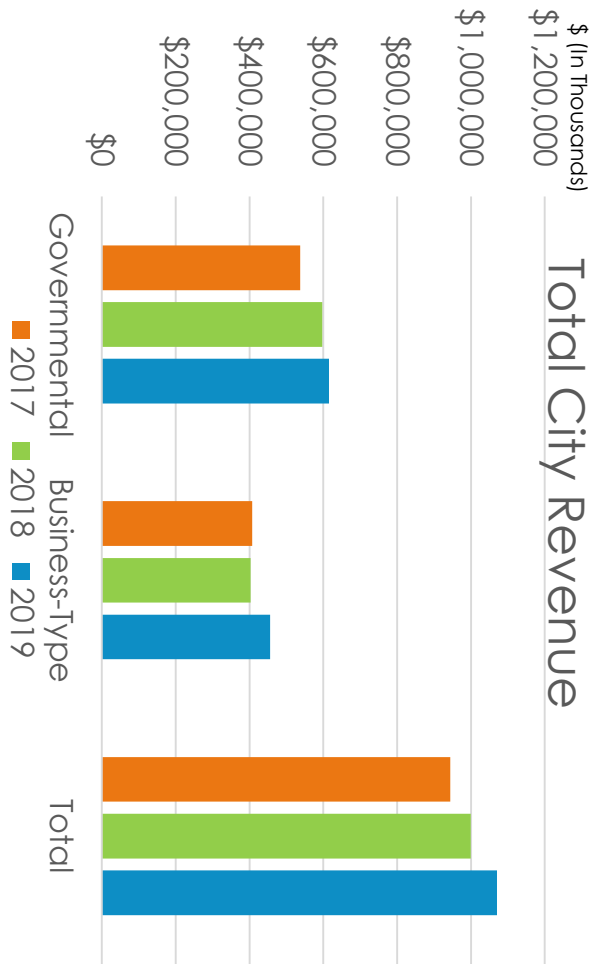
FOR THE FISCAL YEAR ENDED | JUNE 30, 2019

- Unmodified report issued
- No Material findings
- One finding, related to Journal Entries and Audit Schedules
- Follows Generally Accepted Accounting Principles (GAAP)
- Complies with Governmental Accounting Standards Board (GASB)

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

FY 2019 City Revenue's increased by \$71.4 million



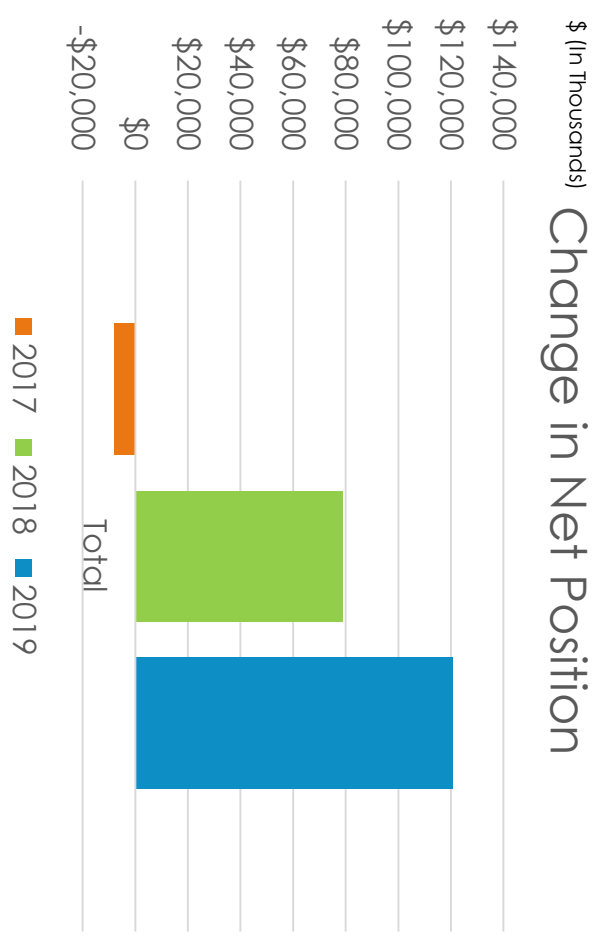
GOVERNMENTAL ACTIVITIES – REVENUES

FISCAL YEARS 2017, 2018 AND 2019



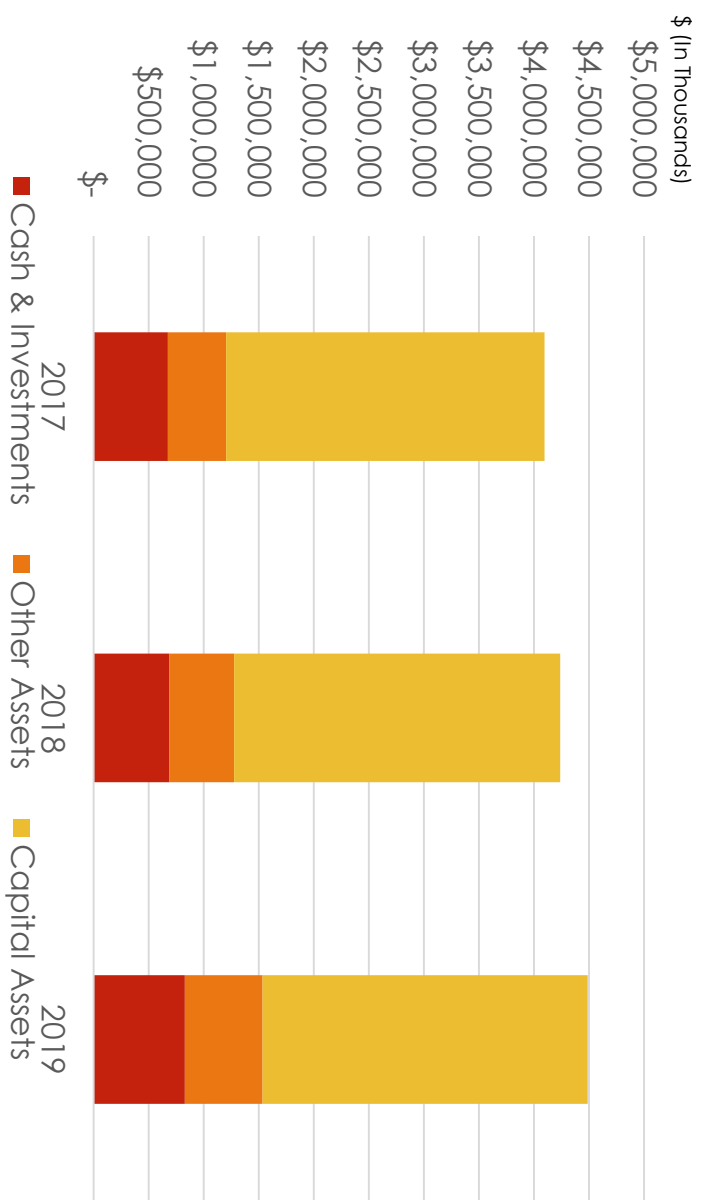
FINANCIAL HIGHLIGHTS

The City's Change in Net Position continues to increase



ASSETS AND LIABILITIES

TOTAL ASSETS INCREASED TO \$4.5 BILLION



CASH AND INVESTMENTS BALANCES AS OF JUNE 30, 2019

Cash	\$ 99,421,000
Investment in Local Govt. Investment Pool	162,312,000
Investment in Insured Cash Sweep Accounts	15,588,000
Cash with Trustee and Fiscal Agents	92,353,000
Long-Term Investments	<u>460,033,000</u>
Total Pooled Cash and Investments	<u>\$ 829,707,000</u>

TOTAL LIABILITIES AT JUNE 30, 2019

\$(In Thousands)

4,000,000

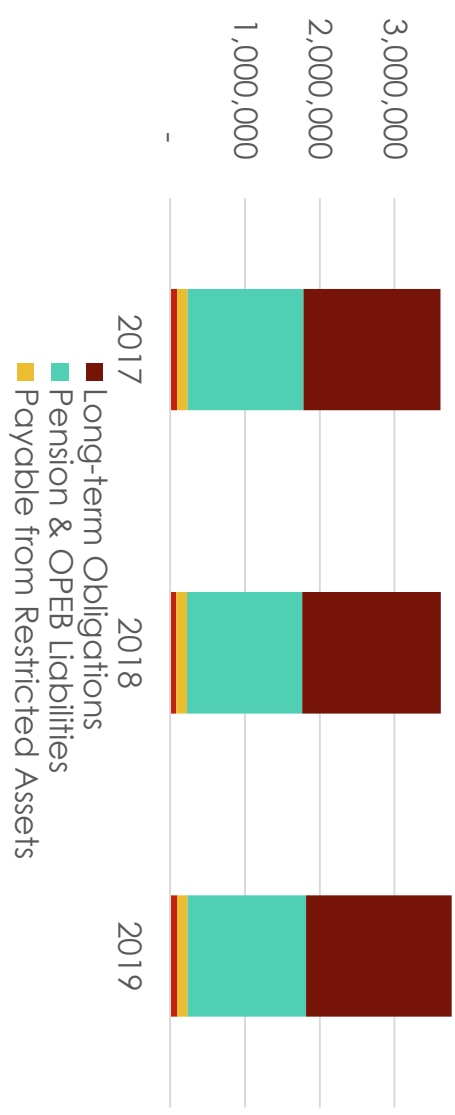
3,000,000

2,000,000

1,000,000

-

\$3.8 BILLION



Note: 2017 amounts were restated

LONG-TERM DEBT

Issue Type	Principal Outstanding
General Obligation Bonds	\$ 370,670,000
Highway User Revenue Bonds	67,905,000
Utility Revenue Bonds	1,279,020,000
Excise Tax Obligations	<u>49,025,000</u>
Total	<u>\$1,766,429,000</u>

Note: Excise Tax Obligations were defeased September 2019

PENSION AND OPEB UNFUNDED LIABILITY

Plan	Unfunded Liability
ASRS Pension	227,232,800
PSPRS – Fire Pension	203,637,607
PSPRS- Police Pension	396,877,345
PSPRS- Police OPEB	9,562,512
City OPEB Plan	746,815,000

Questions ?

Irma Ashworth
Finance Director

Irma.Ashworth@mesaaz.gov
(480) 644-2605



City Council Community Outreach Funds

Allocation and Spending Policy Guidelines

Adopted *(insert date)*

As elected members of the Mesa City Council, the Mayor and Councilmembers (“Council” or “Councilmembers”) have established the following guidelines related to budgetary spending. It is the goal of the Council to be conservative and fiscally responsible with the entrusted City funds, and to voluntarily abide by this document in the spirit of transparent self-governance. As such, the following definitions, procedures, and policies are mutually agreed upon to ensure individual and collective fiscal accountability to the citizens of Mesa.

Funding Categories

Community Partnership: Funds annually allocated to be used to benefit neighborhood and community projects within the City of Mesa.

Examples of expenditures using Community Partnership funds include:

- Contributions to local, neighborhood or HOA community projects that benefit the citizens of Mesa.
- Payment or reimbursement of expenses such as equipment rentals, solid waste disposal fees, necessary permit and/or user fees, incurred as part of a local neighborhood or HOA community event.
- Funding City-initiated local, neighborhood or HOA improvements such as signage, playground equipment, park modifications, etc.
- Expenses related to City-supported and City-initiated activities such as outreach events or meetings.

Discretionary: Funds annually allocated to be used to benefit the citizens of Mesa that may not be directly tied to projects or events, such as through charitable contributions, professional growth and networking, equipment, and other items used in furtherance of Council duties.

Examples of expenditures using Discretionary funds include:

- Training, conferences, seminars, and travel expenses, other than those related to the National League of Cities, Arizona League of Cities and Towns and U.S. Conference of Mayors.
- Allocations to charitable or volunteer organizations for programs or projects that benefit the citizens of Mesa.
- Office equipment, software, or other items purchased in furtherance of Council duties, outside of those covered by City Staff maintained funds.
- Any expenses acknowledged as Community Partnership expenses.

Mayor and Councilmember Fund Allocations

Community Partnership

- Mayor - \$6,000
- Councilmembers - \$5,000

Discretionary

- Mayor - \$12,000
- Councilmembers - \$9,000

(Community Outreach funds are allocated per fiscal year and cannot be carried over.)

Procedures

1. New members of the Council will receive training in fiscal related matters by City Staff.
2. City Council Assistants will receive training in fiscal matters related to Council expenditures.
3. City Staff will provide members of the Council an annual (fiscal year) expenditure report of Community Partnership and Discretionary expenditures.
4. Councilmembers will comply with the same expense-related policies followed by City of Mesa employees, as provided in City of Mesa Management Policies 200 (Purchasing Policy and Procedures), 201 (Travel Authorization and Expenses), and 211 (Procurement Card Program).
5. Expenditures made with allotted Council funds will benefit the citizens of Mesa, and any material items purchased for business use during a Councilmember's tenure, remain the property of the City of Mesa.
6. Documentation of expenditures from Council allotted funds:
 - a. Expenditures over \$50 – An executed "Community Outreach Funds Expenditure Form" will be provided with the receipt/invoice as backup to the transaction in the City's financial system.
 - b. Expenditures under \$50 – An executed "Monthly Community Outreach Funds Expenditure Form" will be forwarded to the City Manager Council liaison (each month) for retention.

City Auditor

Presentation to the Audit, Finance, and Enterprise Committee

January 9, 2020

Jennifer Ruttman, City Auditor

Joseph Listano, Deputy City Auditor

Reports Issued Jul-Dec 2019



Annual Credit Card Security Review – FY 2019



PRCF – Convention Center & Amphitheatre Revenues



Follow-up Review – i.d.e.a. Museum – Earned Revenues



Follow-up Review – Eastmark CFD

Annual Credit Card Security Review

Report Date: 08/29/2019

A citywide review of operational compliance
with Payment Card Industry
Data Security Standards (PCI DSS).

Annual Credit Card Security Review

What is PCI DSS?

- Payment Card Industry Data Security Standard.
- A comprehensive system of operational and technological controls designed to protect cardholder data.
- Applies to any organization that accepts, transmits, or stores any cardholder data.
- Annual assessments are required.
- Compliance is a constant challenge, due to staff turnover and evolving requirements.

Why do we audit this every year?

Annual Credit Card Security Review

What did we audit?

Compliance with operational requirements:

- Screening and training all employees and volunteers who handle credit cards.
- Maintaining and enforcing PCI DSS compliant policies and procedures at all acceptance sites.
- Mitigating risks related to contracted third-party payment processing service providers.
- Remediating non-compliance when found.

Annual Credit Card Security Review

Last year's recommendations were successfully implemented:

- ✓ Track/inspect devices. (A&C, Court, MFMD, PRCF)
- ✓ Ensure new contracts are PCI compliant and monitored. (Purchasing)
- ✓ Amend non-compliant contracts. (A&C, MFMD)
- ✓ Require new acceptance sites to have procedures approved before operating. (Finance)
- ✓ Develop procedures and submit for approval. (MFMD)
- ✓ Do not store CVV codes. (PRCF)

Follow-up:
What did
we find?

✓ Implemented

Annual Credit Card Security Review

**This year:
What did
we find/
recommend?**

This year's review found:

- 1. Training was not always timely.**
 - Recommended reminders from Financial Services and improved departmental procedures to ensure training happens in a timely manner.
- 2. Records were not destroyed on schedule.**
 - Recommended destruction of old records and improved internal controls to ensure future compliance.

Annual Credit Card Security Review

What did
we find/
recommend?

3. Cardholder data was accepted via unsecured emails and faxes.
 - Recommended using only secured methods; and training staff to communicate this to customers.
4. Non-compliant contract with a payment processor.
 - Recommended using existing City contracts. If they don't meet the need, consult with Purchasing before engaging a new provider.

Annual Credit Card Security Review

Response & Planned Follow-up

- Management from each of the departments involved agreed with the recommendations and will implement the changes. Many have already been completed.
- We will communicate with the departments throughout the year to help ensure successful implementation and continued compliance.
- We will follow-up at the next annual review.

Mesa Convention Center And Amphitheatre

Report Date: 11/26/2019

An audit of internal controls
over financial operations

Mesa Convention Center & Amphitheatre

What did we audit and why?

- Reviewed policies and procedures to identify process controls; and interviewed personnel and observed operations to assess effectiveness of controls.
- Tested transactions and event settlements for accuracy; and analyzed reported performance data related to direct cost recovery.
- Why? To verify effective internal controls are in place to ensure fees and charges are accurately calculated, recorded, and collected.

Mesa Convention Center & Amphitheatre

What did
we find/
recommend?

1. Concert settlements were inaccurate.
 - Recommended controls to ensure settlements are accurate before payments are issued.
2. Fees/charges were not always accurate; or were inconsistent with approved schedule.
 - Recommended controls to ensure customers are charged the correct amounts, and that fees and charges are authorized and within Council-approved ranges.

Mesa Convention Center & Amphitheatre

What did we find/
recommend?

3. Vendor payments not always accurate; or lacked supporting documentation.
 - Recommended controls to ensure vendor invoices are verified and matched to supporting documents prior to payment.
4. Cash/cash equivalents not always safeguarded; reconciliation processes and oversight need improvement.
 - Recommended that cash and checks be stored in a secure location at all times. Also recommended improved processes to reconcile cash receipts.

Mesa Convention Center & Amphitheatre

What did
we find/
recommend?

5. Pricing and revenue sharing arrangements were not always established in writing.
 - Recommended that all contract terms, including pricing and revenue sharing, be established in writing. Amendments should also be in writing.
6. Refunds issued with no documented review or approval.
 - Recommended controls to ensure refunds are approved in writing.

Mesa Convention Center & Amphitheatre

What did
we find/
recommend?

7. Direct Cost Recovery performance data reported by staff was not accurate.
 - Recommended improved controls to ensure performance data is accurately calculated and reported.
8. Concert revenue was not recognized in a consistent and timely manner.
 - Recommended improved controls to ensure revenue is recognized in a consistent and accurate manner, within 1 accounting period after it is earned.

Mesa Convention Center & Amphitheatre

Response & Follow-up

- Management agrees with the recommendations and is implementing corrective action plans.
- All changes should be completed by 4/1/2020.
- We will remain engaged with the department throughout the process to help ensure successful implementation.
- We will perform a follow-up review in approximately 1 year.

i.d.e.a. Museum Earned Revenue

Report Date: June 30, 2019

*A follow-up review to ensure action plans
were successfully implemented.*

i.d.e.a. Museum Earned Revenue Follow-up Review

Recommendations from the May 2018

audit report:

- ✓ Implement controls to ensure accurate and consistent charges for birthday parties.
- ✓ Develop controls to ensure employees complete cash handling and credit card handling training timely.
- ✓ Revise MP210 and MP212 to require training before handling cash/credit cards.
- ✓ Ensure staff has access to a current and detailed cash handling procedures manual.

What did we find?

✓ Implemented

i.d.e.a. Museum Earned Revenue Follow-up Review

What did we find?

Recommendations from the May 2018 audit report:

- ✓ Establish a process/criteria for price variances.

Note – When the follow-up report was issued (June 2019), this recommendation had not yet been implemented. However, we have confirmed that it is now in place.

✓ Implemented

Eastmark CFD

Report Date: 11/25/2019

A follow-up review to ensure action plans were successfully implemented.

Eastmark CFD Follow-up Review

What did we find?

Recommendations from November 2018 audit report:

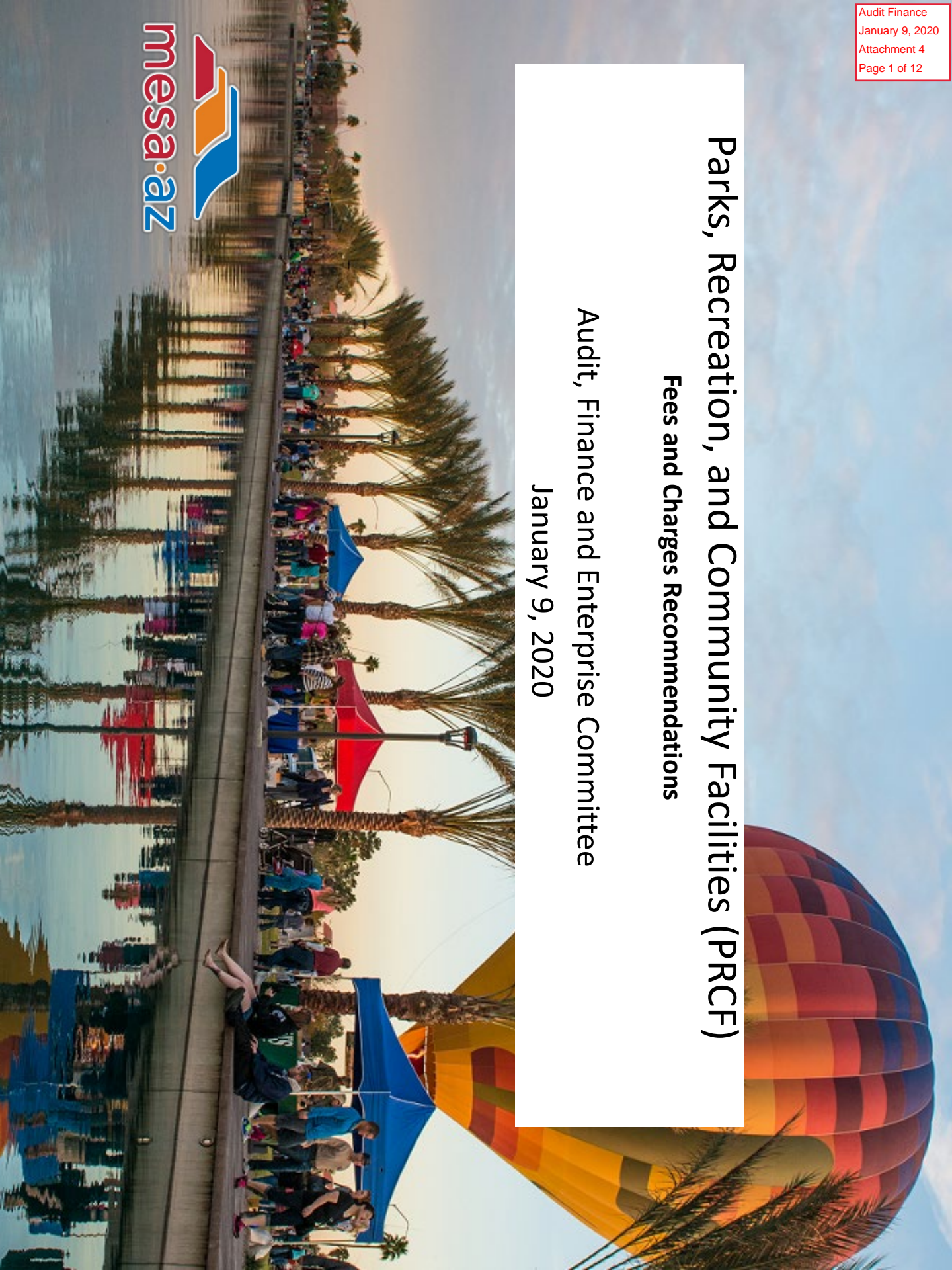
- ✓ Review financial reports to ensure all CFD related salary and benefit costs are complete and accurate.
- ✓ Instruct and periodically remind employees to charge applicable work hours to the CFD.

✓ Implemented

Questions?

Parks, Recreation, and Community Facilities (PRCF) Fees and Charges Recommendations

Audit, Finance and Enterprise Committee
January 9, 2020

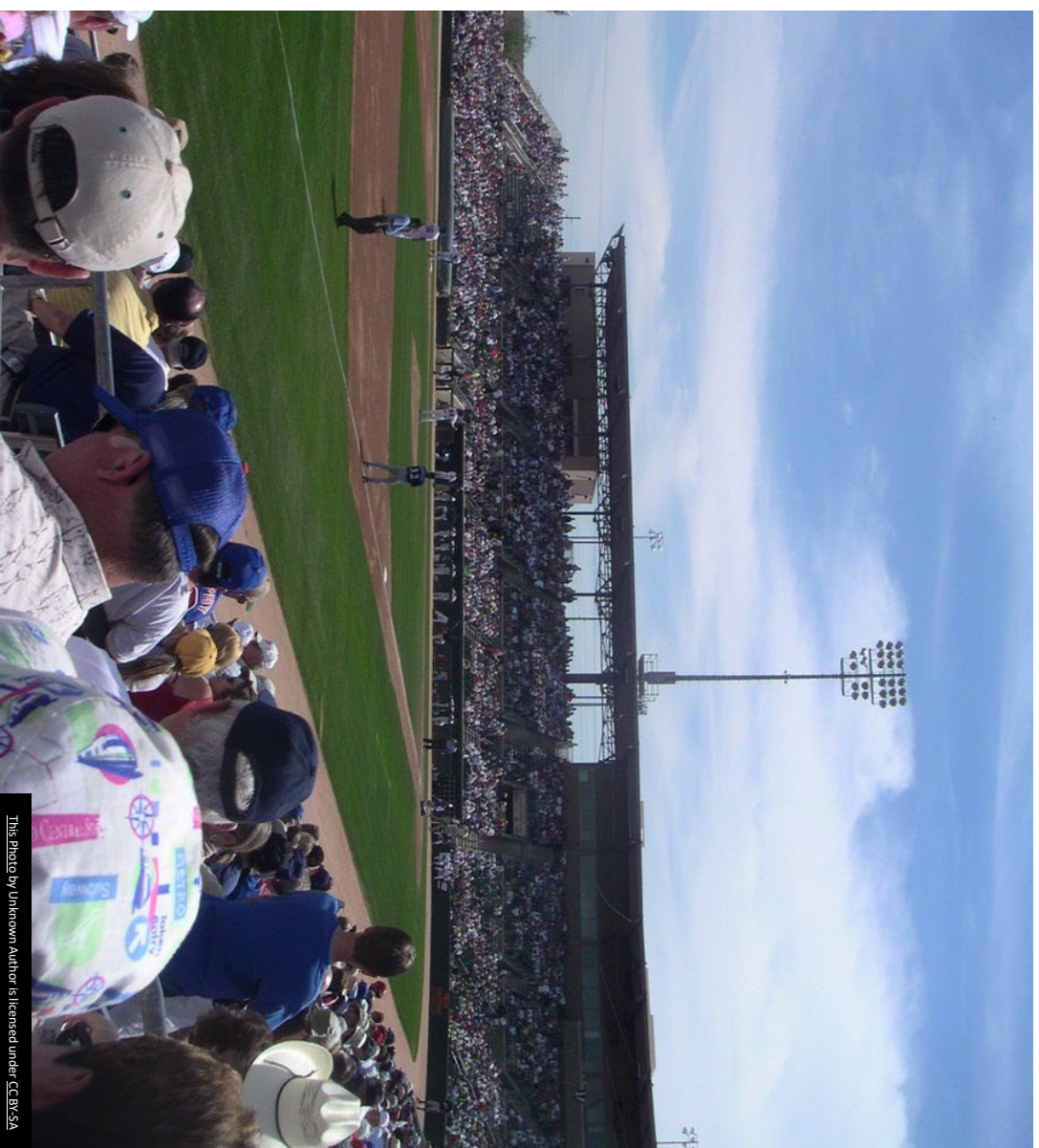


PRCF Fees & Charges Process & Recommendation

- Market comparison of neighboring communities' fees and charges conducted
- Cost of providing service updated
- Staff recommendation to Parks Advisory Board for consideration and recommendation
- Full listing of recommended adjustments/additions/deletions are included in the report
- Estimated fiscal impact of all recommendations is \$40,000
- Proposed effective date: April 1, 2020

Hohokam Stadium

- Eliminate fee categories that are no longer utilized
- Increase League/Tournament Fees to meet customer needs and requirements and to assist with cost recovery
- Fiscal Impact: \$1,000



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City of Mesa Cemetery

- Eliminate fee categories that are no longer utilized
- Decrease range minimum to reflect current practice in older section
- Fiscal Impact: \$0



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Dobson Ranch Golf Course

- Update fee structure for consistency with management contract with Paradigm Golf Group
- Fiscal Impact: \$0



Mesa Convention Center & Amphitheatre

- Elimination of fee categories that are no longer utilized
- Update fees for simplification and readability
- Establishment of new fees for rental of parking lots and provision of services/equipment as requested from previous customers
- Establishment of charges for violation of decibel limit or sound curfew at Amphitheatre
- Fiscal Impact: \$16,000



Aquatics

- Adjustment of various fees to better reflect quality of programming and to help offset cost increases due to increases in the minimum wage
- Renaming passes to reflect seasonal and/or year-round use
- Establishment of FlowRider fees to distinguish from swimming lesson fees
- Fiscal Impact \$19,000



Park Use

- Simplification of water hook up fee to reflect current practice. PRCF charges replaced with pass-through costs from Mesa Water Resources
- Fiscal Impact: \$0



Recreation Center/Gymnasiums

- *Webster, Jefferson and Eagles.* Adjust semester pass range to help offset minimum wage increase and offer additional types of passes
- *Red Mountain Center.* Decrease rental fee range for Youth Activity Center at RMC to encourage rental use
- Fiscal Impact: \$4,000



Sports Complex Field Use / Leagues

- Remove Riverview Sports Complex and add Eastmark Sports Complex
- Increase top of range to cover increased staffing costs on holidays
- Decrease lower end of range for adult sports leagues to allow individuals to register as single players as opposed to a team
- Fiscal Impact: \$0



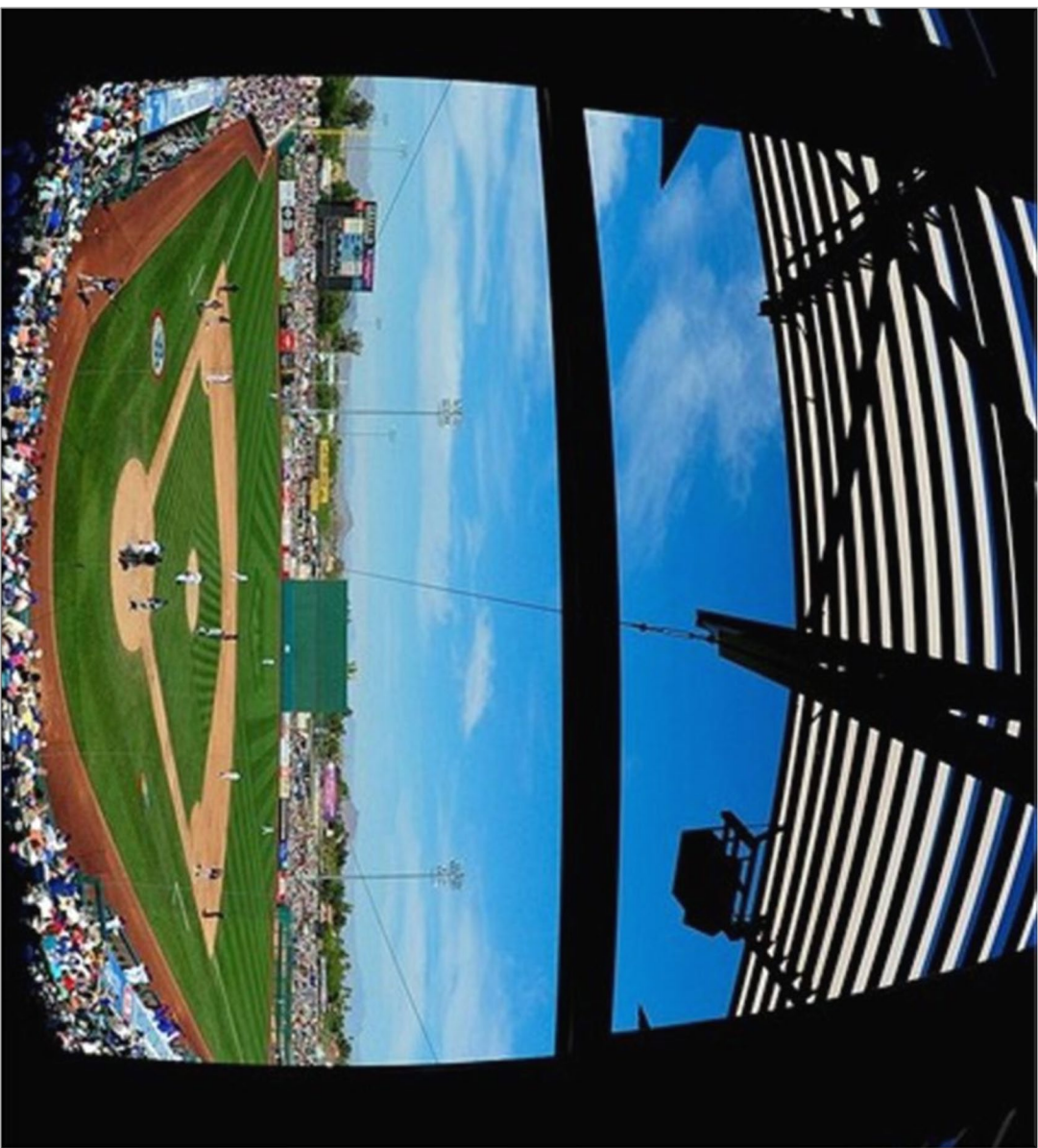
Next Steps:

OMB will complete public posting notifications for fee amendments

City Council will consider proposed PRCF fee amendments March 16th, 2020

If approved by City Council, PRCF fee adjustments are effective April 1, 2020

Thank You. Questions



Investment of City Funds

AUDIT AND FINANCE COMMITTEE

JANUARY 9, 2020

RYAN WIMMER, TREASURER



Investment Objectives

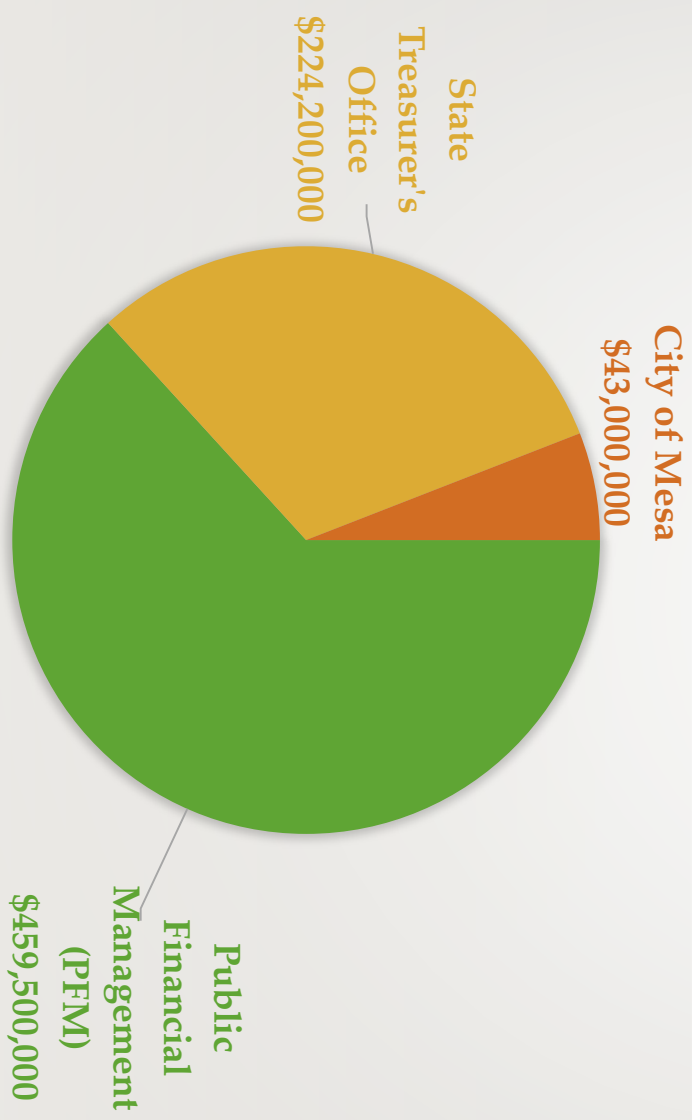
In order of priority:

- 1. Safety** – Preservation of principal (initial investment)
- 2. Liquidity** – Availability of money when needed
- 3. Yield (Return)** – Earning a market rate of return

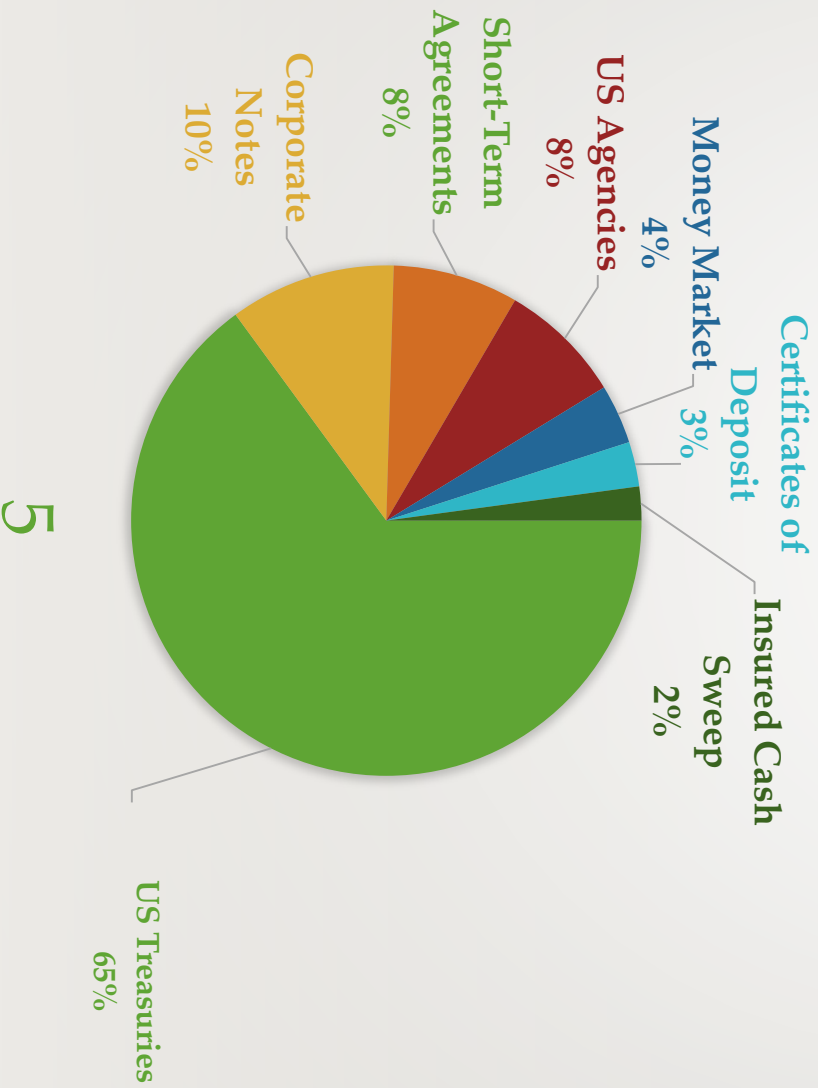
Cash and Investments – Balance History (as of June 30)



Investments by Manager (as of 11/30/2019)



Investment Allocation (as of 11/30/2019)



Investment Manager Costs

Investment Manager	Balance	Annual Fee
Public Financial Management (PFM)	\$ 459,500,000	\$ 238,000
State Treasurer Investment Pool	\$ 224,200,000	\$ 123,000
City of Mesa	\$ 43,000,000	n/a
Total	\$ 726,700,000	\$ 361,000

