

City Auditor

Audit, Finance, and Enterprise Committee

February 15, 2018





Audit Reports

1. Cash Funds – FY 2017 Annual Report
2. Contract Monitoring – Mesa Arts Center
3. Contract Monitoring – Community Services Dept.
4. Contract Monitoring – Facilities Maintenance
5. Follow-up Review – Water Resources Asset Mgmt.
6. Follow-up Review – Communications Inventory



Cash Funds – FY 2017 Annual Report

Report Date: 7/31/2017

Cash Funds

Why we continuously audit cash funds:

- Errors/irregularities – detect & address in a timely manner to reduce losses.
- Consistency – reinforce policies & procedures.
- Build productive relationships – answer staff questions & concerns; and offer assistance when possible.

Cash Funds

Observations:

- Overall, effective processes are in place to protect cash.
- Minor opportunities for improvement:
 - Check handling
 - Reconciliations
 - Transport procedures

Cash Funds

Follow-up from prior report:

- Recommended 2 policy revisions.
 - Partially implemented as of 7/31/2017.
 - Fully implemented 1/10/2018.



Contract Monitoring **Mesa Arts Center (MAC)**

Report Date: 9/12/2017



Contract Monitoring – MAC

Observations:

- Effective processes are in place to protect the City.
- Minor opportunities for improvement:
 - Ensure contracts reflect intent – if not, amend or re-bid.
 - Pay the contracted rate – no more/no less.
 - Ensure staff have direct access to contract documents.



Contract Monitoring **Community Services Dept. (CSD)**

Report Date: 8/2/2017



Contract Monitoring – CSD

Contracts reviewed: West Mesa CDC

- \$90,000 (CDBG) Economic Development Activities – Technical assistance to small businesses to create LMI jobs.
- \$10,000 (General Fund) Neighborhood Outreach – Training and neighborhood events, i.e. renter education, HOA academy, neighborhood forum.



Contract Monitoring – CSD

Finding #1: (Economic Development Contract)

- Claim reimbursement monitoring did not detect and/or address compliance deficiencies prior to payment.
 - Documents did not provide evidence of compliance.
 - Documents were not critically evaluated by staff.



Contract Monitoring – CSD

Recommendations:

1. Use HUD-provided tools to improve monitoring processes.
2. Don't accept attestations of compliance – require evidence.
3. Critically evaluate evidence for sufficiency.
4. Understand all applicable regulations.
5. Prioritize staff assignments/resources based on risk.
6. Develop procedures for tracking/resolving findings.



Contract Monitoring – CSD

Finding #2: (Neighborhood Outreach contract)

- Staff were not aware of contract terms.
- Payments were issued without verifying deliverables.

Recommendations:

1. Staff should understand all contract terms.
2. Payment should only be made after terms are met.



Contract Monitoring **Facilities Maintenance Division**

Report Date: 1/22/2018



Contract Monitoring – Facilities

Finding #1: Expenditures exceeded contract limits.

- 3 out of 23 contracts.
- Overages of \$64,300 – \$101,500 in FY17.
- Reasons – Inability to forecast costs; no internal controls to prevent use of multiple payment methods.



Contract Monitoring – Facilities

Recommendations:

1. Use Delivery Orders (not POs) for contracted services.
2. Train staff to forecast costs more accurately.
3. Obtain dollar limit increases if necessary; don't use PO to exceed existing limits.
4. Ensure estimated requirements are realistic when establishing contracts.



Contract Monitoring – Facilities

Finding #2: Invoiced charges were not verified for compliance with contract terms.

- Unauthorized labor charges.
- Unverified parts charges.

Recommendations:

1. Staff should verify accuracy of charges prior to payment.
2. Contractors with cost+% pricing should provide cost data.



Follow-up Review

Water Resources Asset Management



Follow-up Review – Water Resources **Asset Management**

Previous recommendations:

1. Formalize an asset life-cycle management program policy.
2. Periodically assess critical assets and use this information in a structured planning process.
3. Develop risk assessment process to help prioritize CIP.
4. Assign plant staff to Asset Management Project Advisory Committee.



Follow-up Review – Water Resources **Asset Management**

Follow-up results:

Most corrective action plans were successfully implemented or are on track to finish by revised estimated completion dates. Extended implementation dates include:

CAP #2: June 2019

CAP #3: December 2019



Follow-up Review

Communications Inventory Management



Follow-up Review – Communications **Inventory Management**

Previous recommendations:

1. Identify and dispose of obsolete items.
2. Review and update written policies and procedures.
3. Document chain of custody in and out of the warehouse.
4. Maintain accurate status and location data for assets.
5. Comply with records retention policies.



Follow-up Review – Communications **Inventory Management**

Follow-up results:

All corrective action plans associated with the audit have been successfully implemented.

Questions?

