

# City Auditor

Presentation to the Audit, Finance, and Enterprise Committee  
March 5, 2020

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# Reports Issued Jan-Mar 2020

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Police Department – Jail Services Contract



HR/Employee Benefits – Claims Administration Contract



Follow-up Review – Agreements with NPSOs

# Jail Services Contract

Report Date: 2/25/2020

An audit of contract compliance, performance expectations, and net savings.

# Jail Services Contract

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## What did we audit?

- Reviewed the contract and other sources to identify service requirements and performance expectations.
- Interviewed City and vendor personnel; and observed operations at both the CoreCivic Mesa PD holding facility.
- Reviewed MPD's contract monitoring process and tested transactions to verify accuracy of payments.
- Analyzed financial data to determine if expected net savings were realized.

# Jail Services Contract

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What did  
we find/  
recommend?

1. Inspection procedures need improvement.

## Recommendations:

- Develop more detailed procedures with clearly defined criteria.
- Implement a structured and consistent process for documenting, addressing, and tracking inspection issues.

2. Use of prisoner surveys has been inconsistent.

## Recommendations:

- Ask all inmates to complete a survey.
- Document issues raised and follow up actions taken.

# Jail Services Contract

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## Response & Follow-up

- Management agrees with the recommendations and is implementing corrective action plans.
- All changes should be completed by 6/30/2020.
- 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.

# Medical Claims Administration Contract

Report Date: 2/18/2020

An audit to determine if internal controls were in place to ensure accuracy, compliance, and performance expectations are being met.

# Medical Claims Administration Contract

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## What did we audit?

- Reviewed the contract to identify the requirements.
- Interviewed personnel to assess process in place for monitoring the contract.
- Tested enrollment reports and invoices for accuracy.
- Reviewed vendor credit and performance results documentation.



# Medical Claims Administration Contract

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What did  
we find/  
recommend?

1. Processed claims are not tested for accuracy and compliance.
  - The City's standard audit clause was removed from the contract and replaced with limited audit provisions.
  - Strong reliance on employees to detect errors and report claims issues/denials to the Benefits office.
  - Consumer surveys indicate many employees do not understand their EOBs or do not look at their EOBs.
  - With \$60 million in medical costs annually, undetected errors may be significant.

# Medical Claims Administration Contract

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What did  
we find/  
recommend?

## Recommendations:

- Routinely test claims for accuracy and compliance and consider using data analytics to identify trends and anomalies.
- Procure an independent audit of claims to ensure accuracy and compliance with City's Plan.
- Revise audit provisions in contract to allow the City to appropriately and effectively audit the services provided under the contract.

# Medical Claims Administration Contract

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What did  
we find/  
recommend?

2. Performance results are not verified.

Recommendations:

- Verify the accuracy of performance results reported by Cigna.
- If verification is not possible, implement compensating controls to provide assurance that performance expectations are being met.

# Medical Claims Administration Contract

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## Response & Follow-up

- Management agrees with the recommendations and is implementing corrective action plans.
- Most changes should be completed by 9/30/2020.
- Contract related recommendation will be addressed during the next RFP process.
- 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.

# Agreements with Nonprofit Support Organizations

Report Date: February 24, 2020

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

# Agreements with Nonprofit Support Organizations

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What did  
we find?

Recommendations from the December 2018 audit report:

- 19 recommendations in 3 categories:
  - Written Agreements
  - Staff Activities
  - Grants
- 18 of 19 recommendations have been successfully implemented.

# Agreements with Nonprofit Support Organizations

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What did  
we find?

✓ Implemented

## Written Agreements (Summary of 8 recs.)

Written agreements should:

- ✓ Clearly define relationships, roles and responsibilities, including:
  - ✓ Nature and limitations of relationship – separate entities with defined roles
  - ✓ Nature and amount of City staff support.
- ✓ Prohibit City staff from serving as officers or voting board members.
- ✓ Specify manner and frequency of reporting and reimbursements.

# Agreements with Nonprofit Support Organizations

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What did  
we find?

- ✓ Implemented
- ◇ In Progress

## Staff Activities (Summary of 8 recs.)

- ✓ Comply with all City policies, even if activity is funded by NPSO. This includes travel and any other purchases of goods or services.
- ✓ No direct use of NPSO funds by City staff:
  - ◇ No NPSO credit cards issued to employees.
  - ✓ No funds paid directly to employee by NPSO.
- ✓ Process cash/check/cc transactions using City systems and deposit funds into City accounts.
- ✓ Pass through NPSO revenue (i.e. memberships) per agreed-upon schedule.
- ✓ Process reimbursements on schedule.



# Agreements with Nonprofit Support Organizations

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What did  
we find?

## Grants (Summary of 3 recs.)

- ✓ Maintain grant-related information and documents in a central repository, accessible to those who need it.
- ✓ Carefully review grant award documents to ensure grantee is accurately identified (i.e. awarded to City or NPSO).
- ✓ Develop Arts and Culture Department policies and procedures for grant administration.

✓ Implemented

# Questions?