

City Auditor

Presentation to the Audit, Finance, and Enterprise Committee
June 25, 2020

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Reports Issued Apr-Jun 2020



Transient Lodging Tax



Continuous Auditing of Cash Funds



Annual Credit Card Review



Follow-up Review – Procurement Card Program



Follow-up Review – Development Services Fees & Charges

Transient Lodging Tax

Report Date: 6/16/2020

An audit to determine revenue use is in accordance with laws and contractual agreements; and reliable metrics are in place to evaluate the program.

Transient Lodging Tax

Background

- Bed Tax
- Used for the promotion of tourism.
- Cannot be used to influence the outcome of elections.
- City use: Hohokam Stadium, Sloan Park, Mesa Convention Center
- Remainder distributed to Visit Mesa to promote tourism.

Transient Lodging Tax

What did we audit?

- Reviewed the contract and statutes to identify requirements and performance expectations.
- Interviewed City and Visit Mesa personnel.
- Reviewed revenue distribution and other deliverables to confirm contract compliance.
- Performed tests of TLT expenditures to ensure compliance with applicable laws.
- Analyzed performance metrics for reliability and effectiveness.

Transient Lodging Tax

What did
we find/
recommend?

Monitoring process not in place to evaluate Visit Mesa's compliance or performance.

Recommendations:

- Monitor expenses to verify compliance with statutes and contract terms.
- Monitor metrics to evaluate Visit Mesa's performance.
- Identify contract deliverables that deliver the most value and monitor for compliance.
- Establish a formal communication process to authorize spending and identify key activities to be performed.

Transient Lodging Tax

Response & Follow-up

- Management agrees with the recommendations and is implementing corrective action plans.
- All changes should be completed by 12/31/2020.
- 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.

Citywide Cash Handling

Report Date: 6/25/2020

Annual report on citywide audits of cash handling, change funds, and petty cash.

Citywide Cash Handling

What did we audit and why?

Throughout the year, citywide, we verify:

- Compliance with City policies and procedures.
- Cash fund balances.
- Different procedures performed due to Covid-19.

Goals:

- Early detection of issues to avoid significant issues.
- Deterrence and consistent enforcement of compliance.
- Relationships – answer questions/concerns; offer help when possible.

Citywide Cash Handling

What did we find?

- Cash & equivalents handled by City staff – approximately \$1M annually.
- No material discrepancies in fund balances.
- Overall, effective processes in place to safeguard cash.
- Prior year recommendations were implemented:
 - ✓ MAC box office change fund reconciled daily.
 - ✓ PRCF employees complete required training timely.

Citywide Cash Handling

What did
we
recommend?

Library

- Implement improved internal controls to ensure all employees receive required training within 90 days of handling money.

Citywide Cash Handling

Response & Follow-up

- Management agrees with the recommendation and will implement changes by 9/30/2020.
- We will perform follow-up work as part of the FY2021 Citywide cash handling audit.

Annual Credit Card Security Review

Report Date: 6/10/2020

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

Annual Credit Card Security Review

What is
PCI DSS?

Why do we
audit this
every year?

- 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.

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

Follow-up: What did we find?

✓ Implemented

Last year's recommendations were successfully implemented:

- ✓ Ensure new card handlers complete training timely. (Financial Services, Library Services)
- ✓ Destroy cardholder data per required retention schedules. (Municipal Court)
- ✓ Implement a secure process for receiving credit card numbers. (PRCF)
- ✓ Use City contracted vendors or establish contracts where the vendor accepts responsibility for cardholder data.

Annual Credit Card Security Review

This year:
What did
we find/
recommend?

This year's review found:

1. Point of sale devices not consistently inspected and accurately recorded. (PRCF)
 - Recommended staff maintain an up-to-date list of POS devices.
 - Recommended staff should conduct and document inspections of all POS devices.
2. Training was not always timely. (PRCF, A&C)
 - Recommended improved departmental procedures to ensure training happens in a timely manner.

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.
- 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.

Procurement Card Program

Report Date: 5/26/2020

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

Procurement Card Program Follow-up Review

What did we find?

✓ Implemented

Status of recommendations from February 2019 report:

- ✓ Clarify approval roles and responsibilities for approving transactions to ensure all transactions adequately reviewed prior to approval.
- ✓ Purchasing should develop and deliver mandatory training for reviewers/approvers to ensure they understand how to properly review a transaction and supporting documentation prior to approval.
- ✓ Purchasing should update MP 211 and the Procurement Card Program Guidelines and Procedures to include approver eligibility criteria, clarified roles, and training requirements.

Procurement Card Program Follow-up Review

What did
we find?

✓ Implemented

Status of recommendations from February 2019 report:

- ✓ Purchasing and AP should enforce established Procurement Card Program rules requiring a receipt for every purchase.
- ✓ Purchasing should revise MP 211 and the Procurement Card Program rules to require approvers to track credits to ensure they are received.
- ✓ Purchasing should implement specific requirements to ensure the City is properly credited/reimbursed when an employee accidentally uses a City p-card for personal purchase.

Development Services Fees & Charges

Report Date: 5/19/2020

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

Development Services Fees & Charges Follow-up Review

What did
we find?

✓ Implemented

Status of recommendations from May 2019 report:

- ✓ Cash receipts should be reconciled daily to the City's cashiering system.
- ✓ Update the department's cashiering policy to reflect current processes and outdated content.
- ✓ Develop a process to ensure employees complete cash handling within required time periods.
- ✓ All cash equivalents should be stored in a secure location until they are deposited.
- ✓ Implement a regularly scheduled annual review of all fees and charges in the system to coincide with City Council's annual approval of the revised Schedule of Fees and Charges.

Development Services Fees & Charges Follow-up Review

What did we find?

✓ Implemented

Status of recommendations from May 2019 report:

- ✓ Implement system controls and/or process controls to mitigate the risks associated with manual changes to permit fees.
- ✓ Implement a process to ensure that system access is immediately revoked when an employee is transferred or terminated.
- ✓ All cash equivalents should be stored in a secure location until they are deposited.
- ✓ Develop a more effective internal auditing process; including staff training, standard forms, written procedures, and a more thorough follow-up process.

Questions?