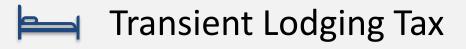
City Auditor

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

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Reports Issued Apr-Jun 2020





Continuous Auditing of Cash Funds



Annual Credit Card Review



Follow-up Review – Procurement Card Program



Follow-up Review – Development Services Fees & Charges

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.

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.

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.

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.

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.

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.

What did we find?

Citywide Cash Handling

- 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.

What did we recommend?

Library

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

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.

What did we audit?

Compliance with <u>operational</u> 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.

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.

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.

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.

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.

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 accidently 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.

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.

What did we find?

✓ Implemented

Status of recommendations from May 2019 report:

Development Services Fees & Charges Follow-up Review

- 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.

