

AUDIT, FINANCE & ENTERPRISE COMMITTEE MINUTES

June 29, 2023

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 June 29, 2023, at 8:36 a.m.

COMMITTEE PRESENT

Jennifer Duff, Chairperson
Francisco Heredia
Mark Freeman

COMMITTEE ABSENT

None

STAFF PRESENT

Mike Kennington
Holly Moseley
Bill Taebel

Chairperson Duff conducted a roll call.

1. Items from citizens present.

There were no items from citizens present.

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

1. Cash Handling (Citywide)
2. Parts Management Follow-up Review (Fleet Services)
3. Falcon Field Leases Follow-up Review (Falcon Field Airport)
4. Employee Benefits - Claims Administration Contract Follow-up Review (Human Resources)
5. Mesa Convention Center 2nd Follow-up Review (Parks, Recreation and Community Facilities)

City Auditor Joseph Lisitano displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Lisitano reviewed the annual audit of cash handling, change funds and petty cash. He indicated that effective processes were found to be in place to safeguard cash. (See Pages 3 through 5 of Attachment 1)

Mr. Lisitano gave an overview of the findings from the four follow-up audits performed over the last year. He reported that all recommendations have been implemented. (See Pages 4 through 15 of Attachment 1)

2-b. Hear a presentation, discuss, and provide recommendation on the proposed Audit Plan for FY 2023/2024.

City Auditor Joseph Lisitano displayed a PowerPoint presentation. **(See Attachment 2)**

Mr. Lisitano presented the proposed FY 2024 Audit Plan. He reviewed the current work in progress, and outlined the audits, follow-up reviews, and other activities planned for FY 2024. (See Pages 2 through 7 of Attachment 1)

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 9:07 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 29th day of June 2023. I further certify that the meeting was duly called and held and that a quorum was present.

HOLLY MOSELEY, CITY CLERK

sr
(Attachments – 2)



City Auditor

Presentation to the Audit, Finance and Enterprise Committee

June 29, 2023

Joseph Lisitano, City Auditor

Reports Issued March-June 2023



Citywide Cash Handling



Fleet Services – Parts Management Follow-up Review



Falcon Field – Leases Follow-up Review



HR/Employee Benefits – Claims Administration Contract Follow-up Review



PRCF – Mesa Convention Center 2nd Follow-up Review

Citywide Cash Handling

Report Date: 6/30/2023

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

Wide Cash Handling

What did we audit and why?

Throughout the year, we verify:

- Compliance with City policies and procedures.
- Petty cash and change fund balances.

Goals:

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

wide Cash Handling

What did
we find?

-
- No material discrepancies in fund balances.
 - Minimal issues related to cash handling training.
 - Overall, effective processes in place to safeguard cash.

Fleet Services – Parts Management Follow-up Review

Report Date: 3/22/2023

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

Inventory Services – Parts Management Follow-up Review

What did we find?

Status of recommendations from November 2021 report:

- ✓ Enforce written policies and procedures by performing:
 - Perpetual inventory counts at least three times per year.*
 - Count verifications when pulling items from the shelf.
 - Random spot checks.
 - Observations of consignment counts performed by vendor representatives.
- ✓ Modify its existing written policies to reflect a more appropriate and reasonable frequency for when inventory control methods should be performed.

✓ Implemented

Services – Parts Management Follow-up Review

What did we find?

Status of recommendations from November 2021 report:

- ✓ Restrict physical access, including the distribution of keys, to the parts warehouse facilities to only parts specialists and other personnel deemed necessary, such as management.
- ✓ Develop and implement policies and procedures to address physical security measures for the parts warehouse facilities.
 - Process for granting and revoking badge and key access.
 - Periodically reviewing employee access rights to warehouse facilities.
 - Periodically reviewing security footage and access reports to monitor for suspicious or unauthorized activity.

✓ Implemented

t Services – Parts Management Follow-up Review

What did we find?

Status of recommendations from November 2021 report:

✓ Ensure compliance with COM Management Procedures policy by developing and implementing policies and procedures to address disposal of inactive and obsolete inventory, including a process to identify and evaluate inactive parts and the frequency of evaluation and disposal of inactive parts.

✓ Maintain documentation to support benchmark criteria used to measure the efficiency of its operations.

✓ Implemented

Falcon Field – Lease Payments Follow-up Review

Report Date: 4/4/2023

A follow-up review to ensure the action plan was successfully implemented.

On Field – Lease Payments Follow-up Review

What did we find?

Status of recommendation from February 2022 report:

- ✓ Develop and implement written policies and procedures for reconciling its lease revenue, including:
 - Performing monthly cash activity reconciliations.
 - Reviewing payment data reports for credit card payments processed online or through Business Services.
 - Retaining documentation of monthly reconciliations.
 - Periodically reviewing monthly cash activity reconciliations for accuracy and completeness.

✓ Implemented

HR/ Employee Benefits – Claims Administration Contract Follow-up Review

Report Date: 5/8/2023

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

Benefits – Claims Administration Contract Follow-up Review

What did we find?

Status of recommendations from February 2020 report:

- ✓ Benefits staff should routinely test processed claims for accuracy and compliance with the City’s plan.
- ✓ An independent audit should be performed to ensure claims are processed accurately and in compliance with the City’s plan.
- ✓ When negotiating a new contract or contract renewals, the audit provisions should be revised to allow the City to appropriately and effectively audit the services provided.
- ✓ Benefits should verify the accuracy of performance results reported by Cigna or implement compensating controls to ensure expectations are being met.

✓ Implemented

PRCF – Mesa Convention Center 2nd Follow-up Review

Report Date: 5/2/2023

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

F – Mesa Convention Center 2nd Follow-up Review

What did we find?

Status of recommendations from June 2022 follow-up
review:

- ✓ PRCF Finance staff should implement a process which ensures revenue is recognized within one accounting period after it is earned. This process should also ensure that accounting methods are applied consistently and accurately.

✓ Implemented

Questions?



City Auditor

Proposed FY 2024 Audit Plan

Presentation to the Audit, Finance and Enterprise Committee

June 29, 2023

Joseph Lisitano, City Auditor



Plan Overview

- Current work in progress
- Audits planned for FY 2024
- Follow-up reviews due in FY 2024
- Other activities



Current Work in Progress

• DoIT – Case Management

• DoIT – Cybersecurity

• DoIT – Remote Access

• Citywide – Take Home Vehicles

• Citywide – Special Pay Programs

its Planned for FY 2024

- *Citywide – Intergovernmental Agreements Cost Recovery
- *Human Resources – Hiring & Recruitment Practices
- Financial Services/Engineering – CFD Reimbursements
- Engineering – ASU Facilities Post-Construction
- Arts & Culture – MAC Revenues

*Carried over from the FY 2023 Audit Plan.



ts Planned for FY 2024

- Attorney – VOCA Program
- City Clerk – Public Records Requests
- Police Department – Mental Health Services Team
- Water Resources – Annual Ordering and Reporting

Follow-up Reviews

- DoIT – Software/Application Management
- PRCF – Mesa Tennis & Pickleball Center Revenues
- Police – Badging/Security Access
- Police – Property & Evidence
- Transportation – Street Maintenance

er Activities

- Citywide Cash Handling Audits (move to biannual cycle)
- Annual Credit Card Security Review
- Fraud & Ethics Hotline Investigations
- Consulting (limited reviews, other projects, etc.)
- Unscheduled Audits (if requested by City Manager or City Council)

Questions or changes?