



AUDIT OF INTERGOVERNMENTAL AGREEMENTS COST RECOVERY

Citywide



OBJECTIVES

This audit was conducted to determine whether effective controls are in place for select City of Mesa intergovernmental agreements to ensure costs are recovered in accordance with the applicable agreement and any other applicable policies, statutes, and other requirements.

BACKGROUND

An intergovernmental agreement (IGA) is an agreement established between two or more public agencies to jointly manage or perform the services specified in the agreement. These agreements can provide several benefits, such as helping facilitate the cooperation and coordination between the parties as well as allowing the parties to share or pool their resources. The City has entered into several IGAs with other local or state government agencies that include the following:

- Agreements with various towns, fire and medical districts to provide dispatching services through the Mesa Police Department's regional dispatch system.
- Agreements with school districts to provide school resource officers and juvenile probation officers, who will perform services that assist in district safety efforts and to serve as a possible deterrent to criminal activity on school grounds.
- An agreement for the development and construction of an Arizona State University facility within downtown Mesa.
- Agreements with various cities and towns for street maintenance projects, including pavement preservation as well as installing and maintaining traffic signals and street lighting.

Many of these IGAs include a cost recovery component, which requires the City to either reimburse or receive reimbursement from the other public agencies for costs incurred related to the shared services or joint projects.

SUMMARY OF OBSERVATIONS

1. City departments do not have a process in place to ensure they are complying with Management Policy 119.
2. City departments do not have written policies and procedures in place to ensure costs are fully recovered.

CONCLUSION

In our opinion, City departments have effective controls in place to ensure that costs are recovered in accordance with the applicable agreements. However, some City departments should further improve its controls to ensure that they are complying with Management Policy 119 and have written policies and procedures in place. For additional details, please see the attached Issue and Action Plans.

ISSUE AND ACTION PLAN #1

City departments do not have a process in place to ensure they are complying with Management Policy 119

What We Found

According to Management Policy 119, the City Manager has designated the Real Estate Services Division within the Engineering Department as the City's repository for all signed copies of IGAs. City departments and divisions are responsible for ensuring that a complete copy of each signed and executed agreement is electronically stored and filed with the Real Estate Services Division. However, four departments (Water Resources, Police, Mesa Fire and Medical (MFMD), and Department of Innovation and Technology (DoIT)) that held IGAs with a cost recovery component were not aware of Management Policy 119 and that the Real Estate Services Division was the City's repository for all IGAs.

What It Should Be

According to Management Policy 119, "A. All signed and executed intergovernmental agreements and development agreements are to be electronically stored and filed within the Engineering Department. B. Departments and divisions are responsible for ensuring that a complete copy of each such signed and executed agreement originating within their respective units is delivered to the Real Estate Services Division."

Why Does It Matter

Without an effective process in place, there is a risk that the City may not be aware of all IGAs that its departments enter into with other public agencies. In addition, there is an increased risk that departments may not be properly tracking or monitoring all of their IGAs to ensure costs are recovered according to the terms and conditions of the agreements.

What We Recommend and Management's Action Plan

Recommendation #1-1: To comply with Management Policy 119, management should develop and implement a process to ensure all signed and executed IGAs are electronically stored and filed with Real Estate Services within the Engineering Department.

Action Plan #1-1:

[Water Resources](#)

A department policy will be developed and implemented to ensure all signed and executed IGAs are electronically stored and filed with Real Estate Services within the Engineering Department.

Individual or Position Responsible: [Management Assistant II](#)

Estimated Completion Date: [2/14/2025](#)

Action Plan #1-1:

[Police](#)

Create a comprehensive log with all executed and pending IGAs. This log will include the IGA execution date, IGA effective date, IGA termination date, date executed IGA was emailed to Real Estate Services to comply with MP 110, Cost Recovery Indicator, amount, and other relevant information.

Individual or Position Responsible: [Police Budget Coordinator](#)

Estimated Completion Date: [6/30/2025](#)

Action Plan #1-1:

[MFMD](#)

The Management Services Division hold quarterly budget meetings. At our meeting held in May 2024, each division was presented with a copy of management policy 119 and we reiterated that IGAs would need to be sent to Christine Button (Financial Specialist) who would then send a copy to Real Estate. Further, Christine ensures that a copy of all current IGAs were sent to Real Estate.

Individual or Position Responsible: [Christine Button, Financial Specialist](#)

Estimated Completion Date: [In Place](#)

Action Plan #1-1:

[DoIT](#)

A standard operating procedure will be developed and implemented to create a workflow for IGAs to include routing the executed IGA to Real Estate Services

Individual or Position Responsible: [Project Manager](#)

Estimated Completion Date: [April 30, 2025](#)

ISSUE AND ACTION PLAN #2

City departments do not have written policies and procedures in place to ensure costs are fully recovered

What We Found

City departments are responsible for managing their own IGAs which includes monitoring and tracking their IGAs to ensure all costs have been fully recovered according to the terms and conditions of the IGAs. However, during our review, DoIT, Police, and the Public Safety Communication Division within MFMD did not have written policies and procedures in place to ensure costs are fully recovered according to the terms and conditions of the IGAs.

What It Should Be

According to the City's Management Policy 100, Management Procedures, "operational procedures shall be written departmental procedures issued by the department head." In addition, according to MP 100, procedures are written instructions telling employees what actions are necessary to accomplish a particular action in compliance with previously approved policies, rules, and regulations.

Why Does It Matter

Without written policies and procedures in place, there is a risk that employees are performing inappropriate or inconsistent procedures. In addition, there is also an increased risk that costs may not be fully recovered based on the terms and conditions of the IGAs.

What We Recommend and Management's Action Plans

Recommendation #2-1: To help ensure costs are fully recovered, departments should develop and implement policies and procedures to address the following:

- The process for preparing invoices to ensure the proper amount, including ensuring only reimbursable costs, was invoiced.
- The process for tracking payments to ensure all costs have been fully recovered.

Action Plan #2-1:

Police

Create a written procedure detailing the steps required to ensure costs are recovered from executed agreements.

Individual or Position Responsible: **Financial Coordinator**

Estimated Completion Date: **9/30/2025**

Action Plan #2-1:

MFMD

All divisions with IGAs have fully developed and implemented procedures. Additionally, at the quarterly budget meetings held with every division an accounts receivable aging report is reviewed to ensure all costs have been fully recovered in a timely manner.

Individual or Position Responsible: Christina Mendoz, Office Supervisor; Zelda Cogill, Program Assistant; and Jessica Espinoza, ASA II

Estimated Completion Date: In Place

Action Plan #2-1:DoIT

A standard operating procedure will be developed and implemented to include the process for preparing invoices and tracking payments to ensure that costs are fully recovered.

Individual or Position Responsible: IT Budget Coordinator

Estimated Completion Date: 3/27/2025

SCOPE

The scope of the audit was the period from July 1, 2021, through June 30, 2024.

METHODOLOGY

To accomplish our objective, we performed the following:

- Interviewed City department staff.
- Reviewed policies and procedures and other documentation to gain an understanding of City department processes related to IGAs with cost recovery components.
- Performed a walk-through of the IGA database maintained by the Real Estate Services Division.
- Tested a sample of IGAs by reviewing copies of IGAs, invoices, and revenue reports to determine if costs were properly recovered based on the terms and conditions of the agreement.

AUDIT STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



The City Auditor's office provides audit, consulting, and investigative services to identify and minimize risk, maximize efficiencies, improve internal controls, and strengthen accountability to Mesa's citizens. We serve as an independent resource to City Management and the City Council, to provide them with timely, accurate, and objective information, assurances, and recommendations pertaining to City of Mesa programs and activities.

Audit Team

Michelle Hute, Senior Internal Auditor
Sherry Thomas, Internal Auditor

City Auditor

Joseph Lisitano, CPA, CIA

Mesa City Auditor's Office

Phone: 480-644-5059

Email: auditor.info@mesaaz.gov

Website: <https://www.mesaaz.gov/government/city-auditor>

Copies of our audit reports are available at:

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