

AUDIT, FINANCE & ENTERPRISE COMMITTEE

May 6, 2021

The Audit, Finance & Enterprise Committee of the City of Mesa met via a virtual format streamed into the lower-level meeting room of the Council Chambers, 57 East 1st Street, on May 6, 2021, at 8:42 a.m.

COMMITTEE PRESENT	COMMITTEE ABSENT	STAFF PRESENT
Mark Freeman, Chairman Jennifer Duff David Luna*	None	Mike Kennington Dee Ann Mickelsen Jim Smith

(*Participated in the meeting through the use of telephonic equipment.)

Chairman Freeman conducted a roll call.

Chairman Freeman excused Committeemember Luna from the beginning of the meeting; he arrived at 8:43 a.m.

1. Items from citizens present:

There were no items from citizens present.

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

1. Police Photo Safety Program

City Auditor Joseph Lisitano displayed a PowerPoint presentation reviewing the five audits. **(See Attachment 1)**

Mr. Lisitano stated the Photo Safety Program audit was done to analyze the financial impact of the program, determine how the revenues are used, and whether the goals and objectives are being met. He provided background regarding the program, adding currently there are 19 intersections and 7 school zones with photo cameras. He reported that Municipal Court is responsible for adjudicating the sanctions and recording the revenue. (See Pages 3 and 4 of Attachment 1)

Mr. Lisitano outlined the process of auditing the Photo Safety Program, which included interviewing Mesa Police Department (PD), Court, and Transportation personnel and analyzing the effects of the program. He remarked the City was unable to do its own traffic audit because expertise is needed to determine if a camera is improving traffic; and instead, the City focused

on independent research which showed reducing speeds at intersections or in school zones either reduces accidents or reduces the severity of an accident. (See Page 5 of Attachment 1)

Mr. Lisitano advised the findings indicated that documentation and review of the program needs improvement, and he listed the recommendations for each department. (See Pages 6 and 7 of Attachment 1)

Mr. Lisitano continued by saying management from each department agreed with the recommendations and are implementing corrective action plans. He commented staff will stay in contact with the departments and will provide follow-up in one year. (See Page 8 of Attachment 1)

2. MFMD Emergency Medical Transportation Services and Billing

Mr. Lisitano stated the Emergency Medical Transportation Services and Billing audit was conducted to determine whether effective controls are in place to ensure all eligible costs are recovered, contract terms were met, and financial risks are mitigated. He mentioned Mesa Fire and Medical Department (MFMD) started a pilot program in 2017 with two emergency transportation vehicles operating approximately 40 hours a week and the program has continued to expand with more vehicles running for longer hours each day. He indicated the audit consisted of interviewing staff and vendors, reviewing documents, and testing claims, payments, and write-offs. (See Pages 9 and 10 of Attachment 1)

Mr. Lisitano commented the findings were minor and a lack of claims review led to uncorrected errors, write-off guidance was limited, as well as the reconciliation between the dispatch system and patient records needed improvement. He outlined the recommendations made to reconcile the issues found. (See Pages 11 through 13 of Attachment 1)

In response to a question from Committeemember Luna, Mr. Lisitano clarified the billing is done through a third-party vendor and the recommendation is that staff review the billing to make sure the billing is done correctly. He remarked the Fire Department creates the pricing list and the errors were coming from the vendor using an outdated list.

Assistant Fire Chief Cori Hayes explained MFMD utilizes Daisy Mountain as their third-party vendor for billing and Daisy Mountain was not given the updated data to process the bills correctly. She expanded by saying the audit found that a process must be in place to regularly review the billing and a review process is being implemented. She added the small amounts are not a big deal until you add them up over the 30,000 plus transports that occur each year.

In response to a question posed by Committeemember Luna regarding whether MFMD will be eventually taking the billing back, Assistant Chief Hayes said currently the department is running a hybrid using the vendor and doing some billing in-house and the process is being reviewed regularly with the City Manager's office. She remarked approval has been given to bring on some billers working under the Business Services Department which will provide direction on whether the City stays with a third-party vendor or goes back to in-housing billing.

Responding to a question from Chairman Freeman, Assistant Chief Hayes confirmed that MFMD is currently contracting with Daisy Mountain and the five billers who work for Mesa are supplementing their work. She commented Daisy Mountain is struggling to keep up with the

billing for 12 transport vehicles; however, are willing to train the Mesa billers. She added the contract is up in October and a decision will be made at that time which direction to go.

Mr. Lisitano advised that management agreed with the recommendation and are implementing a corrective action plan which should be completed by July 1. (See Page 14 of Attachment 1)

3. Engineering CMAR Projects

Mr. Lisitano commented on the audit for engineering pertaining to CMAR projects are to determine whether the projects are administered in accordance with established criteria and that internal controls are in place. He stated the audit evaluated the department's procedures to ensure compliance, interviewed staff regarding policies and procedures, and tested a project's records to see if required controls were in place. (See Pages 15 and 16 of Attachment 1)

Mr. Lisitano noted the only finding was that contract-related document retention is not consistent and recommended the department develop a process to ensure consistent retention. He confirmed management agreement and that changes are being implemented. (See Pages 17 and 18 of Attachment 1)

4. Engineering JOC Projects

Mr. Lisitano indicated the audit for engineering with regard to JOC projects was conducted to determine administration is in accordance with established criteria and that effective controls are in place. He commented the audit evaluated whether department procedures are followed. (See Pages 19 and 20 of Attachment 1)

Mr. Lisitano mentioned one issue was no supervisor review of JOC cost proposals in the documentation, which is important for JOCs to secure a reasonable price for the project. He said the recommendation was to ensure supervisors are trained to document their review of project documents. He advised a follow-up review will be performed in one year. (See Pages 21 and 22 of Attachment 1)

Mr. Lisitano reported an audit was conducted for CIP Mesa, which is the system used by Engineering to manage projects, as part of the JOC and CMAR audits. He remarked there was no separate audit report issued because there were no issues found. (See Page 23 of Attachment 1)

5. Police Jail Services (Follow-up Review)

Mr. Lisitano stated a follow-up review was performed of the Jail services contract to make sure the action plans were successfully implemented. He highlighted the recommendations from the February 2020 report and confirmed implementation. (See Pages 24 and 25 of Attachment 1)

In response to a question posed by Chairman Freeman regarding the timeline for completion of the recommendations, Mr. Lisitano verified all the Jail services recommendations have been implemented.

Mr. Lisitano commented the follow-up audits for the Convention Center revenues and the employee benefits have been delayed due to the pandemic and will be done next year. (See Page 27 of Attachment 1)

Chairman Freeman thanked Mr. Lisitano for the presentation.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 9:06 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 6th day of May 2021. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 1)

City Auditor

Presentation to the Audit, Finance, and Enterprise Committee
May 6, 2021

Joseph Lisitano, City Auditor

Reports Issued Dec 2020-Apr 2021



Police – Photo Safety Program



MFMD – Transport Services & Billing



Engineering – CMAR Projects



Engineering – JOC Projects



Follow-up Review – Police – Jail Services Contract



Follow-up Review – Other

Police – Photo Safety Program

Report Date: 12/3/2020

An audit to analyze the financial impact of the program, determine how the associated revenues are used, and determine whether the established goals and objectives are being met.

Photo Safety Program

Background

- Supplement Traffic Enforcement
- Intersections or School Zones
- Administered by Mesa Police Department
- Transportation and Municipal Court role
- Safety Analysis and Speed Studies

Photo Safety Program

What did we audit?

- Interviewed MPD, Court, and Transportation personnel.
- Reviewed costs with photo enforcement vendor.
- Reviewed revenues and operating expenses for the program.
- Reviewed Transportation department traffic studies analyzing the effects of the program.
- Researched independent traffic studies analyzing the effects of photo enforcement programs.

Photo Safety Program

What did we find/ recommend?

Program goals and objectives documentation and review need improvement.

Police Department Recommendations:

- Establish goals and objectives and clearly define department roles for the program.
- Report financial safety projects, citation information, and financial results on a quarterly basis.
- Conduct Traffic Safety Committee meetings at least biannually.

Photo Safety Program

What did we find/ recommend?

Program goals and objectives documentation and review need improvement.

Municipal Court Recommendations:

- Provide photo safety revenue data monthly.

Transportation Recommendations:

- Conduct follow-up speed reviews on a consistent schedule and/or conduct an independent photo enforcement study.
- Provide traffic review data and analysis directly to the Police Department.

Photo Safety Program

Response & Follow-up

-
- Management agrees with the recommendations and is implementing corrective action plans.
 - We will remain engaged with the departments throughout the process to help ensure successful implementation.
 - We will perform a follow-up review in approximately 1 year.

Emergency Medical Transportation Services and Billing

Report Date: 3/9/2021

An audit to determine whether effective controls are in place to ensure all eligible costs are recovered, billing services provided by the vendor meet contract terms, and other financial risks are mitigated.

Emergency Medical Transportation Services and Billing

What did we audit and why?

- Interviewed MFMD and vendor staff and reviewed procedures to identify and determine the effectiveness of internal controls.
- Reviewed contract documents, state statutes, federal regulations, and CMS manuals for compliance requirements.
- Tested transportation claims, payment amounts, and write-offs.
- Why? To verify effective controls are in place to ensure costs are recovered, the vendor meets contract terms, and other financial risks are mitigated.

Emergency Medical Transportation Services and Billing

Lack of review of claims led to uncorrected errors.

Recommendations:

- Review sampled claims for accuracy and completeness and review results with management and the vendor for correction.
- Ensure all rates in the billing system are entered accurately when rate changes take place.

What did we find?

Emergency Medical Transportation Services and Billing

What did we find?

Write-off guidance is limited, resulting in inconsistent requests made of patients.

Recommendations:

- Annually assess the write-off strategy to ensure it considers common causes and the current volume and dollar amount written-off.
- Develop and communicate a comprehensive write-off guidance document that supports the write-off strategy.
- Conduct oversight regularly to ensure compliance.

Emergency Medical Transportation Services and Billing

What did we find?

Reconciliation between dispatch system and patient records needs improvement.

Recommendations:

- Ensure the reconciliation is designed to identify all MFMD transports and address data collection issues.
- Review reconciliation results to be aware of any obstacles and verify that it is performed.

Emergency Medical Transportation Services and Billing

Response & Follow-up

-
- Management agrees with the recommendations and is implementing corrective action plans.
 - All changes should be completed by 7/1/2021.
 - 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.

Engineering – CMAR Projects

Report Date: 3/10/2021

An audit to determine whether CMAR projects are administered in accordance with established criteria and internal controls are in place and operating effectively to monitor projects.

Engineering – CMAR Projects

What did we audit and why?

- Evaluated department procedures to ensure compliance with State, City, and department directives.
- Interviewed staff regarding procedures, training, supervision, and internal controls for project delivery.
- Tested a construction project's records to determine if controls were in place to ensure deliverables were received, timelines met, supervisor approved, and completed within budget.
- Why? To ensure projects follow established criteria and controls are in place to monitor projects.

Engineering – CMAR Projects

Contract-related document retention is not consistent.

Recommendation:

- Develop processes to ensure contract-related documents are consistently retained.

What did
we find?

Engineering – CMAR Projects

Response & Follow-up

- Management agrees with the recommendation and is implementing the corrective action plan.
- All changes should be completed by July 2022.
- 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.

Engineering – JOC Projects

Report Date: 4/13/2021

An audit to determine whether JOC projects are administered in accordance with established criteria; and whether there are effective internal controls to prevent or detect errors, fraud, waste, or abuse.

Engineering – JOC Projects

What did we audit and why?

- Evaluated department procedures to ensure compliance with State, City, and department directives.
- Interviewed staff regarding procedures, training, supervision, and internal controls for project delivery.
- Tested a sample of JOC projects to determine if controls were in place to ensure deliverables were received, timelines met, supervisor approved, and completed within budget.
- Why? To ensure projects follow established criteria and controls are in place to monitor projects.

Engineering – JOC Projects

What did we find?

Supervisor review of JOC cost proposals was not documented.

Recommendation:

- Ensure all supervisors are trained to document their review of project documents.

Engineering – JOC Projects

Response & Follow-up

-
- Management agrees with the recommendation and is implementing the corrective action plan.
 - All changes should be completed by October 2021.
 - 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.

Engineering – CIP Mesa

CIP Mesa

- System used by Engineering to manage projects.
- Concern about consistent use among project managers.
- As part of our testwork during the JOC and CMAR audits, we found that use was consistent among project managers, except for issues noted in those reports.
- No separate audit report issued.

Jail Services Contract

Report Date: 12/7/2020

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

Mail Services Contract Follow-up Review

What did we find?

Status of recommendations from February 2020 report:

- ✓ Develop more detailed inspection procedures, with clearly defined criteria and include all relevant performance aspects in the inspection process.
- ✓ Implement a more structured and consistent process for documenting, addressing, and tracking issues identified during inspections (and on prisoner surveys), to ensure they are completely resolved.
- ✓ Ensure all prisoners are asked to complete a survey, as required by MPD policy. All issues raised, and follow up actions taken, should be documented.

✓ Implemented

Other Follow-up Reviews

Provide a status on outstanding follow-up reviews.

Other Follow-up Reviews

Convention Center Revenues:

- New procedures and processes in place to address issues in our audit have been implemented.
- Due to COVID-19, events have not been held at the Convention Center or Amphitheatre.
- As a result, we have been unable to perform audit testwork.

Employee Benefits – Claims Administration Contract:

- New procedures and processes in place to address issues in our audit have been implemented.
- One issue could not be addressed due to COVID-19 and another is pending until the next contract renewal.

Conduct these 2 follow-up reviews in FY 2022.

Questions?

m.e.s.a.az

