

City Auditor

Presentation to the Audit, Finance, and Enterprise Committee
June 30, 2022

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Reports Issued January – June 2022



Falcon Field – Leases



Annual Credit Card Security Review



Citywide Cash Handling



Follow-up Review – Transient Lodging Tax

Reports Issued January – June 2022



Follow-up Review – MFMD – Transport Services & Billing



Follow-up Review – Police – Photo Safety Program



Follow-up Review – Engineering – CMAR Projects



Follow-up Review – PRCF – Conv. Center & Amp. Revenues

Falcon Field Leases

Report Date: 2/22/2022

An audit to determine whether effective controls are in place to ensure revenues are accurately calculated, recorded, and collected; to prevent or detect errors, fraud, waste, or abuse; and to ensure compliance with policies, statutes, and other applicable requirements.

Falcon Field – Leases

What did we audit and why?

- Reviewed policies and procedures to identify process controls.
- Interviewed Falcon Field personnel and observed procedures to assess effectiveness of controls.
- Sampled and tested monthly land lease and city-owned property revenues.
- Why? To verify effective controls are in place to ensure revenues are accurately calculated, recorded, and collected.

Falcon Field – Leases

What did
we find/
recommend?

The department did not perform or retain documentation of its monthly cash activity reconciliations.

Recommendation:

- Develop and implement policies and procedures for reconciling lease revenue including:
 - Perform monthly cash activity reconciliations.
 - Review payment data reports for credit card transactions.
 - Retain documentation of reconciliation activity.
 - Review cash activity reconciliations for accuracy and completeness.

Annual Credit Card Security Review

Report Date: 6/30/2022

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
review 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 review?

Compliance with operational requirements:

- Screening and training all employees and volunteers who handle cardholder data.
- 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?

Last year's recommendations were
successfully implemented:

- ✓ Complete credit card handling training within required timeframes. (Library Services)
- ✓ Assign unique login and password to employees accessing any system to process credit card transactions. (PRCF)

✓ Implemented

Annual Credit Card Security Review

This year:
What did
we find/
recommend?

This year's review found:

1. Credit card handling training not being completed within required timeframes. (Development Services, Falcon Field)
 - Recommended implementation of a control to ensure training is completed within required timeframes.
2. Service providers' compliance status was not monitored. (Business Services)
 - Recommended that the department enforce its policies and procedures and perform the verification process at least annually.

Annual Credit Card Security Review

Response & Planned Follow-up

- Management from all 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.

Citywide Cash Handling

Report Date: 6/30/2022

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, we verify:

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

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.

Transient Lodging Tax Follow-up Review

Report Date: 1/11/2022

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

TLT Follow-up Review

What did
we find?

✓ Implemented

Status of recommendations from June 2020 report:

- ✓ Monitor Visit Mesa's TLT funded expenses to verify compliance with state statutes and contract terms. This should be done in a timely manner so that any exceptions can be corrected.
- ✓ Monitor metrics to evaluate Visit Mesa's performance.
- ✓ When negotiating contract deliverables and performance metrics, identify those that provide the most value, as well as the frequency in which they are desired. Follow-up with monitoring for compliance.
- ✓ Establish a formal communication process, designate individual(s) who have authority to direct TLT spending, set clear expectations.

MFMD Emergency Medical Transportation Services and Billing Follow-up Review

Report Date: 11/20/2021

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

MFMD Transportation Services & Billing Follow-up Review

What did we find?

✓ Implemented

Status of recommendations from March 2021 report:

- ✓ Staff should review sampled claims for accuracy and completeness in compliance with departmental procedures. The results of the oversight should be communicated to management and to the vendor, as appropriate for correction.
- ✓ When rate changes are implemented, staff should ensure all rates in the billing system have been entered accurately.
- ✓ Management should assess the write-off strategy annually to ensure that it encompasses the common causes for and takes into consideration the current volume and dollar amount of transport claims written-off.
- ✓ Develop and communicate a comprehensive write-off guidance document that supports the write-off strategy
- ✓ Oversight should be conducted on a regular basis to verify compliance with the guidance.
- ✓ Ensure the reconciliation is designed to identify all MFMD transports; reporting data collection issues to the appropriate system administrator(s) as needed.
- ✓ Management should review the reconciliation results to be aware of any obstacles that are preventing desired objectives and to verify that the control is performed regularly, and as designed.

Police Photo Safety Program Follow-up Review

Report Date: 5/11/2022

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

Police Photo Safety Program Follow-up Review

What did
we find?

✓ Implemented

Status of recommendations from December 2020 report:

Police Department

- ✓ Establish goals and objectives for the program, clearly define each department's role and responsibilities for the program and communicate them to the departments involved with the program.
- ✓ Report photo safety projects, citation information, and financial results to all departments involved in the program on at least a quarterly basis.
- ✓ Conduct the Traffic Safety Committee Meeting at least biannually.

Police Photo Safety Follow-up Review

What did
we find?

✓ Implemented

Status of recommendations from December 2020 report:

Municipal Court

- ✓ Provide photo safety revenue data to the Police Department at least monthly.

Transportation Department

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

Engineering CMAR Projects Follow-up Review

Report Date: 6/14/2022

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

Engineering CMAR Projects Follow-up Review

What did
we find?

Status of recommendation from March
2021 report:

- ✓ Engineering management should develop processes to ensure contract-related documents are consistently retained.

✓ Implemented

PRCF Mesa Convention Center Follow-up Review

Report Date: 6/1/2022

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

PRCF Mesa Convention Center Follow-up Review

What did
we find?

✓ Implemented

Status of recommendations from November 2019 report:

- ✓ Develop controls to ensure concert settlement accuracy and completeness prior to payment issuance.
- ✓ Develop more effective internal controls to ensure the accuracy and completeness of fees charged to customers.
- ✓ Ensure that all standard fees and charges are authorized and fall within Council approved ranges; and obtain Council approval for all additions or changes to the approved Schedule of Fees and Charges.
- ✓ Develop a more effective internal control to ensure employees verify the accuracy of vendor invoices prior to payment.

PRCF Mesa Convention Center Follow-up Review

What did we find?

✓ Implemented

Status of recommendations from November 2019 report:

- ✓ All cash and cash equivalents should be kept in a secure location that is only accessible to Box Office staff who sell tickets. Also, the Box Office should obtain a safe that is more conducive to daily use.
- ✓ Develop improved internal controls over cash receipts. Examples of improved internal controls include: secondary counts, review of payments and deposits, utilizing a system that dispenses uniquely number receipts that are reconciled to deposits, updating procedures to direct staff how and where to secure funds and how to record overages and shortages, etc. The process related to parking revenues could also be improved to allow for more accurate reconciliation of this revenue.

PRCF Mesa Convention Center Follow-up Review

What did we find?

- ✓ Implemented
- ✗ Not Implemented

Status of recommendations from November 2019 report:

- ✓ Obtain all contract terms in writing, including ticket pricing and fee structures, and amend contracts whenever substantive changes are made to the terms. Also, all contracts and amendments should be signed by both parties.
- ✓ Develop a more effective internal control to ensure all refunds are approved in writing by the program supervisor.
- ✓ Ensure all direct revenue and expenditures from all applicable periods are included when calculating Direct Cost Recovery percentages; and carefully review calculations for accuracy and completeness prior to reporting results to management.
- ✗ PRCF Finance staff should implement a process which ensures that revenue is recognized within one accounting period after it is earned. This process should also ensure that accounting methods are applied consistently and accurately.

Questions?