

AUDIT, FINANCE & ENTERPRISE COMMITTEE MINUTES

December 1, 2022

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 December 1, 2022, at 4:00 p.m.

COMMITTEE PRESENT

Mark Freeman, Chairperson
Jennifer Duff
David Luna

COMMITTEE ABSENT

None

STAFF PRESENT

Mike Kennington
Holly Moseley
Bill Taebel

(Items on the agenda were discussed out of order, but for purposes of clarity will remain as listed on the agenda.)

Chairperson Freeman conducted a roll call.

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation, discuss, and provide a recommendation on the proposed fees and charges for the Parks, Recreation and Community Facilities Department.

Parks and Recreation Community Facilities (PRCF) Department Director Andrea Moore introduced Senior Fiscal Analyst Tammy Davenport and displayed a PowerPoint presentation. **(See Attachment 1)**

Ms. Moore stated that the schedule of fees is divided into two categories. The first commercial category includes the Mesa Convention Center, the Mesa Amphitheater, The Post, Dobson Ranch Golf Course, and the Mesa Cemetery. The second category is recreation-based fees, which include recreation centers, aquatics, parks, sports field rentals, and special event fees. She explained that a fee range allows for flexibility, clarity, and a diverse program offering through program and market changes. She pointed out PRCF evaluates the cost of providing services and cost recovery to maintain a reasonable price point for the community. She reported a Parks and Recreation Advisory Board (PRAB) subcommittee reviews the fee schedule and follows up with the entire board to provide recommendations. She commented that PRAB concurred with staff on recommended fee changes for Council consideration and carried the

motion with a 5-4 vote. She noted a discussion occurred on reduction to camp fees. (See Page 2 of Attachment 1)

In response to multiple questions from Committeemember Luna, Ms. Moore explained members of the public attended the PRAB meeting to request a reduction in youth summer camp fees. She pointed out fee reduction options currently exist for all youth through various assistance programs. She stated there is a 50% discount offered through a scholarship from the American Rescue Plan Act (ARPA) program. She added no child has been turned away from camp, and staff works with families to provide individualized assistance. She reported PRCF is working to improve communication and outreach to ensure the public understands fee assistance options and how to apply. She remarked the Foundation for Mesa Parks and Recreation provides \$20,000 in funding for camps, transportation costs, swim lessons, and other programs. She indicated PRCF is working with the Foundation to attract more corporate sponsorship programs and to supplement the expiration of the ARPA grant. She stated field trip transportation was provided by the City and transportation to the school was provided by individual schools through grants.

Responding to a question from Committeemember Duff, Ms. Moore stated the ARPA scholarship program expires at the end of 2023. She explained before ARPA, the department offered fee assistance on a smaller scale through the General Fund, which reduced the overall revenue of programs. She noted scholarship participation increased by approximately 2000 people this year; therefore, PRAB and Foundation members would be asked to dedicate more time to fundraising and attracting sponsorships moving forward. She stated the department is recovering approximately 80% of direct costs from the camps.

In response to additional questions from Committeemember Luna, Ms. Moore stated City recreational programs are held after school in the Webster, Jefferson, and Eagles Elementary Community Centers. She added that Mesa Public Schools (MPS) offers the Xplore after-school program in various elementary schools. She added PRCF provides recreational programs in various parks through a mobile recreational unit.

Ms. Moore reported that Dobson Ranch Golf Course is a City-owned facility managed by Paradigm. She reported Paradigm is adjusting the fee range to accommodate seasonal and market conditions. She noted the Mesa Convention Center, Amphitheatre, and The Post expanded fee ranges to allow for negotiating terms based on various factors. She added that The Post established an hourly fee structure in anticipation of the opening in April 2023. (See Pages 3 and 4 of Attachment 1)

Responding to an inquiry from Chairperson Freeman, Ms. Moore reported the price points for renting The Post are based on time of day and space utilized.

Ms. Moore reported the Mesa Aquatics Center established new fees to provide private swimming lessons and clarified rental fees to ensure safety based on the number of lifeguards required. She noted cancellation charges were consolidated and policies were defined. She stated that sand volleyball rentals were reduced to one category, and open space permit fees and food trucks were clarified. (See Pages 5 and 6 of Attachment 1)

In response to a question from Committeemember Luna Ms. Moore stated the refundable deposits are based on cleaning fees, and there is a cancellation charge. She discussed

scenarios of cancellation charges based on the event, the size of the facility, and notice of cancellation.

Ms. Moore stated the fees for Mesa recreation centers and gymnasiums were consolidated and simplified to provide clarity and create consistency. She added that gym memberships were consolidated to ensure all memberships have the same terminology. She noted the Mesa Tennis and Pickleball Center expanded fee ranges and updated descriptions for simplification and clarity. (See Pages 7 and 8 of Attachment 1)

Ms. Moore reported that PRCF would present recommendations to the full Council in February 2023, with the proposed adoption in April 2023. (See Page 9 of Attachment 1)

Chairperson Freeman thanked staff for the presentation.

It was moved by Committeemember Luna, seconded by Committeemember Duff, that the proposed fees for the Parks, Recreation, and Community Facilities Department be forwarded to the full Council for discussion and consideration.

Upon tabulation of votes, it showed:

AYES – Freeman-Duff-Luna

NAYS – None

Carried unanimously.

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

1. Mesa Tennis & Pickleball Center Revenues (PRCF)
2. Badging/Security Access (MPD)
3. Veterans Affairs Supportive Housing Voucher Program (Community Services)
4. Purchasing Procurement Processes Follow-up Review (Business Services)

City Auditor Joseph Lisitano displayed a PowerPoint Presentation on City of Mesa audits. **(See Attachment 2)**

Mr. Lisitano outlined the Mesa Tennis & Pickleball Center revenues audit and noted one finding. He stated that PRCF needs a process to ensure revenues are applied to the proper tax rates in its internal system. He clarified that customers were charged correctly; however, funds were not applied correctly internally. He discussed recommendations and stated a corrective action plan is in place and will be completed by December 31, 2022. He noted that a follow-up review would take place in approximately one year. (See Pages 2 through 6 of Attachment 2)

In response to a question from Committeemember Luna, Mr. Lisitano stated that the Tennis & Pickleball Center is the only PRCF facility that charges for tennis and pickleball.

Mr. Lisitano discussed the audit conducted on the Veteran Affairs Supportive Housing (VASH) Voucher Program and noted zero findings. He indicated effective controls are in place to properly administer the VASH program in accordance with applicable policies, statutes, and other requirements. (See Pages 7 through 9 of Attachment 2)

Responding to comments from Committeemember Luna, Mr. Lisitano confirmed that VASH is a federal program.

Mr. Lisitano reviewed the audit conducted on Badging/Security Access. He outlined the process and reported two findings. He explained identification badges and access approvals are not always documented. He commented that staff obtains permission through email or phone but may not fill out the proper forms. He reported the second finding was badges are not always returned. He outlined recommendations and stated a corrective action plan is in place and will be completed by June 30, 2023. He noted that a follow-up review would take place in approximately one year. (See Pages 10 through 14 of Attachment 2)

In response to a question from Committeemember Luna, Mr. Lisitano stated that unreturned badges would not allow electronic access; however, could present a risk if a physical badge is displayed inside the building.

Responding to a question from Chairperson Freeman, Mr. Lisitano stated that if badges are not returned, multiple procedures are in place to ensure badge access is turned off quickly. He noted that the employee termination list is reviewed regularly to remove access from terminated employees.

Mr. Lisitano outlined the Procurement follow-up review was to ensure action plans were successfully implemented. He highlighted the recommendations from the November 2021 report and noted all three of the recommendations were implemented. (See Pages 15 and 16 of Attachment 2)

Chairperson Freeman thanked staff for the presentation.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 4:33 p.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 1st day of December 2022. I further certify that the meeting was duly called and held and that a quorum was present.

HOLLY MOSELEY, CITY CLERK

Parks, Recreation, and Community Facilities (PRCF) Fees and Charges Recommendations

Andrea Moore, CPRE

Director – Parks, Recreation, and Community Facilities

Tammy Davenport

Senior Fiscal Analyst – Parks, Recreation, and Community Facilities

Audit, Finance, and Enterprise Committee

December 1, 2022



PRCF Fees & Charges Process & Recommendation

- Market comparison of neighboring communities' fees and charges conducted
- Cost of providing service updated
- PRCF Schedule of Fees and Charges is based upon ranges to accommodate numerous programs and to aid in the ability to add new programming due to innovation and market conditions.
- Parks and Recreation Advisory Board concurred with the staff recommendation on fee changes for Council consideration
- Full listing of recommended adjustments/additions/deletions are included in the report
- Estimated fiscal impact of all recommendations is +\$47,680
- Proposed effective date: April 1, 2023

Johnson Ranch Golf Course

- Adjust fee ranges to accommodate seasonal and market conditions in coordination with management contract with Paradigm Golf Group
- Fiscal Impact: \$0



Mesa Convention Center, Amphitheatre and The Post

- Reorganize schedule to incorporate Mesa Convention Center, Amphitheatre and The Post in same section for simplification, clarity, and readability.
- Establishment of new hourly fees for rental of The Post and provision of services/equipment as requested from previous customers.
- Expand fee ranges to allow for negotiating terms based on various factors such as time and day of week, length of event to assist in cost recovery.
- Fiscal Impact: +\$9,000



aquatics

- Establish new fees to provide private swimming lessons that would be secondary to group lessons and offered during low enrollment times and/or before or after group lessons hours.
- Clarification of rental fees to ensure safety based on number of lifeguards required.
- Expand range for lane surcharge for Regional/National Competitions to meet future customer demand.
- Fiscal Impact +\$4,680



rk Use

- Expand ranges and update descriptions to incorporate all program areas for simplification, clarity and readability.
- Reorganize schedule to include all sand volleyball courts under Mesa Tennis and Pickleball Center.
- Fiscal Impact: \$0



recreation Center/Gymnasiums

- Reorganize schedule and create new descriptions and fee ranges to consolidate and simplify all recreation center and gymnasiums to create consistency among across all PRCF recreation centers.
- Expand ranges and update descriptions and units for use passes and facility rentals for consistency, simplification, clarity and readability.
- Fiscal Impact: +\$2,500



asa Tennis and Pickleball Center

- Expand ranges, update units and descriptions for simplification, clarity, readability and to aid in cost recovery.
- Fiscal Impact: +\$31,500



Next Steps:

Staff presents recommendations to City Council

OMB will complete public posting notifications for fee amendments

City Council will consider proposed PRCF fee amendments, target date of February 2023

If approved by City Council, PRCF fee adjustments are effective April 1, 2023

Thank You. Questions

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City Auditor

Presentation to the Audit, Finance and Enterprise Committee

December 1, 2022

Joseph Lisitano, City Auditor

Reports Issued July – November 2022



Mesa Tennis & Pickleball Center Revenues



Veteran Affairs Supportive Housing Voucher Program



Badging/Security Access



Procurement Processes Follow-up Review

Mesa Tennis & Pickleball Center Revenues

Report Date: 9/28/2022

An audit to determine whether effective controls are in place to ensure all due fees and charges are accurately calculated, recorded, and collected.

Tennis & Pickleball Center Revenues

What did we audit and why?

- Reviewed policies and procedures to gain an understanding of operations.
- Interviewed department personnel and observed procedures to assess effectiveness of controls.
- Tested a sample of fees & charges and reservations.
- Why? To verify effective controls are in place to ensure revenues are accurately calculated, recorded, and collected.

Tennis & Pickleball Center Revenues

What did
we find and
recommend?

PRCF does not have a process in place to ensure revenues are applied the proper tax rates in its internal system.

Recommendation:

- Develop and implement the following policies and procedures:
 - Require a supervisory review of all activity codes created.
 - Provide guidance on the proper tax rates to apply to services provided.
 - Review tax withholding amounts for reasonableness and ensure rates were properly applied.

Community Center Tennis & Pickleball Center Revenues

Response and Follow-up

- Management agrees with the recommendation and is implementing a corrective action plan.
- The change should be completed by 12/31/2022.
- 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.

Veteran Affairs Supportive Housing Voucher Program

Report Date: 9/20/2022

An audit to determine whether effective controls are in place to properly administer the U.S. Department of Housing and Urban Development Veteran Affairs Supportive Housing Voucher program in accordance with applicable policies, statutes, and other requirements.

H Program

What did we audit and why?

- Reviewed policies and procedures to gain an understanding of VASH program operations.
- Interviewed department personnel and observed procedures to assess effectiveness of controls.
- Tested a sample of program participant files, housing inspections, and rental payments to verify compliance with program requirements.
- Why? To verify effective controls are in place to ensure the program is administered in accordance with applicable policies, statutes, and other requirements.

H Program

What did
we find and
recommend?

In our opinion, effective controls are in place to properly administer the VASH program in accordance with applicable policies, statutes, and other requirements.

Badging/Security Access

Report Date: 11/7/2022

An audit to determine whether effective controls are in place to ensure that building/suite access is managed appropriately to prevent unauthorized access to City facilities.

ing/Security Access

What did we audit and why?

- Reviewed policies and procedures and interviewed department staff to gain an understanding of operations and assess effectiveness of controls.
- Analyzed badging data and reports.
- Tested current and terminated employee, contractor, and volunteer access to buildings and doors.
- Why? To verify effective controls are in place to ensure access is managed appropriately to prevent unauthorized access to City facilities.

gining/Security Access

What did
we find and
recommend?

Identification badge and access approvals are not always documented.

Recommendation:

- Ensure forms are properly completed by performing the following:
 - Update forms to clearly require supervisor approval.
 - Document other methods of obtaining supervisor approval.
- Create internal policies and procedures documenting allowable verification methods for supervisor approval.

Badging/Security Access

What did
we find and
recommend?

Badges are not always returned after termination.

Recommendation:

Establish a process to ensure all badges are returned after termination or evaluate the risk of badges not being returned and update the policy as appropriate.

ing/Security Access

Response and Follow-up

- Management agrees with the recommendations and is implementing corrective action plans.
- All changes should be completed by 6/30/2023.
- 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.

Procurement Processes Follow-up Review

Report Date: 11/9/2022

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

Procurement Processes Follow-up Review

What did we find?

Status of recommendations from November 2021 report:

- ✓ Update existing procurement forms and/or create a method to include Conflict of Interest documentation for employees participating in large procurements. Additionally, retain the form/document with other procurement related files.
- ✓ Develop a process that ensures a written agreement is in place between the City Manager and the cooperative agency prior to using cooperative contracts.
- ✓ Confirm the cooperative agencies use methods in alignment with City competitive selection requirements at initial use and then every five years after that to ensure the agencies' practices are continued. The confirmation should be documented.

✓ Implemented

Questions?

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