

AUDIT, FINANCE & ENTERPRISE COMMITTEE MINUTES

April 7, 2025

The Audit, Finance & Enterprise Committee of the City of Mesa met in the Study Session room at City Hall, 20 East Main Street, on April 7, 2025, at 3:33 p.m.

COMMITTEE PRESENT	COMMITTEE ABSENT	STAFF PRESENT
Alicia Goforth, Chairperson Francisco Heredia* Scott Somers*	None	Jothi Beljan Mike Kennington Holly Moseley

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

Chairperson Goforth 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. Criminal Investigations Case Management (Police)
2. Remote Access (Department of Innovation & Technology)
3. Intergovernmental Agreements Cost Recovery (Citywide)
4. Community Facilities Districts (Engineering)
5. Annual Credit Card Security Review (Citywide)
6. Badging/Security Access Follow-up Review (Citywide)

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

Mr. Lisitano provided a brief overview of the parameters of the audits performed between July 2024 through March 2025. He explained that the auditor's responsibility during all department audits is to determine if controls are in place and ensure that policies, procedures, requirements, and statutes are being followed. (See Page 2 of Attachment 1)

Mr. Lisitano reviewed the details of the Police Criminal Investigations Case Management audit report and confirmed that while the overall outcome was good, timely and/or appropriate case follow-up could not always be determined. He provided the recommendations and verified that

management agrees with the recommended corrective action plan, and a follow-up review will be performed in approximately one year. (See Pages 3 through 6 of Attachment 1)

Mr. Lisitano provided an overview of the Department of Innovation and Technology's (DoIT) Remote Access audit report which found that the process currently in place works well; however, no official policy or procedures were in place for managing remote access to the City of Mesa's (COM) virtual private network (VPN). He outlined the recommendation to develop and implement policies and procedures and confirmed that management agrees with the recommended corrective action plan, and a follow-up review will be carried out within one year. (See Pages 7 through 10 of Attachment 1)

Responding to a question from Committeemember Heredia, Mr. Lisitano reiterated that the scope of the audit was to ensure that the DoIT was managing the VPN access and was not evaluating the software. He reviewed the audit recommendations which will provide detailed instructions in case a staff member leaves employment or in the event of an emergency.

In response to multiple questions from the Committee, DoIT Chief Information Officer Scott Conn introduced DoIT Chief Information Security Officer Jason Bennett and affirmed that the COM's VPN is secure. He reported that policies and procedures have been written, and all the recommendations are being implemented by DoIT staff. He stated that the COM contracts with a security monitoring platform to identify unauthorized access attempts.

Mr. Lisitano reported the details of the citywide Intergovernmental Agreements (IGA) Cost Recovery audit report which determined that no unrecovered costs were found; however, there were no written policies or procedures in place to ensure the costs are fully recovered in a timely manner. He explained that in addition to developing written policies and procedures to ensure all costs are fully recovered, it was also recommended that a process be developed to comply with Management Policy 119 to file and store all IGA documents with Real Estate Services within the Engineering Department. He verified that management agrees with the recommended corrective action plan, and a follow-up will be performed in one year. (See Pages 11 through 15 of Attachment 1)

Additional discussion ensued regarding Management Policy 119.

Mr. Lisitano presented the outcome of the Engineering - Community Facilities Districts' audit report, which determined that there are effective policies and procedures in place to certify that issued bond funds are only used to reimburse projects that follow the requirements set forth. He reported that no follow-up will be necessary. (See Pages 16 through 18 of Attachment 1)

Mr. Lisitano reviewed the details of the citywide Annual Credit Card Security Review audit report. He explained that the Payment Card Industry Data Security Standard (PCI DSS) requires annual review to remain in compliance. He stated that the review found that credit card handling training was not completed within the required timeframes and that management agreed to the recommendation of implementing a plan to ensure training is completed according to the PCI DSS requirements and a follow-up review will be completed at the next annual review. (See Pages 19 through 23 of Attachment 1)

Mr. Lisitano provided an overview of the citywide Badging and Security Access follow-up review to confirm the action plan from the last audit had been successfully implemented. He confirmed

that all the recommendations from the November 2022 audit report were in place and that no additional follow-up will be necessary. (See Pages 24 and 25 of Attachment 1)

In response to a question from Chairperson Goforth, Mr. Lisitano said that the audit process takes between four to six months depending on the complexity of the audit and the imposition on the department. He verified that the cash handling audit schedule was changed to every other year due to a decrease in people using cash when paying for services.

Chairperson Goforth thanked staff for the presentation.

2-b. Hear a presentation, discuss, and provide a recommendation on the proposed fees and charges for the following City departments and other administrative changes: Arts & Culture, City Manager (permitted parking rates related to Urban Transformation), Development Services, Falcon Field, and Municipal Court.

Office of Management and Budget (OMB) Deputy Director Samuel Schultz introduced Budget Coordinator Kristi Griffin and displayed a PowerPoint presentation. **(See Attachment 2)**

Ms. Griffin provided an overview of the annual fees and charges recommendation process and stated that the proposed updated fees will become effective July 1, 2025, with an estimated impact of \$515,539. (See Page 2 of Attachment 2)

Ms. Griffin explained the details of the recommended adjustments to the Arts & Culture fees that will have a total estimated fiscal impact of \$136,299. (See Pages 3 and 4 of Attachment 2)

Responding to a question from Committeemember Somers, Ms. Griffin reported that the amount of the fee increase was determined to align with fees charged at similar facilities.

Acting Arts & Culture Director Illya Riske stated that part of the mission of the Art Museum is to recover 30% of the costs. He reported that there has not been any feedback from the art community and pointed out that the increased costs require an adjustment to maintain their fund balance and cover ongoing costs.

Ms. Griffin outlined the two recommended fee schedule changes for the Development Services Department which include modifying and clarifying the descriptions of each fee and will have a total estimated fiscal impact of \$6,000. (See Page 5 of Attachment 2)

Falcon Field Airport Director Corrine Nystrom introduced Airport Projects and Operations Manager Mark Gibbs. She summarized Falcon Field's recommendations for fee and charge increases and mentioned that Falcon Field operates in a self-sustaining fund and all the revenues received cover the costs. She reported inflationary costs as the main reason for each of the requested fee adjustments. She explained that the revenue generated from the long-term ground lease fund is subsidizing pavement replacement and maintenance, and stressed the importance of properly maintaining the pavement because the COM cannot receive grants from the Federal Aviation Administration unless the project is for complete replacement. She pointed out the recommended update to the hangar fee schedule including the reason for each change. She noted that the total estimated fiscal impact would be \$160,819. (See Pages 6 and 7 of Attachment 2)

Mr. Gibbs discussed the reason behind the significant increase in construction costs and how it has affected the pavement project costs in the City-owned hangar areas. He emphasized that pavement is the largest cost for an airport of any size and proper maintenance of the pavement includes annual treatment. He explained the pavement condition index with 100 being brand new pavement and 0 being no longer useful. He confirmed that if the pavement is not treated properly the score will continue to diminish with a predicted score in 2027 of 55. He stated that once the pavement is past a score of 55 it declines at a much higher rate. (See Pages 8 and 9 of Attachment 2)

Chairperson Goforth thanked staff for the presentation and stated that due to time constraints the remainder of the presentation will be continued to a future date.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 4:45 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 7th day of April 2025. 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

April 7, 2025

Joseph Lisitano, City Auditor

Reports Issued July 2024 – March 2025



Police – Criminal Investigations Case Management



Department of Innovation and Technology – Remote Access



Citywide – Intergovernmental Agreements Cost Recovery



Community Facilities Districts



Citywide – Annual Credit Card Security Review



Police – Badging/Security Access Follow-up Review

Police – Criminal Investigations Case Management

Report Date: 7/15/2024

An audit to determine whether effective controls are in place to ensure that cases are properly assigned, investigated, and disposed of in accordance with applicable policies, statutes, and other requirements.

Police – Criminal Investigations Case Management

What did we audit and why?

- Interviewed Criminal Investigations Division management and staff.
- Reviewed Police Department policies to gain an understanding of department operations for case management.
- Selected a sample of 60 homicide, sex crimes, and child abuse cases; and reviewed case report narratives to determine if the cases were investigated timely and appropriately.
- Why? To verify effective controls are in place to ensure criminal cases are investigated and disposed of in accordance with applicable requirements.

Police – Criminal Investigations Case Management

What did we find and recommend?

Timely and/or appropriate case follow-up could not always be determined

Recommendation:

- To ensure timely and appropriate investigation of cases, management should:
 - Review open cases at least monthly and follow-up with detectives, as necessary.
 - Require dates to be added to report narratives.
 - Require additional documentation in report narratives if there are delays in the investigation.
 - Implement a process to ensure timely reassignment of cases when a detective retires or leaves the department.
 - Determine if additional supervisor review or documentation is necessary if an attorney has been requested for a case.

Police – Criminal Investigations Case Management

Response and Follow-up

- Management agrees with the recommendation and is implementing a corrective action plan.
- 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.

DoIT – Remote Access

Report Date: 7/16/2024

An audit to determine whether effective controls are in place to ensure risks related to remote access to the City's network are minimized and connectivity between the network and remote users is secure.

DoIT – Remote Access

What did we audit and why?

- Interviewed DoIT personnel.
- Reviewed policies and procedures and observed processes to gain an understanding of remote user access, including the process for managing remote access VPN.
- Reviewed employment contracts and background check certification forms for third-party workers.
- Selected a sample of active employees, terminated employees, and third-party workers to ensure remote user access was properly granted, revoked, and monitored.
- Why? To verify effective controls are in place to ensure risks to the City's network are minimized when accessing it remotely.

oIT – Remote Access

What did we find and recommend?

The department does not have formal policies and procedures for managing remote access VPN

Recommendation:

- The department should develop and implement policies and procedures for managing remote access VPN that address the following:
 - Roles and responsibilities of staff involved in VPN management.
 - The process for ensuring its VPN client is secure and undergoes the required scheduled maintenance.
 - The process for detecting and responding to VPN-related issues, including establishing an incident response plan for addressing incidents such as VPN security breaches.
 - Continuously reviewing and updating its policies and procedures to ensure it appropriately addresses evolving security threats and advances in VPN technology.

oIT – Remote Access

Response and Follow-up

- Management agrees with the recommendation and is implementing a corrective action plan.
- 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.

Citywide – Intergovernmental Agreements Cost Recovery

Report Date: 3/27/2025

An audit 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.

Citywide – Intergovernmental Agreements Cost Recovery

What did we audit and why?

- 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, invoices, and revenue reports to determine if costs were properly recovered based on the terms and conditions of the agreement.
- Why? To verify effective controls are in place to ensure the City is appropriately recovering costs as part of their IGAs.

Citywide – Intergovernmental Agreements Cost Recovery

What did
we find and
recommend?

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

Recommendation:

- 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.

Citywide – Intergovernmental Agreements Cost Recovery

What did we find and recommend?

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

Recommendation:

- 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.

Citywide – Intergovernmental Agreements Cost Recovery

Response and Follow-up

- Management agrees with the recommendations and is implementing a corrective action plan.
- 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.

Engineering – Community Facilities Districts

Report Date: 3/24/2025

An audit to determine whether issued bonds for the City's Community Facilities Districts were used to only reimburse projects in compliance with applicable policies, statutes, and other requirements.

Engineering – Community Facilities Districts

What did we audit and why?

- Interviewed City department staff.
- Reviewed Arizona Revised Statutes to gain an understanding of the statutes and other requirements applicable to CFD projects.
- Tested a sample of CFD projects by reviewing project documentation, City Council resolutions, developer project reimbursement requests, and CFD Bond Official Statements.
- Why? To ensure issued bonds were only used to reimburse CFD projects in compliance with applicable policies, statutes, and other requirements.

Engineering – Community Facilities Districts

What did
we find and
recommend?

In our opinion, effective controls are in place to ensure that issued bonds are only being used to reimburse projects that are in compliance with applicable policies, statutes, and other requirements.

Citywide – Annual Credit Card Security Review

Report Date: 3/27/2025

A citywide review of operational compliance with Payment Card Industry Data Security Standards (PCI DSS).

tywide – 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.

tywide – 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.

Citywide – Annual Credit Card Security Review

This year:
What did
we find and
recommend?

This year's review found:

Credit card handling training not being completed within required timeframes (Business Services, Library Services, and Development Services)

- Recommended implementation of a control to ensure training is completed within required timeframes.

tywide – Annual Credit Card Security Review

Response and Follow-up

- Management from each department agreed with the recommendation and will implement the corrective action plan.
- 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.

Badging/Security Access – Follow-up Review

Report Date: 12/23/2024

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

Badging/Security Access – Follow-up Review

What did we find?

Status of recommendations from November 2022 report:

- ✓ Ensure forms are properly completed before issuing ID badges or granting access to City facilities by implementing one or more of the following:
 - ✓ Updating forms to make it clear supervisor approval must be obtained before badges will be issued/access granted.
 - ✓ If other verification methods are used in place of obtaining supervisor approval, the verification should be documented in the individual's file.
 - ✓ Creating internal Badging Office policies and procedures that document the other verification methods that can be used in lieu of supervisor approval.
- ✓ Management should establish a process to ensure all badges are returned after termination or evaluate the risk of badges not being returned and update the Management Policy as appropriate.

✓ Implemented

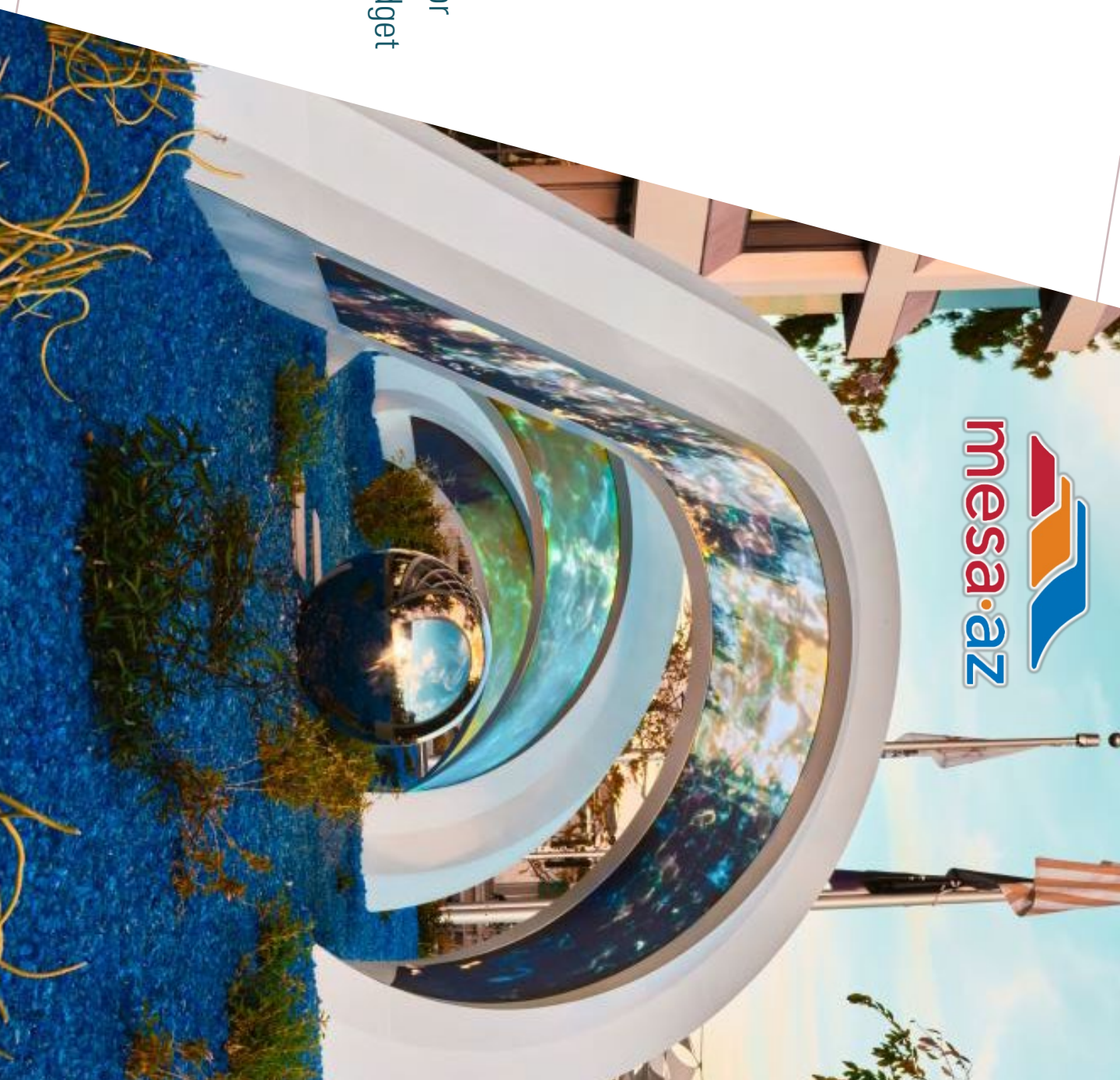
Questions?

FEES AND CHARGES RECOMMENDATIONS

Audit, Finance, and Enterprise Committee

Presenters: Kristi Griffin – Operations Budget Coordinator
Samuel Schultz – Assistant Director, Management and Budget

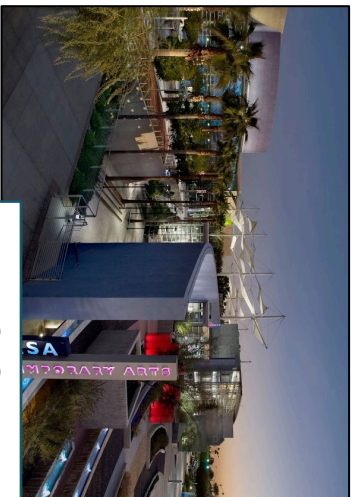
April 7, 2025



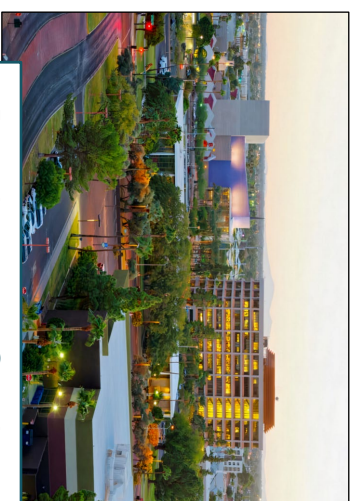
FHEES AND CHARGES PROCESS AND RECOMMENDATION

- Market comparisons conducted
- Cost of providing service and applicability of fee evaluated
- Full listing of recommended adjustments, additions, and deletions are included in the report
- Proposed effective date: July 1, 2025
- Estimated impact on revenue of all recommendations is an increase of \$515,539

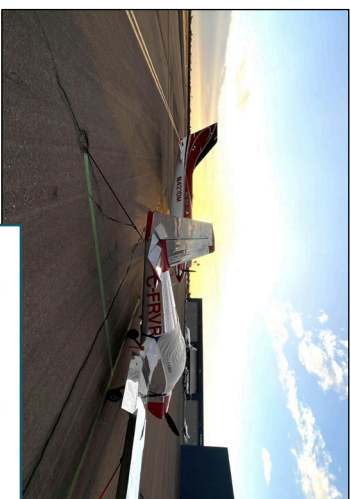
DEPARTMENTS RECOMMENDING MODIFICATIONS



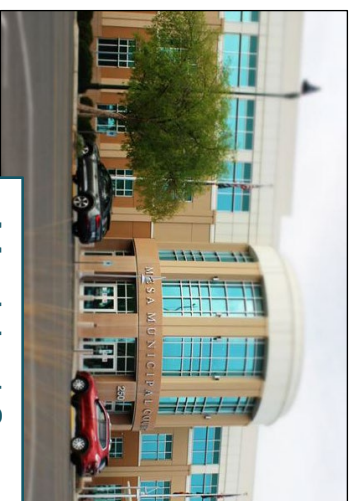
Arts & Culture



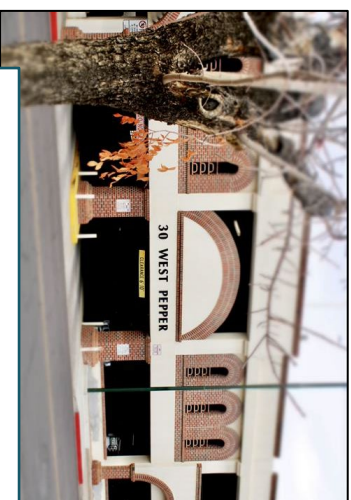
Development Services



Falcon Field



Municipal Court



Office of Urban Transformation

ARTS & CULTURE



RECOMMENDATION

- **Increase** Mesa Arts Center theaters Facility Use Fees by 5% to partially offset increasing costs of operations and building maintenance
- **Replace** Mesa Contemporary Arts (Lecture Hall) 4-hour and 8-hour period Facility Use Fees with:
 - Hourly \$100
 - Daily \$600
- **Increase** maximum of range for Ticket Handling Fee from \$7.00 to \$8.50
- **Increase** Mesa Contemporary Arts proposal fees from \$25 to \$50 per submission
- **Update** name from i.d.e.a. Museum to idea Museum
- **Update** name of Mesa Grande Cultural Park to Sce:daḡiˀMu:val Vaˀaki to reflect name change effective November 2024

Total Estimated Fiscal Impact: \$136,299

DEVELOPMENT SERVICES



RECOMMENDATION

- *Updates* to Development Services Fees
 - Removing retired impacts fees from the Utility Service Fee
- *Updates* to Planning Service Fees
 - Updating Annexation Equity Fee language
 - Modifying the “Zoning Administration Application Fees” fee category to “Pre-Plat”
 - Clarifying Zoning Designations exempt from fees
 - Standardizing language in the Fee Schedule
 - Adding Adaptive Reuse Permit Fee of \$1,000 per submission
 - Fiscal Impact: \$6,000

Total Estimated Fiscal Impact: \$6,000

FALCON FIELD



RECOMMENDATION

- Federal Aviation Administration (FAA) requires the City to make the Airport as financially self-sustaining as possible to receive federal grants
- **Increase** Hangar, Tie Down, and Storage Room rent by 8% for the next 3 years due to the following factors:
 - Inflationary cost increases in construction over the past 5 years
 - Current rental rates do not generate enough revenue to maintain the aircraft pavement in a safe condition
 - Revenue generated from long-term ground leases is currently subsidizing the cost to maintain pavement used exclusively by the City-owned hangar and tie down tenants
- Fiscal Impact: \$141,996
- **New** Transfer Fee for Storage Room \$100 and Tie Downs \$50
 - Fiscal Impact: \$150

FALCON FIELD

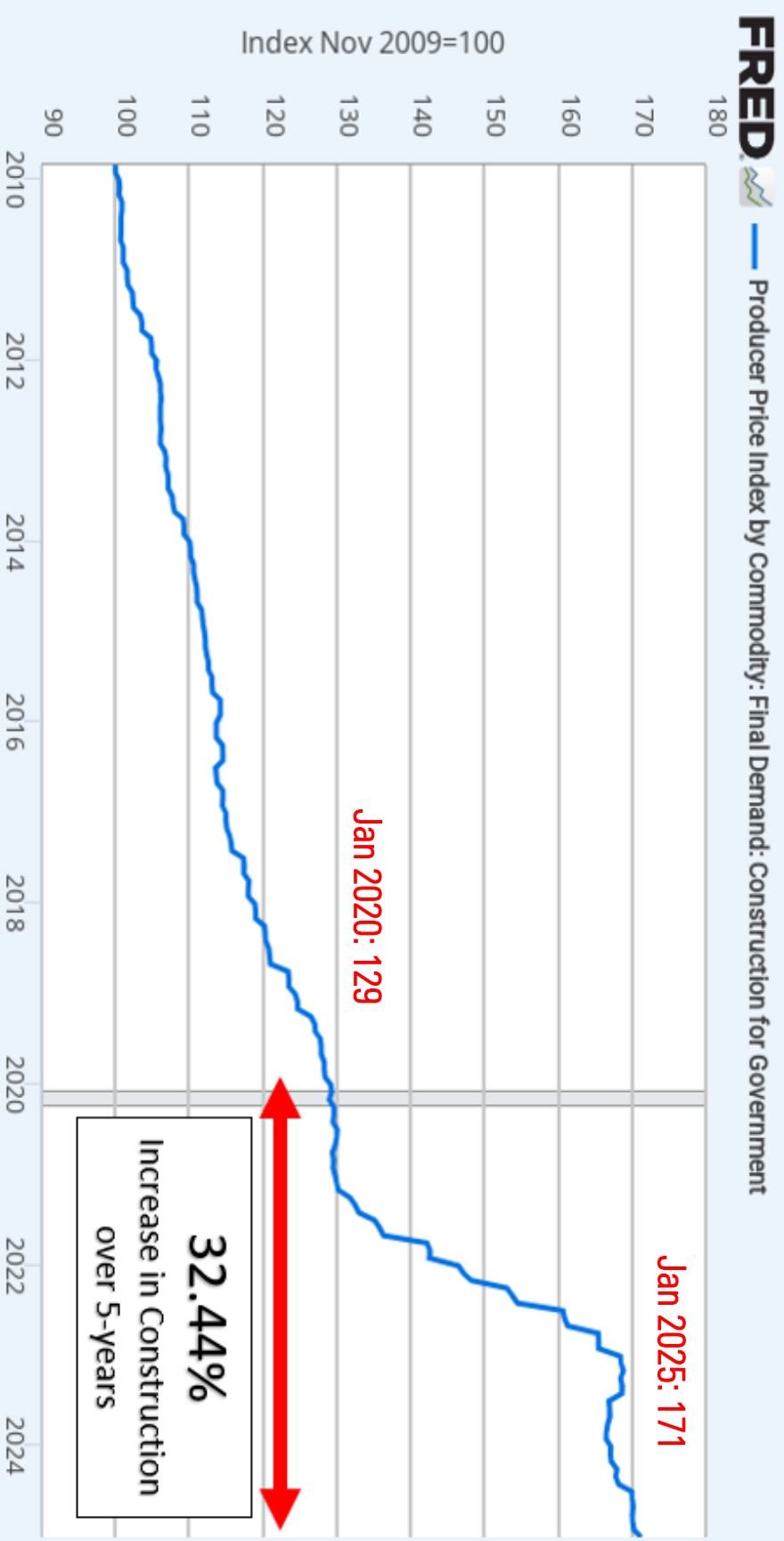
RECOMMENDATION

- **Increase** Hangar Transfer Fee
 - Tiered Rate depending on size of Hangar
 - Fiscal Impact: \$500
- **Update** Hangar Cleaning Deposit to Security Deposit
 - Tiered rate depending on size
 - Fiscal Impact: \$332
- **Update** Storage Room Security Deposit
- **Replace** Wait List fee with Application fee
 - Combined into one Facility Application fee (non-refundable and not applied to first month's rent)
 - Fiscal Impact: \$16,100
- Effective August 1, 2025

Total Estimated Fiscal Impact: \$160,819

FAALCON FIELD

ST. LOUIS FEDERAL RESERVE PRODUCER PRICE INDEX GOVERNMENT CONSTRUCTION PRICE INDEX 2009-2025



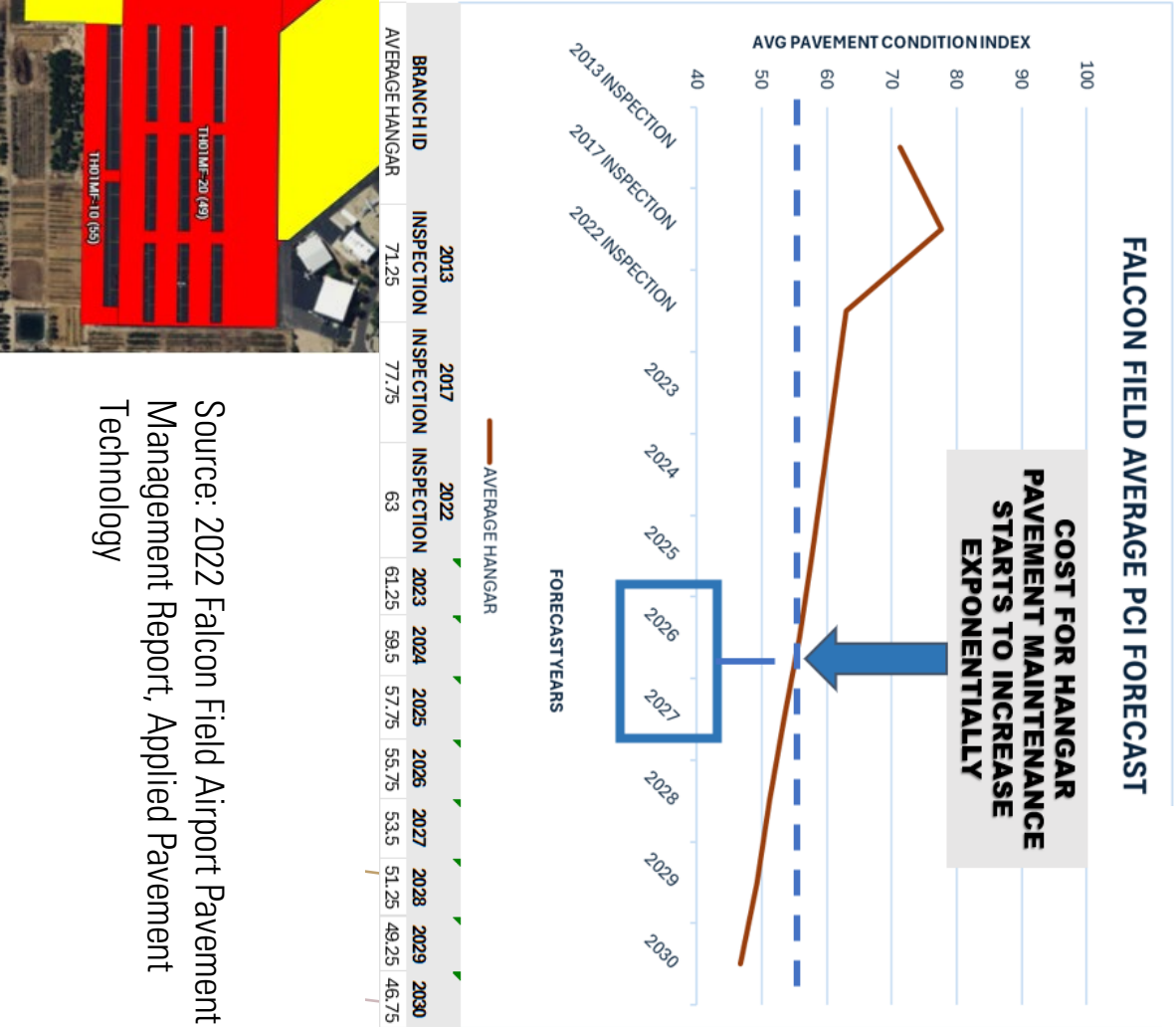
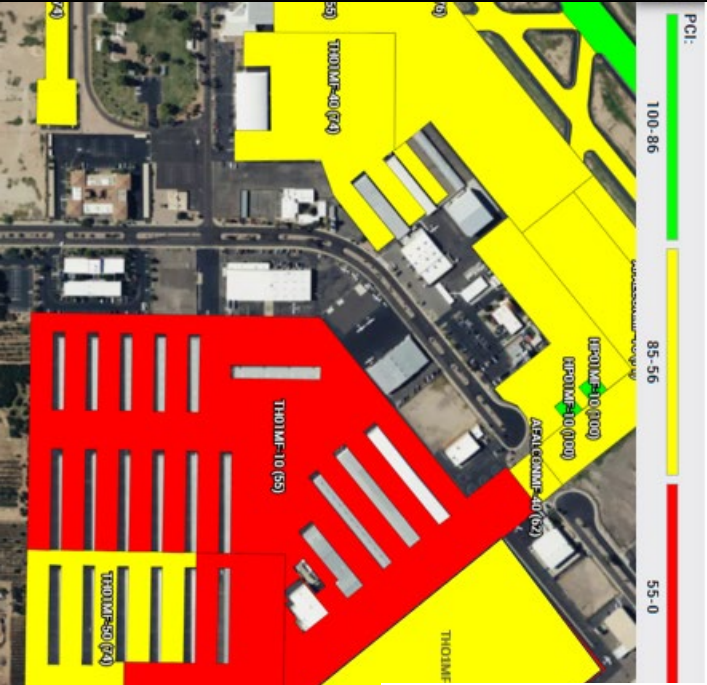
Source: U.S. Bureau of Labor Statistics via FRED®
Shaded areas indicate U.S. recessions.

FALCON FIELD



2022 FALCON FIELD AIRPORT PAVEMENT

MANAGEMENT REPORT



Source: 2022 Falcon Field Airport Pavement Management Report, Applied Pavement Technology

MICIPAL COURT



RECOMMENDATION

- *New* Court Monitoring Fee
- As outlined by proposed new Mesa Ordinance City Code Section 1-12-10 entitled "Court Monitoring Fee"
- New fee for individuals sentenced to probation, or convicted of driving under the influence (DUI) \$70

Total Estimated Fiscal Impact: \$150,381

OFFICE OF URBAN TRANSFORMATION

30 WEST PEPPER

CLEARANCE 6'10"

RECOMMENDATION

- *Increase* Permitted Parking Rates
- Increase for all monthly permitted parking spaces within City-owned parking garages and surface parking lots \$5/month
- Includes surface parking, garage (shaded), and garage (unshaded roof and below grade)

Total Estimated Fiscal Impact: \$62,040

ADMINISTRATIVE FEE UPDATE

RECOMMENDATION

- *Moving* Federal & State Environmental Compliance Fee from Solid Waste Department to Environmental & Sustainability Department

Total Estimated Fiscal Impact: \$0



NEXT STEPS

City Council to consider proposed fees and charges amendments on **June 16, 2025**.

If approved by City Council, fee & charges adjustments are effective **July 1, 2025**.