



OFFICE OF THE CITY CLERK

AUDIT & FINANCE COMMITTEE MINUTES

May 28, 2009

The Audit & Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 28, 2009 at 8:34 a.m.

COMMITTEE PRESENT	COMMITTEE ABSENT	STAFF PRESENT
Scott Somers, Chairman Dina Higgins Kyle Jones Christopher Brady, Ex-Officio	None	Bryan Raines Debbie Spinner

1. Items from citizens present.

There were no items from citizens present.

2. Hear a presentation and discuss the Fire Department's action plan in response to overtime audit.

City Auditor Gary Ray addressed the Committee and introduced Senior Internal Auditor Jennifer Ruttman.

Ms. Ruttman advised that the Fire Department has submitted action plans (a copy is available for review in the City Clerk's Office) in response to a November 20, 2008 audit of overtime. She stated that the Audit Department will follow up within nine to twelve months to ensure that the action plans have been implemented.

Responding to a question from Committeemember Higgins, Ms. Ruttman reported that the Fire Department has been very cooperative in addressing the issues identified in the audit. She noted that some plans are in the process of being implemented and others are long-term plans.

Assistant Fire Chief Dan Stubbs said that the audit response was a collaborative effort. He said that the two main goals were to reduce the overtime expense each month and to reduce the hourly rate expenditure for overtime. He reported that the overtime expense has been reduced each month except for two months. Chief Stubbs explained that the hourly rate expenditure,

which has been reduced by two dollars per hour from the previous year, is more complicated to address and will take a longer period of time to fully implement.

Responding to a question from Chairman Somers, Ms. Ruttman said that staff may be able to determine an estimate of the cost savings when the follow-up audit review is conducted.

Discussion ensued relative to the fact that an automated system is utilized for staffing and scheduling; that reassignment of personnel for special circumstances and situations is accomplished manually; and that assignments of EMTs (emergency medical technicians) and paramedics to Transitional Response Vehicles (TRVs) are being directed to qualified individuals in lower paying classifications, such as firefighters, rather than basing the assignment on the individual with the least number of hours, such as a captain in a higher pay classification..

3. Hear a presentation, discuss and provide direction on the audit of the Southwest Ambulance contract.

Ms. Ruttman reported that an audit was recently completed on the City's contract with Southwest Ambulance, a contract that has been in existence for several years and is presently in the renewal phase. She explained that the City of Mesa is considering entering into a regional ambulance contract with several other municipalities.

In response to a question from Chairman Somers, Ms. Ruttman advised that staff audits the terms of the contract and that the audit includes response times, reimbursements and rates.

Assistant Fire Chief Mary Cameli explained that the City is reimbursed when paramedics are required to accompany a patient to the hospital and that the paramedic reimbursements were included in the audit process.

Ms. Ruttman said that obtaining accurate data from the City's systems was difficult, which complicated the contract monitoring process. She advised that although improvements to the systems are planned, staff was not able to reconcile the City's data with the data provided by Southwest Ambulance. Ms. Ruttman said that the Fire Department's responses to the audit were outlined in the Action Plan, and a representative of the Audit Department has participated in discussions regarding the new contract to ensure that the Audit Department's recommendations are included in the new agreement.

Chief Cameli responded to a question from Chairman Somers by noting that detailed specifications would be included in the new contract in order to improve the monthly contract monitoring process. She explained that the proposed improvements relate only to provisions between the City and Southwest Ambulance and have nothing to do with State regulations.

Chairman Somers commented that the audit report indicates there were no areas of non-compliance with the contract.

Ms. Ruttman concurred with Chairman Somers that the audit report does not identify any areas of non-compliance with the contract, but she noted that the City's inability to obtain accurate data impacts staff's ability to state that all aspects of the contract are in compliance.

Chief Cameli confirmed that other partners involved in the discussion regarding a regional contract include the City of Apache Junction and the Town of Gilbert.

City Manager Christopher Brady explained that improving the City's methods of collecting data would enable the City to hold the vendor accountable for certain goals and levels of service. He noted that although nothing appears to be improper with the current contract, the City plans to improve the internal information and provide additional training to personnel regarding the administration of the contract.

Responding to a question from Chairman Somers, Mr. Brady advised that the City has the right to audit any contract to which the City is a party.

Chief Cameli advised that the City of Mesa would take the lead with regard to a regional contract and that the other communities would enter into intergovernmental agreements.

4. Discuss and provide direction on the proposed Audit Plan for FY 2009/2010.

Ms. Ruttman reviewed the 2009/2010 Audit Plan (see Attachment 1), which includes the following:

- Recurring Audits.
- On-Going Audits (continued from the 2008/2009 Audit Plan).
- Scheduled Audits for 2009/2010.
- Additional Audits (as time permits).
- Special Audits (special requests for audits).

Ms. Ruttman explained that the 2009/2010 audits are selected based on Council input and risk assessment in terms of potential liability to the City

Chairman Somers suggested that the 2009/2010 audit of Stimulus Program funds be made a part of the regular audit plan.

Ms. Ruttman explained that an audit of the Stimulus Funds is a priority for the Audit Department and is considered a Special Audit because it is external to the normal operations of the City.

Chairman Somers noted that audits of both the Bond Program and the expenditures of the Stimulus Program funds are extremely important.

It was moved by Committeemember Higgins, seconded by Committeemember Jones, to recommend to the Council that staff's proposed Audit Plan for FY 2009/2010 be approved.

Carried unanimously.

5. Hear a presentation by the City's Contracted Independent Auditors to discuss the Comprehensive Annual Audit for the fiscal year ending June 30, 2009.

Controller Doug Yeskey advised that the City's external contracted auditors are required to provide an overview of the Comprehensive Annual Audit to the Committee. He introduced

Carter Smitherman, a partner with Cronstrom, Osuch & Company, and noted that as of June 1st, Cronstrom, Osuch & Company will become a part of the Larson Allen firm.

Mr. Smitherman said his firm's responsibilities include audits and opinions on various reports, such as the Comprehensive Annual Financial Report, the Expenditure Limitation Report, and Local Transportation Assistance Funding (LTAF) reports and compliance on major Federal Programs. He said that City management is responsible for all of the financial and compliance recordkeeping and for providing his firm with the necessary documentation during the audit process. He added that management is also responsible for the design of internal controls for financial reporting and compliance. Mr. Smitherman explained that his firm assesses the risk for fraud, but does not test for fraud. He advised that any disagreements with management or material misstatements by management would be communicated to the Committee. He said their final work is typically completed between mid-September and mid-October with their opinion delivered to the City on November 1st.

Mr. Brady noted that staff is extremely busy during this period of time, and he added that consultants are currently reviewing the entire financial reporting system, which is presently operating on an outdated mainframe system.

Chairman Somers thanked Mr. Smitherman and staff for the information.

6. Adjournment.

Without objection, the Audit and Finance Committee meeting adjourned at 9:13 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit & Finance Committee meeting of the City of Mesa, Arizona, held on the 28th day of May 2009. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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Attachment (1)



CITY AUDITOR

mesaaz.gov

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PO Box 1466
Mesa, Arizona 85211-1466

Proposed Audit Plan
Fiscal Year 2009/2010

ITEM NO. A

Audit Activity	Initial Objective(s)
Recurring Audit Activities:	
Fraud & Ethics Hotline Investigations	<ul style="list-style-type: none"> Monitor the Fraud and Ethics Hotline and perform investigations as needed.
Payment Card Industry Data Security Standards (PCI DSS) Reviews	<ul style="list-style-type: none"> Annually review all credit card acceptance sites for compliance with PCI DSS.
Scheduled or Unscheduled Assistance to Others	<ul style="list-style-type: none"> Provide customer assistance of a short duration as needed; generally 40 hrs or less. <p style="text-align: right;"><u>2009/2010</u> Falcon Field Aviation Fuel Contracts Police Citations Procedure Review</p>
MesaStat Presentation Observations	<ul style="list-style-type: none"> Attend MesaStat presentations in anticipation of verification of performance measurement and financial data.
Follow-up Reviews of Completed Audits (9-12 months after completion)	<ul style="list-style-type: none"> Verify that corrective action(s) agreed to in response to the audit have been implemented. Verify that corrective action(s) implemented were effective in resolving the related audit finding(s). <p style="text-align: right;"><u>2009/2010</u> Mesa Arts Center Event Settlements Financial Services – Revenue Collections Citywide Surprise Cash Counts Police Evidence Policies & Procedures Fire Department – Overtime City Attorney – Risk Management Fire – Southwest Ambulance Contract ITD – Contract Monitoring Process Financial Services – Payroll PRCF Adult Sports Registration</p>
On-Going Audits from 2008/2009 Audit Plan:	
Engineering Department – Contract Monitoring Process	<ul style="list-style-type: none"> Determine whether the Engineering Department effectively and efficiently monitors its contracts.
Fire Department – Fee Collection and Processes	<ul style="list-style-type: none"> Determine whether the Fire Department's cash handling and fee collection policies and procedures contain adequate controls, and whether those controls are operating effectively.
Scheduled Audits for 2009/2010:	
Financial Services – Accounting – Bond Proceeds & Secondary Property Tax	<ul style="list-style-type: none"> Verify that proceeds from bonds with attached secondary property taxes were expended only for the intended voter-approved purposes.



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Proposed Audit Plan
Fiscal Year 2009/2010

Audit Activity	Initial Objective(s)
Facilities Maintenance – Custodial Services	<ul style="list-style-type: none"> Verify compliance with contract terms. Verify that contractors and subcontractors are complying with their warranties to comply with federal and state immigration laws and regulations, including requirements to verify the employment eligibility of their employees. Determine whether there are opportunities for improvement in economy, efficiency and/or effectiveness of custodial services.
Procurement Services – Request For Proposal/Bid Process	<ul style="list-style-type: none"> Evaluate the request for proposal/bid process for adequate controls, compliance with applicable regulations, and for effectiveness in providing the best value for the City. Determine whether the process encourages Mesa businesses to bid on City contracts and other purchases.
Municipal Court – Minimum Accounting Standards (MAS)	<ul style="list-style-type: none"> This is an "agreed upon procedure" that is directed by the Arizona Supreme Court and required to be performed every 3 years.
Information Technology Department – Disaster Recovery Plan	<ul style="list-style-type: none"> Review the plan for completeness and overall adequacy, ensuring it reflects current operations and contains sufficient internal control considerations.
Additional Audits (as time permits):	
Planning Department – Fee Collection and Processes	<ul style="list-style-type: none"> Determine whether controls related to the Planning Department's fee collection policies and procedures are adequate and operating effectively.
Real Estate Services – Property Sales	<ul style="list-style-type: none"> Determine whether property sales were properly authorized, transacted and documented.
Special Audits:	
Special requests may require immediate attention and may supersede a scheduled audit.	<ul style="list-style-type: none"> Objectives to be determined as appropriate for the individual request. <p style="text-align: right;">2009/2010 Stimulus Fund Reviews: Verify that the City is properly accounting for stimulus funds from all sources.</p>

Approved By:

Gary Ray, City Auditor _____ Date _____

Christopher Brady, City Manager _____ Date _____

Scott Smith, Mayor _____ Date _____