



AUDIT, FINANCE & ENTERPRISE COMMITTEE

December 10, 2018

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 10, 2018, at 4:00 p.m.

COMMITTEE PRESENT

Mark Freeman, Chairman
Christopher Glover
David Luna

COMMITTEE ABSENT

None

STAFF PRESENT

Michael Kennington
Dee Ann Mickelsen
Jim Smith

1. Items from citizens present.

There were no items from citizens present.

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

City Auditor Jennifer Ruttman displayed a PowerPoint presentation. **(See Attachment 1)**

1. Transportation Contract Monitoring

Ms. Ruttman confirmed that all action plans requested from the June 2017 audit report have been implemented.

2. Agreements with Nonprofit Support Organizations

Ms. Ruttman reviewed Nonprofit Support Organizations (NPSO) and recommended a written agreement for the Foundation for Mesa Parks and Recreation, since there is not an agreement in place. (See Page 6 and 9 of Attachment 1)

In response to a question posed by Chairman Freeman, Ms. Ruttman responded that the NPSO timeline for completion of written and updated agreements is by the end of the fiscal year.

Ms. Ruttman emphasized that grants awarded to the NPSO or the City that the funding must stay with the entity that received the award. (See Page 11 of Attachment 1)

In response to a question from Committeemember Luna, Ms. Ruttman clarified that grant writing and fundraising services for NPSO's are provided by City staff and included in the agreement.

She emphasized the importance of having accurate documentation and verifying funding is handled according to processes and procedures.

In response to a question posed by Chairman Freeman, Ms. Ruttman clarified that Grants Coordinator Sharon Skinner, assists City NPSO staff on the completion of the grant application.

3. Golf Concessions Contracts

Ms. Ruttman stated that the Parks, Recreation and Community Facilities Department requested the audit to review the agreement as a business prospective in order for the City and contractor to run a successful golf course and restaurant. (See Page 14 of Attachment 1)

She stated that since the terms of the contract had not been revised in some time, certain elements had not been enforced. She said that with older agreements there are opportunities for improvement which were worked into the RFP. She added that the contract will include benchmarks which will be used to hold the contractor accountable.

4. Eastmark CFD

Ms. Ruttman reported that the audit focused on financial review and that the City received recovery costs from the District according to the Development Agreement. (See Page 19 of Attachment 1)

Ms. Ruttman explained that the goal was to make sure all staff costs associated with Eastmark were being captured. She said this was being done for the most part, however, due to staff turnover, not all of it was being captured.

Ms. Ruttman stated that depending on how time is processed in Kronos, it translates from hours to dollars in our financial system (Advantage). She said that it is a relatively simple thing if a staff member's allocation is set up to charge a certain percentage of time to Eastmark, however, if hours are charged it's a little more problematic because when the system processes those costs it omits some of the fringe benefit costs. She added that accounting is going to conduct more oversight in the future to better capture these costs.

5. Citywide Cash Handling FY18 Annual Report

Ms. Ruttman reported that each year auditing staff visit cash sites throughout the City to make sure staff is following the cash handling policies. (See Page 24 of Attachment 1)

Ms. Ruttman pointed out that the audit found no new findings for the fiscal year.

Chairman Freeman thanked Ms. Ruttman for the presentation.

2-b. Hear a presentation, discuss, and provide a recommendation on the City's Comprehensive Annual Financial Report (CAFR) and Single Audit Reports for Fiscal Year Ended June 30, 2018.

Finance Director Irma Ashworth displayed a PowerPoint presentation. **(See Attachment 2)** She commented that Governmental Accounting Standards Board (GASB) Statement No. 75 was implemented for Fiscal Year (FY) 2018. (See Page 3 of Attachment 2)

Ms. Ashworth pointed out that Governmental Assets represent General, Special Revenue, Capital Project, and Debt Service funds; and that Business-Type Assets represent Enterprise and Internal Service funds. (See Page 4 of Attachment 2)

In response to a question posed by Committeemember Luna, Ms. Ashworth reported that reduction of the Excise Tax Obligation had been reduced from \$94 million in August 2018 from the Pinal County land sale to \$49 million. (See Page 7 of Attachment 2)

Chief Financial Officer Michael Kennington clarified that the remaining Excise Tax Obligations is not callable until FY 2022 and if land is sold prior to the callable date the City would defease the \$49 million.

Chairman Freeman thanked staff for the presentation.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 4:34 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 10th day of December, 2018. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

js
(Attachments – 2)