



## AUDIT, FINANCE & ENTERPRISE COMMITTEE

December 3, 2012

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 3, 2012 at 3:30 p.m.

### COMMITTEE PRESENT

Alex Finter, Chairman  
Dina Higgins  
Scott Somers  
Christopher Brady, Ex Officio

### COMMITTEE ABSENT

None

### STAFF PRESENT

Alex Deshuk  
Debbie Spinner

#### 1. Items from citizens present.

There were no items from citizens present.

#### 2-a. Hear a presentation, discuss and make a recommendation on the proposed Special Event Code and proposed changes to the Schedule of Fees and Charges.

Licensing and Revenue Collections Administrator Tim Meyer displayed a PowerPoint presentation (**See Attachment 1**) and discussed the proposed changes to the Special Event Code. He indicated that the Licensing Division will be responsible for the administrative duties related to the Special Event Code. He briefly outlined some of the other proposed changes to the Special Event Code as follows:

- Develop and publish application submittal requirements
- Develop an expedited application process and fee for special circumstances
- Develop a detailed list of reasons for denial of an application
- Define which officials may revoke a license based on a violation
- Outline the appeal process which includes a hearing with the Licensing Administrator
- Require a vendor list to ensure that the vendors are properly licensed
- Set up multi-repeating events with reduced fees

Responding to a series of questions from Committeemember Somers, Mr. Meyer explained that staff will determine the classification criteria for small, medium and large events. He described a small event as something that could be set up in a parking lot consisting of a couple of tables with a canopy that did not require street closures or open flames. He noted that if the property is used for something other than what it was zoned for, a Special Event License is required.

Mr. Meyer clarified that a neighborhood event utilizing a few barricades would be considered a small event. He noted, however, that neighborhood events with food vendors are required to have a Fire or Transportation Department inspection and are, therefore, classified as medium events. He added that the more City departments are involved in the licensing process, the larger the classification of the event.

Committeemember Somers requested that staff research the number of small and medium neighborhood, commercial and non-profit events held each year, as well as the charges for the events and the amount of revenue generated. He stated that the City has tried to encourage neighborhood activities and events, and for this reason, the proposed fee structure for neighborhood events may need to be reconsidered.

In response to a question from Committeewoman Higgins, Mr. Meyer explained that an event license is required for events occurring in residential neighborhoods regardless of whether or not vendors charge for their services. He said that inspections are required when electrical cords or open flames are involved on public streets. He added that a seemingly small event can require the same amount of time to process as a commercial event. Mr. Meyer added that if the land is used for anything other than what it is zoned for, a Special Event License is required to provide temporary exclusion from the zoning code.

City Attorney Debbie Spinner concurred with Mr. Meyer's statements and pointed out that if streets are to be closed, a Special Event License is required.

Committeemember Somers said that there would be value in waiving the fee since family events build strong neighborhood bonds within a community. He suggested that staff explore different fee options that separate residential and commercial Special Event License fees.

Chairman Finter commented that the Committee wants to enable the citizens of Mesa to hold neighborhood events and gatherings with minimal charges. He referred to the first paragraph of the proposed ordinance which reads as follows:

"WHEREAS, the Mesa City Council acknowledges that special events enhance the lifestyle of the citizens of the City of Mesa by creating unique venues for expression, entertainment, and business that may not otherwise be provided within the framework of the Mesa City Code."

Chairman Finter remarked that a Special Event License has never been obtained for the Getting Arizona Involved in Neighborhoods (G.A.I.N.) events and noted that hundreds of such events have been held over the years.

Committeemember Somers pointed out that Section 5-1-10 of the ordinance indicates that violating the ordinance is punishable by imprisonment or jail. He inquired as to whether this type of terminology is necessary, as it does not sound very "family friendly."

Chairman Finter concurred with the comments made by Committeemember Somers and said that the terminology seemed to be "heavy-handed." He stated that the City wants to encourage more neighborhood events and noted that by placing the licensing of neighborhood events under the direction of the most bureaucratic department in the City (Tax and Licensing) is misleading.

Mr. Meyer responded that staff will change the wording of the ordinance and adjust the fee structure. He stated that the licensing process will remain the same and fees will be set at the direction of Council.

Mr. Meyer further reported that in FY 2010, 150 special events were held throughout the City with a total of \$25,665 in fees collected. He added that in FY 2011/2012, 219 events were held and a total of \$31,000 in fees and charges were collected.

Responding to a question from Committeemember Somers, Mr. Meyer estimated that 70% of the Special Events Licenses issued are for small and medium neighborhood events. He said that many of these events are hosted by churches, car dealerships and restaurants holding one-day events in their parking lots.

Chairman Finter inquired as to whether the City could absorb the licensing fees for small neighborhood events in order to promote more neighborhood activities.

Discussion ensued regarding the Council's desire to support neighborhood events that help to "Build a Better Mesa"; and the development of a different fee structure for profit and non-profit events.

City Manager Christopher Brady explained that the Multi-Repeating Event Fee, which is a one-time fee that covers the entire year, will benefit reoccurring events in downtown Mesa (i.e., 2<sup>nd</sup> Friday Night Out). He indicated that the City would not be significantly impacted if the residential licensing fee for small events was eliminated.

Further discussion ensued relative to whether the penalty for violating the Special Event Code should be a civil or misdemeanor offense.

In response to a question from Chairman Finter, Mr. Meyer explained that the City has not encountered any problems with individuals who violate the conditions of the Special Event Code. He noted, however, that there are people who hold activities without knowing that they need to obtain a license.

Mr. Brady commented that the Special Event Code provides the City with a tool to use when complaints are received. He remarked that ensuring that the events are safe is more important than collecting licensing fees.

Mr. Meyer stated that staff would rewrite the Special Event ordinance and bring it back to the Committee at a future date.

Chairman Finter thanked staff for their efforts.

2-b. Hear a presentation and discuss the Material and Supply Surplus Sale Processes.

Director of Business Services Ed Quedens introduced Mail Print & Graphics Services Administrator Doug Fugate who was prepared to address the Committee.

Mr. Fugate displayed a PowerPoint presentation (**See Attachment 2**) and provided a brief overview of the Surplus Program, which is governed by Management Policy 205. He reported that the objective of the Surplus Program is to effectively collect, redistribute and dispose of unneeded surplus property generated by various City departments. He stated that surplus items include police confiscated items such as bikes and car stereos, jewelry, office furniture, computers, television, exercise equipment, and miscellaneous items.

Mr. Fugate highlighted the methods of disposal available to the City as follows:

- Online auctions
- Surplus Store
- Reuse
- Recycling
- Onsite auctions
- Consignment

Mr. Fugate, in addition, described how some of the City's surplus fire hydrants were purchased by Firehouse Subs at a public auction. He said that other items in surplus have been reused as props in Police Department sting operations.

Mr. Quedens commented that depending on what the surplus item is, there are different tools or methods that can be used to dispose of items.

Mr. Fugate displayed a program timeline and provided brief background information regarding the different methods of surplus disposal. He noted that weekly yard sales were discontinued in 2007 when the Surplus Store was opened. He added that in FY 2012, surplus sales totaled \$200,824.94 and reused items totaled \$7,242. (See Pages 6 and 7 of Attachment 2)

In response to a question from Committeemember Somers, Mr. Fugate explained that the actual expenses associated with the operation of the Surplus Store total \$77,000. He said that employee salaries constitute the majority of the cost to operate the store. He noted that facility costs for the Surplus Store have not been tracked and said that in the future staff will develop an actual business plan to track the costs of the Surplus Store facility.

Mr. Fugate stated that this year the Surplus store showed a profit of approximately \$100,000.

Mr. Brady pointed out that each item that comes through Surplus has to be processed, whether it sits in a warehouse or is sent to the landfill. He indicated that there are legal requirements that must be met in order to dispose of items and that staff must follow the process outlined in the Management Policy.

Mr. Brady reported that each year more and more costs have been recovered through the Surplus Store and said it has been determined to be the most cost-effective way to dispose of items. He added that the Surplus Store has eliminated the need for the City to pay someone else to dispose of items and has become somewhat of a service to the community.

In response to a question from Chairman Finter, Mr. Brady clarified that the Surplus Store is not just for surplus items, but also a warehouse where items are stored and inventoried. He said that an analysis is conducted each year to determine the value of the items stored and how long

these items sit on the shelf. He noted that some items may sit on the shelf a long time, but when a department needs them, they are available.

Mr. Quedens advised that transformers are the largest dollar item stored in the warehouse and can take up to nine months to acquire. He said that disposables used by City employees on a daily basis, such as shovels and safety glasses, are also kept in the warehouse.

Responding to a question from Committeewoman Higgins, Mr. Brady explained that items that have been ordered, as well as items that are no longer being used are stored in the warehouse. He indicated that State law requires the City to account for items placed in surplus. He added that Surplus sales save the City the cost of transporting items elsewhere.

Mr. Quedens discussed the substantial increase in surplus sales over the last ten years. He said that the Surplus Store, Public Surplus and eBay are all tools that can be used to dispose of surplus items.

Mr. Fugate reported that as of November 2012, the total Surplus Store sales were approximately \$100,000. He briefly highlighted some of the steps used to sell surplus item as follows:

- Items are entered into the online Surplus Store inventory system
- Staff determines a fair market value
- Price is undercut for a quick sale
- Staff will contact local dealers to help determine prices on specialty items (i.e. jewelry, collectables)

Mr. Fugate reviewed the benefits of the City of Mesa's Surplus program as follows:

- Staff controls the price of the items being sold
- Citizens have the opportunity to purchase items in a store location
- Negotiate sales to other government entities (i.e. Mesa Public Schools, etc.)
- Pay City sales tax
- Items are available for reuse by the other City departments

Responding to a question from Committeewoman Higgins, Mr. Fugate explained that two full-time employees work in the Surplus Store and three full-time employees work in the warehouse. He said that staff from the warehouse can be pulled to assist in the store as needed.

Mr. Brady stated that in the past each department maintained its own surplus inventory. He added that consolidating the inventory into one location is more efficient. He added that staff will continue to look for ways to manage some of the unique items acquired, such as fire apparatus and garbage trucks.

Chairman Finter said that if his fellow Committeemembers agreed, he would like the individuals who were present from Public Surplus to explain the type of service they offer. He noted that fleet surplus is handled differently from other surplus items.

City Attorney Debbie Spinner clarified that the individuals from Public Surplus could discuss an item on the agenda or speak under items from citizens present. She said that if they chose to speak under items from citizens present the members of the Committee would not be able to respond to their comments.

Chairperson Finter stated that he wanted to discuss fleet vehicles at this meeting, but for some reason it was not placed on the agenda. He indicated that surplus sale processes was placed on the agenda so that the Committee could hear a presentation regarding a different delivery model used by one of the City's partners. He added that he would like the City to consider the possibility of using this system to handle the City's surplus fleet vehicles.

Manager of Technology and Innovation Alex Deshuk noted that Public Surplus is a service that the City currently subscribes to.

In response to a question from Ms. Spinner, Mr. Quedens clarified that surplus vehicle sales are different from material and supply sales.

Chairman Finter stated that certain private companies dispose of some of their used equipment, especially vehicles, in a different manner. He noted that this is an area that has been the topic of discussions over the past month.

Mr. Quedens responded that fleet vehicles are covered under the same Management Policy, however, they are not disposed of through the material and supply warehouse. He added that the total surplus sales previously noted did not include vehicles.

Ms. Spinner explained that if the information to be presented does not fall within this agenda item it cannot be discussed. She added that the speakers cannot discuss vehicles sales, however, they can speak under items from citizens present.

Jacob Holdaway, a representative of Public Surplus, addressed the Committee and said that his company is the largest government auctioneer in the country. He accessed his company's website and illustrated some of the different items that are sold at public auction. He described the auction process and said that anything that is government-owned is considered public surplus.

Mr. Holdaway responded to a series of questions from the Committeemembers and his comments included, but were not limited to, the following:

- 9 out of 10 of the nation's largest cities use Public Surplus
- Most agencies use a staging facility or warehouse
- New technology "uShip" buyer is responsible for shipping costs and selects the shipping company
- Ebay costs the City money; Public Surplus is free
- Only government agencies can list items for sale on the Public Surplus website
- Authorized employees have access to the website and can obtain detailed audit records of all activity

Responding to a question from Chairman Finter, Ms. Spinner clarified that Committeemembers can ask questions that fall within the general category of this agenda item.

In response to a question from Chairman Finter, Mr. Holdaway explained that most agencies utilize Public Surplus to sell their fleet vehicles. He said that the City of Phoenix experienced a 223% increase in sales when they began utilizing Public Surplus as a means of selling its fleet vehicles. He stated that with today's technology people no longer need to go to a specific location on a certain date and time in order to participate in a public auction.

Chairman Finter commented that auctions have evolved and the City of Mesa may not be as "cutting edge" as other cities in the Valley. He suggested that staff look into a pilot program and other online auction opportunities.

Mr. Holdaway pointed out that more people are using mobile devices, such as Smartphones or iPads, for Google searches rather than sitting down at a desktop computer.

Responding to a question from Committeemember Somers, Mr. Quedens explained that the City has an Ebay store on the Ebay Marketplace that is used to list items that will be sold at public auction. He noted that the City does not utilize a bidding process.

Chairman Finter remarked that the City may want to consider moving away from the traditional types of auctions and explore a more advanced method for disposing of surplus items.

Committeemember Somers stated that he would be interested in finding out what Public Surplus can do for the City and how it can help reduce costs and generate revenue.

Mr. Holdaway indicated that the purpose of today's presentation is to educate the City on the technology shift. He said that the younger generation generally does not go to a specific location for a surplus sale and that for this reason, it will be necessary for the City to start utilizing the Internet at some point in the future.

In response to a question from Committeemember Somers, Mr. Quedens clarified that a Request for Proposals (RFP) has not been issued, since online auction sales do not meet the threshold for the formal RFP process. He said that once the 7% fee is collected on sales totaling \$25,000 or more, the benchmark requirement for an RFP would be met. He stated that the City currently does not have a contract with Public Surplus and has only begun to utilize its services.

Mr. Quedens further commented that staff is currently working on obtaining a contract for services with Public Surplus. He noted that Public Surplus is a changing market, which requires the use of different tools in order to move various items.

Chairman Finter thanked Mr. Holdaway for the overview and noted that staff will continue to explore ways in which the City can take advantage of these innovative approaches.

2-c. Hear a presentation, discuss and provide direction on the following audits:

1. Procurement Card Program – Follow-up Review

City Auditor Jennifer Ruttman advised that the purpose of the Procurement Card Program follow-up review was to determine whether the Purchasing Division of the Business Services Department effectively implemented the Action Plans presented in the May 2011 audit. She reported that all of the Corrective Action Plans have been implemented and no further reviews are necessary at this time. She added that the staff responsible for monitoring the Procurement Card Program are to be commended on their efforts. **(See Attachment 3)**

2. Southwest Ambulance Contract – 2nd Follow-up Review

Ms. Ruttman stated that a follow-up review to the December 2010 Southwest Ambulance Contract audit was conducted to determine whether the Mesa Fire and Medical Department (MFMD) effectively implemented the Corrective Actions. She reported that a new regional contract has been executed and performance measures are now in place. She added that MFMD has made some significant progress in the restructuring and administering of contracts and, therefore, no further reviews will be necessary. **(See Attachment 4)**

Responding to a question from Committeemember Somers, Ms. Ruttman clarified that the provider performance survey has been modified. She pointed out that customers may not be able to distinguish between Southwest Ambulance Responders and MFMD First Responders, which could result in survey inaccuracies. She indicated that MFMD First Responders will be surveyed annually regarding the performance of Southwest Ambulance.

Management Performance & Accountability Advisor II Jason Taylor addressed the Committee and said that the patient survey has not been completely eliminated. He indicated that the first step will be to find a way for patients to distinguish between a Southwest Ambulance provider and a MFMD provider. He advised that staff will work with Southwest Ambulance to determine what type of survey will provide the most value.

Fire Chief Dan Stubbs reported that Mr. Taylor has made significant improvements to the monitoring and tracking of information received from Southwest Ambulance.

Chairman Finter thanked staff for their efforts.

3. Wildland Task Force

Ms. Ruttman advised that an audit of the Wildland Reimbursement Process was conducted **(See Attachment 5)** to ensure that the City receives all available reimbursements from the State for services and equipment provided by the MFMD Wildland Response Team. She noted that the recommended improvements to the reimbursement process are as follows:

- Develop Standard Operating Procedures for tracking Wildland Response Team expenses and requests for reimbursement
- Develop a policy that defines the terms and conditions under which a rest period will be permitted upon return from a Wildland deployment

Responding to a question from Chairman Finter, Chief Stubbs explained that staff has determined that the firefighter rest periods are reimbursable. He said that a policy has been developed and will be submitted to the Arizona State Forester to ensure that the MFMD receives reimbursements for rest periods in the future.

Chairman Finter thanked staff for their efforts.

#### 4. Code Enforcement Program

Ms. Ruttman advised that an audit of the Code Enforcement Program was conducted (**See Attachment 6**) to verify that the program is operating in compliance with the Community Development Block Grant (CDBG) funding requirements and also to ensure that adequate controls are in place. She briefly reviewed some of the recommended improvements as follows:

- Update and expand the checklist used by staff to ensure that only eligible expenses are included on the summary worksheet submitted for CDBG reimbursements
- Verify that all required supporting documentation is included prior to submission
- Ensure that controls are in place and limit risks to the City of Mesa

Deputy Director of Development and Sustainability Laura Hyneman addressed the Committee and discussed some of the changes that have been made to make the program manageable. She said that currently, four Code Enforcement Officers have been assigned to work exclusively in CDBG areas. She noted that a new report has been developed that will track and ensure that the cases these individuals work on are located within a CDBG area.

In response to a question from Committeemember Somers, Ms. Hyneman explained that the City currently has four Code Enforcement Officers assigned to work within the CDBG areas. She stated that there are three Code Enforcement Officers that cover the remaining 82% of the City that is not located within a CDBG area. Ms. Hyneman reported that it currently takes six to nine business days for staff to respond to a complaint outside of a CDBG area and three days within a CDBG area. She added that there is only one Code Enforcement Officer assigned to cover the entire area east of Power Road.

Chairman Finter thanked staff for their efforts.

#### 3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 5:00 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 3<sup>rd</sup> day of December, 2012. I further certify that the meeting was duly called and held and that a quorum was present.

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DEEANN MICKELSEN, INTERIM CITY CLERK



# **City of Mesa**

## **Special Event Code**

### **December 3, 2012**



# Special Event Code

- **Major Changes**
  - **Responsible Party**
  - **Application Submittal Timeframe Requirement**
  - **Expedited Process**
  - **Denial Reasons**
  - **Who May Revoke a License**
  - **Appeal Process**
  - **Vendor List Requirement**
  - **Multi Repeating Event**



# Special Event Code

- **Proposed the Scale of Events and Associated Effort to Complete the Licensing Process**
  - **Small Event**
  - **Medium Event**
  - **Large Event**



# Special Event Code

- **Discuss Multi-Repeating Events**
  - **Define**
  - **Applies to Downtown Events and City-Wide Events**



# Special Event Code

- **Current Fees**
    - \$100 Per Day/\$300 Maximum Per Event
  
  - **Proposed Fees**
    - Small Event                    \$ 50
    - Medium Event                \$150
    - Large Event                    \$300
    - Expedited Fee                50% of Event Fee
- Multi Repeating Event-Event Fee X Number of Events X 50%**



# Special Event Code

# Questions?



# Surplus Program

## December 3, 2012



# Surplus

What is surplus- “commodities no longer needed by the current owner but designated for disposal outside the governmental organization” (NIGP, 2004).





# Surplus

## Surplus Property Program is:

- to efficiently collect, process, redistribute, and dispose of unneeded surplus property generated by the City and its Departments.
- governed by Management Policy 205



# Surplus

## Some of these items include:

- Police confiscated items such as bikes and car stereos
- office furniture
- office equipment
- computers
- televisions
- exercise equipment
- furniture





# Surplus

## Available Methods of Disposal:

- Online Auctions
- Surplus Store
- Reuse
- Recycling
- Onsite Auctions
- Consignment





# Surplus

## History:

- Auctions
- 2002- eBay
- 2005- Yard Sale
- 2007- eBay expanded/  
weekly Yard Sale
- 2007- Surplus Store
- 2011- Public Surplus





# Surplus

**FY2012:**

**\$83,195.28**

**Online Sales**

**\$117,629.66**

**Store Sales**

**\$200,824.94**

**Total Sales**

**\$7,243**

**Reuse**





# Surplus

## Resale Pricing:

- All Items are entered into the online Surplus Store Inventory System
- Items are compared to like items either new or used online
- Specialty items: local dealers are sometimes called on for help with Jewelry and collectables



# Surplus

## Benefits of City of Mesa's Surplus

### Program:

- We control price point being sold
- Citizens have opportunity to purchase items in store location
- Negotiated sales to other government entities
- Pay City Sales taxes
- Items being sold are available for reuse by City of Mesa



# Surplus

# Questions?



20 E Main St Suite 820  
PO Box 1466  
Mesa, Arizona 85211-1466

Date: September 18, 2012

To: Audit, Finance & Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Audit of Procurement Card Program – Follow-up Review

cc: Alex Deshuk, Manager of Technology & Innovation  
Ed Quedens, Business Services Department Director  
Alyce Benge, Purchasing Administrator

Attached is the final report on the follow-up review of our 2011 Audit of the City's Procurement Card Program. This report will be presented at the next scheduled meeting of the Audit, Finance and Enterprise Committee. If you have any questions, please feel free to contact me at x3767.



20 E Main St Suite 820  
PO Box 1466  
Mesa, Arizona 85211-1466

## **FOLLOW-UP REVIEW**

**CITY AUDITOR**

<b>Report Date:</b>	<b>September 18, 2012</b>
<b>Department:</b>	<b>Business Services Department/Purchasing Division</b>
<b>Subject:</b>	<b>Procurement Card Program</b>
<b>Lead Auditor:</b>	<b>Karen Newman, Sr. Internal Auditor</b>

### **OBJECTIVE**

The objective of this review was to determine whether the Purchasing Division of the Business Services Department has effectively implemented the action plans presented in their responses to our May 2011 audit of the City's Procurement Card Program.

### **SCOPE & METHODOLOGY**

To accomplish our objectives, we reviewed applicable policies and procedures and other established guidance; interviewed City staff members; and reviewed procurement card transactions from May 2011 through May 2012.

### **BACKGROUND**

On May 9, 2011, we issued a report on our audit of the City's Procurement Card Program. The objectives of that audit were to determine if adequate controls are in place and operating effectively; procurement card users and administrators comply with applicable policies and procedures; and whether opportunities exist to improve efficiency and effectiveness.

The audit report included several recommendations, which can be summarized as follows:

1. Purchasing should revise its policies, procedures, and forms to more clearly state management authorization requirements for cardholders and their credit limits.
2. To help prevent inappropriate purchases, Purchasing should review merchant category restrictions on an annual basis and revise them as needed.
3. Purchasing and Accounts Payable should improve cardholder accountability for Missing Documentation forms. Specifically:
  - a. Accounts Payable should ensure that all Missing Documentation Forms include itemized descriptions of all purchases.
  - b. Accounts Payable should log cardholders' usage of Missing Documentation Forms and forward the log to Purchasing on a monthly basis.
  - c. Purchasing should establish limits and enforcement actions related to the use of Missing Documentation Forms, and should incorporate them into existing policies and procedures.
4. On an annual basis, Purchasing should identify procurement cards not used within the past year and ask the appropriate managers to determine whether the cards are still needed.

5. Purchasing should continue assessing whether the City's new ERP system can be configured to facilitate implementation of e-Payables, as a means to further increase rebates.

In response to the report, the department agreed with the recommendations and presented corrective action plans.

### **CONCLUSION**

All of the corrective action plans have been implemented. A complete list of corrective action plans, along with our findings regarding their implementation status at the time of this review, is presented in the attached Appendix.

**APPENDIX**

= Implemented       = In Progress       = Not Implemented		
<b>Corrective Action</b>	<b>Implementation Status</b>	
<b>CAP#1: Policies, Procedures and Forms Should Be Clarified</b>		
<p><b>Recommendation:</b> The Procurement Card Program Guidelines and Procedures should explain when Procurement Card Change forms should be used, and should specify the required approvals for both the original applications and any subsequent Change Forms.</p> <p><b>Management Response:</b> Various sections of the Procurement Card Program Guidelines and Procedures are being updated to comply with the recommendation.</p>	<p><b>Implemented</b></p> <p>The Procurement Card Guidelines and Procedures dated 1/2012 were updated to include information regarding Change Forms and the approvals required for both the original applications and subsequent Change Forms.</p>	✓
<p><b>Recommendation:</b> Management Policy 211, Procurement Card Program, and/or the Procurement Card Program Guidelines and Procedures should require that a signed Procurement Card User Agreement be maintained for every cardholder.</p> <p><b>Management Response:</b> This has been the intent however Section III (G) of Management Policy 211 is being clarified.</p>	<p><b>Implemented</b></p> <p>The Procurement Card Guidelines and Procedures dated 1/2012 were updated to include that the User Agreement must be signed.</p> <p>Additionally, a proposed (<i>expected to become effective in Sept/2011</i>) revision to Management Policy 211 specifies that the User Agreement must be signed.</p>	✓
<p><b>Recommendation:</b> The Procurement Card Application and Change forms should designate the approval required for transaction limits over \$2,500.</p> <p><b>Management Response:</b> Monthly limits over \$5,000 were designated as requiring City Manager or designee approval but per transaction limits over \$2,500 were not designated on the forms. Both the Application and Change form have been updated.</p>	<p><b>Implemented</b></p> <p>The Procurement Card Application and Change forms now include the approval required for transaction limits over \$2500.</p>	✓
<p><b>Recommendation:</b> The Procurement Card Application and Change forms should require approval signatures to be accompanied by an employee ID number to help identify the approver.</p> <p><b>Management Response:</b> The employee ID number is not used on the bank's system but this recommendation is simply to clarify who signed the application or change form. Both the Application and Change form have been updated.</p>	<p><b>Implemented</b></p> <p>The Procurement Card Application and Change form now include the employee ID number.</p>	✓

**APPENDIX**

= Implemented       = In Progress       = Not Implemented		
<b>Corrective Action</b>	<b>Implementation Status</b>	
<b>CAP#2: Merchant Category Code Restrictions Should be Reviewed/Updated</b>		
<p><b>Recommendation:</b> Purchasing should review programmed MCC restrictions for all card profiles on an annual basis, revising them to be in alignment with intended business uses.</p> <p><b>Management Response:</b> We believed that when new Merchant Category Classifications (MCCs) were added by the bank, that they would only be allowed if we added the MCC to the card profile. It appears though that our assumption was incorrect and new MCCs may have been made available by the bank as they added MCCs without our intervention. We agree that an annual review would be beneficial to open or restrict MCCs based on business need.</p> <p>Certain changes to tax reporting requirements are allowing us to re-examine the use of and the benefits of Merchant Category Classifications (MCC) restrictions. We will include this recommendation in that conversation and resultant program changes.</p>	<p><b>Implemented</b></p> <p>A MCC review was performed in April 2012. Changes were made to the MCC's and submitted to Bank of America.</p>	✓
<p><b>Recommendation:</b> Purchasing should establish a new card profile for department cards, aligning the MCC restrictions with the intended use (currently only office supplies).</p> <p><b>Management Response:</b> Will be addressed in same meeting.</p>	<p><b>Implemented</b></p> <p>A new department card profile was established for office supply purchases only.</p>	✓
<b>CAP#3: Accountability For Missing Documentation Forms Should Be Improved</b>		
<p><b>Recommendation:</b> Accounts Payable should ensure that all Missing Documentation Forms include an itemized description of the purchase.</p> <p><b>Management Response:</b> Purchasing has met with Accounts Payable to ensure this requirement is met by cardholders and that the P-Card Administrator is notified when the requirement is not met for disciplinary action.</p>	<p><b>Implemented</b></p> <p>The Missing Documentation Forms reviewed did include an itemized description of the purchase.</p>	✓

**APPENDIX**

✓ = Implemented      ◆ = In Progress      X = Not Implemented

<b>Corrective Action</b>	<b>Implementation Status</b>	
<p><b>Recommendation:</b> Accounts Payable should log cardholders' usage of Missing Documentation Forms and provide the log to Purchasing on a monthly basis.</p> <p><b>Management Response:</b> Accounts Payable has started this process beginning with the statement closing date of 3/15/11.</p>	<p><b>Implemented</b></p> <p>A log of Missing Documentation Forms has been created and is provided to Purchasing monthly.</p>	<p>✓</p>
<p><b>Recommendation:</b> Purchasing should establish limits and enforcement actions related to cardholders' use of Missing Documentation Forms, and should include them in the Procurement Card Program Guidelines and Procedures.</p> <p><b>Management Response:</b> The Procurement Card Program Guidelines and Procedures are being updated in Section 1, Item C. restating the cardholder's responsibility and possible disciplinary action for repeated violations.</p>	<p><b>Implemented</b></p> <p>The Procurement Card Guidelines and Procedures dated 1/2012 were updated to include information regarding the use of Missing Documentation Forms and enforcement actions for repeated violations.</p> <p>Additionally, Purchasing has notified department supervisors of individuals that frequently use the form.</p>	<p>✓</p>
<p><b>CAP#4: Unneeded Procurement Cards Should be Identified and Cancelled</b></p>		
<p><b>Recommendation:</b> On an annual basis, Purchasing should identify cards not used within the past year and ask the appropriate managers to determine whether the cards are still needed.</p> <p><b>Management Response:</b> The Procurement Card Program Guidelines and Procedures are being updated in Section 2, Item E. A query has been developed to identify cards that haven't been used and departments will be asked to surrender the card or justify why the card is still needed.</p>	<p><b>Implemented</b></p> <p>An inactive card review was performed in January 2012 and procurement cards were deactivated based on review findings.</p> <p>Additionally, the Procurement Card Guidelines and Procedures dated 1/2012 were updated to include information regarding the review of inactive cards.</p>	<p>✓</p>



20 E Main St Suite 820  
PO Box 1466  
Mesa, Arizona 85211-1466

Date: November 7, 2012  
To: Audit, Finance & Enterprise Committee  
From: Jennifer Ruttman, City Auditor  
Subject: Audit of Southwest Ambulance Contract – 2<sup>nd</sup> Follow-up Review  
cc: John Pombier, Deputy City Manager

Attached is the final report on the 2<sup>nd</sup> follow-up review of our 2010 Audit of the Southwest Ambulance Contract. This report will be presented at the next scheduled meeting of the Audit, Finance and Enterprise Committee. If you have any questions, please feel free to contact me at x3767.



20 E Main St Suite 820  
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## **2<sup>nd</sup> FOLLOW-UP REVIEW**

**CITY AUDITOR**

**Report Date: November 7, 2012**  
**Department: Mesa Fire & Medical Department (MFMD)**  
**Subject: Southwest Ambulance Contract**

### **OBJECTIVE**

The objective of this review was to determine whether the MFMD has effectively implemented the corrective actions as agreed, following our December 2010 follow-up review of the Southwest Ambulance Contract audit.

### **SCOPE & METHODOLOGY**

To accomplish our objectives, we met with MFMD staff members and reviewed supporting documents provided by the Department, including but not limited to invoices, compliance reports, activity logs, and data analyses.

### **BACKGROUND**

On April 15, 2009, we issued a report on our audit of the Southwest Ambulance Contract. The objectives of that audit were to determine whether the contract terms were favorable to the City; to assess MFD's contract monitoring efforts; and to evaluate contractor compliance. The audit report contained several recommendations for improvement, and a response from management detailing their plans to implement corrective action.

In December 2010, we issued a follow-up report in which we noted that little progress had been made in implementing the original corrective action plans. Negotiations for a new regional contract were still ongoing, and the Department had not yet implemented the planned improvements related to response time measurement, contract monitoring, and reimbursements. In response to the follow-up report, the Department reaffirmed its commitment to implementing the planned improvements.

Since that time, we have periodically checked in with MFMD to assess the status of the action plans. The Department was working on establishing a full-time contract monitor, and progress was being made toward the other improvements. As a result, we delayed this 2<sup>nd</sup> follow-up review until now, to increase the likelihood of a successful outcome.

### **CONCLUSION**

In our opinion, all of the issues remaining after the first follow-up review have been successfully addressed by the MFMD. Most of the action plans were implemented as planned, and others were appropriately modified to meet changing needs and circumstances. For a complete list of the corrective actions implemented since the last review, please see the attached Appendix.

<b>APPENDIX</b>	
<b><u>Corrective Action</u></b>	<b><u>Implementation Status</u></b>
<b>CAP#1: Inferior Contract Terms</b>	
Negotiate a provision in the contract that requires the contractor to reimburse MFD for contract administration costs.	<b>Implemented</b> In August 2011, a new regional contract was executed. In February 2012, the contract was amended to require Southwest Ambulance to provide up to \$100,000 to fully fund a Management Performance and Accountability Advisor to administer and monitor the contract. The position was filled in March 2012, and SWA is now invoiced monthly for reimbursement.
Make sure contractors insurance is equal to or exceeds the City's insurance.	<b>Implemented</b>
Contract Administrator to work with Management Performance and Accountability Office to develop appropriate measures.	<b>Implemented</b> The following performance measures are now in use: <ul style="list-style-type: none"> <li>• Ratings of ambulance service by first responders</li> <li>• Number of ambulance accidents per quarter</li> <li>• Number of ambulance break-downs per quarter</li> </ul>
Include liquidated damages for performance failures.	<b>Implemented</b>
<b>CAP#2: Response Time Measurement</b>	
Collect accurate data for Code 3 response times:	
Develop a written, agreed upon validation procedure with the contractor.	<b>Implemented Modified Solution</b> Mesa uses dispatch recordings and GPS data to evaluate and resolve discrepancies.
Add a new event type with CAD upgrade.	<b>Implemented</b>
Train dispatchers to properly document code 3 calls.	<b>Implemented</b>
Work with ITD to automate (response time reconciliation) process.	<b>Implemented</b>

<b>APPENDIX</b>	
<b><u>Corrective Action</u></b>	<b><u>Implementation Status</u></b>
<b>CAP#3: Contract Monitoring Improvements</b>	
Document all performance issues, and request information from Transportation agency monthly. Keep all documentation of performance issues in Master File.	<b>Implemented</b>
Request and review information from Department of Health quarterly.	<b>Implemented Modified Solution</b> Information is requested annually.
Maintain current list of station locations, dedicated personnel, training and certification reports, and financial reports, in Master File.	<b>Implemented Modified Solution</b> MFMD will maintain a list of station locations, but will not maintain lists of dedicated personnel or training and certification reports unless issues with contractor performance arise.
Survey customers semi-annually on provider performance.	<b>Implemented Modified Solution</b> First responders are surveyed annually regarding Southwest's performance.
Contract monitors will attend the City's Contract Monitoring training.	<b>Implemented Modified Solution</b> The Management Performance & Accountability Advisor II monitoring the contract fully understands the City's contract monitoring procedures. In addition, he plans to utilize external training in contract administration.
<b>CAP#4: Paramedic Ride-in Reimbursements</b>	
Work with Southwest Ambulance to recover under-reimbursed ride-in fees.	<b>Implemented</b>
Monitor DHS web site quarterly for cost of living adjustment that corresponds to transport fees.	<b>Not Implemented</b> Not applicable to the regional contract.
MFD and SWA to define, in writing, the cap on ride-in reimbursements.	<b>Not Implemented</b> Not applicable to the regional contract.



20 E Main St Suite 820  
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Mesa, Arizona 85211-1466

Date: November 7, 2012

To: Audit, Finance & Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Audit of Wildland Response Team Reimbursement Process

Attached is the final report on our Audit of the Mesa Fire & Medical Department's Wildland Response Team Reimbursement Process. This report will be presented at the next scheduled meeting of the Audit, Finance and Enterprise Committee. If you have any questions, please feel free to contact me at x3767.



20 E Main St Suite 820  
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## **AUDIT REPORT**

**CITY AUDITOR**

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**Report Date: November 7, 2012**  
**Department: Mesa Fire & Medical Department (MFMD)**  
**Subject: Wildland Response Team Reimbursement Process**  
**Lead Auditor: Karen Newman**

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### **OBJECTIVE**

The objective of this audit was to evaluate the processes in place to ensure the City receives all available reimbursements from the State for services and equipment provided by the MFMD Wildland Response Team.

### **SCOPE & METHODOLOGY**

To accomplish our objective, we interviewed key personnel, reviewed Arizona State Forester invoicing requirements, and examined reimbursement invoices for the three Wildland fires MFMD responded to in 2011 and 2012.

### **BACKGROUND**

The MFMD Wildland Response Team was established in 2002. The Team consists of 20 National Wildfire Coordinating Group (NWCG) Red Card certified members with extensive training in firefighter safety and Wildland tactics. Under the Arizona State Forester's Cooperative Fire Rate (CFR) Agreement, the City is reimbursed by the Arizona State Forestry Division for labor, equipment, and supply costs incurred when these resources are assigned to State or Federal Wildland incidents. The agreement lists the equipment and personnel to be made available to the State Forester, and sets the reimbursement rates for those resources. The agreement also provides for the recovery of costs incurred by the City to cover the regular shifts of the personnel deployed at an incident. Currently, the only costs that are not reimbursable are the costs associated with any hours remaining on an employee's regular shift after he/she returns from a Wildland incident.

When Mesa's resources are needed at a Wildland incident, dispatch orders are received from the State dispatch center. The order is generally issued for equipment, and each piece of equipment is staffed with a standard number of personnel. MFMD assigns these individuals based on the equipment that is requested. Each crew is dispatched for a maximum of 14 days, after which a new crew may be dispatched.

Firefighters who return from a Wildland deployment during their regular shift day may or may not be required to report for duty for the remainder of their shift. This is determined on a

case-by-case basis, as needed to ensure the safety of all involved, but there is currently no written policy addressing this issue. The City has traditionally borne the cost for these additional hours. However, if the MFMD were to have a policy in place that allowed for a prescribed rest period under such circumstances, and if that policy were filed with and approved by the State, the CFR Agreement may allow for reimbursement of those costs.

When the incident is over, MFMD administrative staff must complete numerous forms and assemble an extensive array of supporting documents for submission to the State. The Arizona State Forester provides thorough, effective guidance and online tools to help local agencies successfully navigate this complicated process. Once all required documents are submitted, it takes approximately 3 months to receive the funds.

### **CONCLUSION**

In our opinion, there are adequate processes in place to ensure the City receives all available reimbursements for services and equipment provided by the MFMD Wildland Response Team, except as noted in the attached Corrective Action Plans (CAPs). The City has been reimbursed \$126,460 for costs incurred to respond to the 2011 Wallow Fire; and has met the State's requirements to be reimbursed for the costs associated with the 2012 Gladiator and Elwood Fires – approximately \$58,000. However, there are two areas of opportunity for improvement, which should be addressed to ensure the City receives all available reimbursements in the future. Our observations and recommendations are summarized below. For additional details, please see the two attached CAPs.

### **SUMMARY OF OBSERVATIONS & RECOMMENDATIONS**

1. The MFMD has not formally documented its policies and procedures for tracking Wildland expenses and obtaining reimbursements. Standard Operating Procedures (SOPs) for tracking Wildland Response Team expenses and requesting reimbursement from the State should be documented, to clearly disseminate expectations, minimize disruptions of essential operations during employee absences and ensure compliance with Arizona State Forester requirements.
2. The MFMD currently does not recover the costs associated with the rest periods sometimes granted to staff members who return from a Wildland deployment during their regular scheduled shifts. The MFMD should develop a policy that defines the terms and conditions under which a rest period will be permitted upon return from a Wildland deployment. This policy should then be submitted to the Arizona State Forester with the goal of gaining approval for reimbursement of such rest periods in the future.

### **CAP#1: Documentation of Standard Operating Procedures (SOPs)**

**Observations:** The MFMD has not formally documented its policies and procedures for tracking Wildland expenses and obtaining reimbursements.

**Comments:** If the Department were to lose one or more of the employees currently responsible for preparing and submitting these reimbursement requests, there is an increased risk that the process may not continue to operate as intended, resulting in failure to recover all eligible expenses.

In addition to minimizing the potential for disruption of operations during employee absences, written Departmental procedures add value by setting clear expectations, providing necessary guidance for consistently and accurately performing essential tasks, and promoting compliance with regulations.

**Recommendation:** Standard Operating Procedures (SOPs) for tracking Wildland Response Team expenses and requesting reimbursement from the State should be documented, to clearly disseminate expectations, minimize disruptions of essential operations during employee absences and ensure compliance with Arizona State Forester requirements.

## **CAP#2: Post-Wildland Rest Period Policy**

**Observations:** The MFMD currently does not recover the costs associated with rest periods, which are sometimes granted to staff members who return from a Wildland deployment during their regular scheduled shifts.

**Comments:** According to the General Provisions to Arizona State Forester's Cooperative Rate Agreement Form FM 104A (02/12):

*"Rest and Recuperation (R&R) – R&R may be reimbursed if it is the policy of the cooperator to allow R&R. The policy may not exceed the Days Off conditions listed in the current NWCG IBMH. A copy of the cooperator's policy allowing R&R must be filed with the corresponding State Forestry District before the beginning of the incident to be considered."*

According to the National Wildfire Coordinating Group, adequate rest periods after prolonged periods of work are essential to reduce fatigue and maintain safety. Therefore, it has sometimes been necessary to allow MFMD staff members to rest, rather than report for duty, upon returning from a Wildland deployment. However, the costs associated with these rest periods have not been reimbursed by the State, because MFMD does not have an approved policy filed with the State Forestry District.

**Recommendation:** The MFMD should develop a policy that defines the terms and conditions under which a rest period will be permitted upon return from a Wildland deployment. The policy should provide specific, appropriate guidance to ensure that all employees are treated fairly and that safety is maximized.

The policy should then be submitted to the Arizona State Forester with the goal of gaining approval for future reimbursement of costs associated with rest periods. If approval is obtained, accounting for rest period expenses should be added to the Department's Standard Operating Procedures for tracking Wildland Response Team expenses and requesting reimbursement.

City Auditor  
**AUDIT RESPONSE FORM**  
Mesa Fire & Medical Department  
Wildland Response Team Reimbursement Process

Please enter your response to each recommendation into the white cells below.

	Agree Or Disagree	Brief Summary of Implementation Plan (NOTE: If recommendation will not be implemented, please explain your alternative plan to address the observation.)	Estimated Implementation Date (Month/Yr)
<b>CAP #1: Documentation of Standard Operating Procedures (SOPs)</b>			
<b>Rec #1</b>	Agree	<p>Standard Operating Procedures (SOPs) for tracking Wildland Response Team expenses and requesting reimbursement from the State should be documented, to clearly disseminate expectations, minimize disruptions of essential operations during employee absences and ensure compliance with Arizona State Forester requirements.</p> <p>The Financial Division of the Department is currently writing procedures that will document reimbursement procedures to ensure compliance with Arizona State Forester requirements to minimize disruptions of essential operations and ensure consistent expectations and procedures among the various members of the Department involved in Wildland responses, the tracking of those responses and the members responsible for processing the reimbursements. Since the Arizona State Forester updates their procedures annually and releases those updates in February or March of each year, our procedure will not be completed until we receive those updates. Our procedures will need to be reviewed annually to ensure compliance with the Arizona State Forester's annual update.</p>	April 2013
<b>CAP #2: Post-Wildland Rest Period Policy</b>			
<b>Rec #1</b>	Agree	<p>The MFMD should develop a policy that defines the terms and conditions under which a rest period will be permitted upon return from a Wildland deployment. The policy should provide specific, appropriate guidance to ensure that all employees are treated fairly and that safety is maximized.</p> <p>The policy should then be submitted to the Arizona State Forester with the goal of gaining approval for future reimbursement of costs associated with rest periods. If approval is obtained, accounting for rest period expenses should be added to the Department's Standard Operating Procedures for tracking Wildland Response Team expenses and requesting reimbursement.</p> <p>The audit of our wildland reimbursement procedures identified a gap in our Standard Operating Procedures (SOPs) as it pertains to reinstating members back in service after a wildland deployment. The lack of having such a procedure has caused some confusion and inconsistency among returning members and may have disqualified us from being eligible to submit for return rest period reimbursements. The Staffing Guidelines Committee, a standing Labor/Management committee, will review the current deployment/reinstatement wildland response procedures and make revisions that are updated to correspond with the Arizona State Forester's reimbursement procedures. The new procedure will be submitted to the Arizona State Forester for approval.</p>	April 2013



20 E Main St Suite 820  
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Mesa, Arizona 85211-1466

Date: October 31, 2012

To: Audit, Finance & Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Audit Code Enforcement Program – Final Report

cc: Kari Kent, Deputy City Manager  
Christine Zielonka, Development & Sustainability Dept. Director  
Laura Hyneman, Development & Sustainability Dept. Deputy Director

Attached is the final report on our Audit of the City's Code Enforcement Program. The report includes 3 Corrective Action Plans (CAPs) and a response from management. The report will be presented at the next scheduled meeting of the Audit, Finance and Enterprise Committee. If you have any questions, please feel free to contact me at x3767.



20 E Main St Suite 820  
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Mesa, Arizona 85211-1466

**AUDIT REPORT**

**CITY AUDITOR**

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**Report Date:** October 31, 2012  
**Department:** Development & Sustainability  
**Subject:** Code Enforcement Program  
**Lead Auditor:** Karen Newman, Sr. Internal Auditor

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**OBJECTIVES**

The objectives of this audit were to verify that the Code Enforcement Program operates in compliance with Community Development Block Grant (CDBG) funding requirements and determine whether internal controls are adequate to minimize risks and maximize effectiveness.

**SCOPE & METHODOLOGY**

To accomplish our objectives, we interviewed key personnel and reviewed Federal CDBG requirements, the Memorandum of Understanding for the Code Enforcement Program, CDBG expense reimbursement requests, Code Enforcement processes and code violation cases for fiscal years 2010 through 2012.

**BACKGROUND**

The U.S. Department of Housing and Urban Development (HUD) provides yearly grants through the Community Development Block Grant (CDBG) for the purpose of developing viable urban communities by providing decent housing and a suitable living environment principally for low- and moderate-income individuals.

The City of Mesa Development and Sustainability Department is a subrecipient of these funds and uses a portion of the funds to supplement the Code Enforcement Program. According to the Code Enforcement Program Memorandum of Understanding, "*The City of Mesa Development and Sustainability Department will utilize CDBG funds for the Code Enforcement Program to improve slum and blight in the low-moderate income census tracts in the City of Mesa*".

CDBG funds provide salaries and employee related expenses for Code Enforcement Officers and additional staff hours directly related to the Code Enforcement Program. These employees educate citizens and enforce nuisance, public health and safety, zoning and other sections of the Mesa City Code, which are designed to improve slum and blighted conditions and to prevent further deterioration. They also manage the enforcement process, either through civil hearings or criminal proceedings, when voluntary compliance with code requirements is not achieved.

## **CONCLUSION**

Overall, it is our opinion that the City's Code Enforcement Program operates in compliance with CDBG funding requirements and complaints/violations are managed effectively. Code Enforcement staff members work closely with Housing and Community Development staff members, through ongoing communication and cooperation, to ensure requirements are met and program objectives are achieved. We did, however, identify a few opportunities to further reduce risks and improve effectiveness; and we have made several recommendations, which are summarized below.

Additional details and complete recommendations are provided in the attached Corrective Action Plans (CAPs), followed by a response from management. We intend to conduct a follow-up review in approximately one year, to ensure all planned corrective actions have been effectively implemented.

## **SUMMARY OF RECOMMENDATIONS**

We recommend that management do the following:

- Update and expand the checklist(s) used by staff to ensure that only eligible expenses are included on the summary worksheet submitted for CDBG reimbursement, and verify that all required supporting documentation is included prior to submission.
- Ensure timely and appropriate follow up of code violations, by reviewing case status aging reports and updating the Case Enforcement Process Work Instructions.
- Segregate the duties of issuing invoices and receiving payments for civil citations; or implement compensating controls to ensure that all invoices issued and payments received are properly recorded.
- Develop a process to reconcile civil citation invoices to the City's Accounts Receivable system.
- Document the code violation civil citation process.

## **CAP#1: Monthly Summaries of CDBG Expenses – Processes and Documentation**

### **Observations:**

Each month, the Code Enforcement Division tracks CDBG-eligible expenses and provides a summary report, along with supporting documents, to the Housing & Community Development Department. This information is used to request CDBG reimbursement from HUD. Overall, we found that the process for reporting these expenses is adequate; however, the following observations indicate that improved internal controls are needed:

1. Some monthly summaries did not include all of the required supporting documentation and/or could not be reconciled to the supporting documentation provided.
2. Ineligible expenses have been posted to CDBG Work Orders and included in monthly summaries. (Fortunately, these ineligible expenses were identified by Housing & Community Development Department staff and were not included in the final CDBG funding request submitted to HUD.)
3. Based on a cursory statistical analysis of data related to labor hours and inspections of CDBG/non-CDBG properties, the processes used to attribute Code Officers' time to CDBG-eligible activities may need improvement.

### **Comments:**

Inadequate supporting documentation may result in expenses being deemed ineligible for CDBG grant funding reimbursement. Although improvements have been made recently to help ensure that only eligible expenses are included on the monthly summaries used for CDBG funding reimbursement, and that all required supporting documentation is provided, additional strengthening of internal controls is needed to ensure accuracy and completeness.

### **Recommendations:**

1. Management should ensure that all expense summaries prepared for the purpose of obtaining CDBG reimbursement are accurate and complete; and that all required supporting documentation is included prior to submission.
2. Management should ensure that only eligible expenses are submitted for CDBG reimbursement. To that end, we suggest that improved checklists be developed, to include the specific items, tasks and reconciliation steps needed to ensure accuracy and completeness.
3. Specific Officers are now assigned to CDBG properties, eliminating the need to track the amount of time they spend on CDBG and non-CDGB activities. However, if such tracking should be needed in the future, a more structured approach to time tracking should be considered, in order to ensure consistency and accuracy.

## **CAP#2: Case Management – Follow-up/Monitoring Process**

**Observations:** The majority of Code Enforcement cases are followed up on in a timely manner. However, since there is currently no periodic review of code cases less than 90 days old, delayed responses sometimes go unnoticed. The following observations indicate that improved controls may be needed:

1. Some cases took up to 30 days to move from "Received" to "Active" status. In other cases, inspections were delayed up to several weeks.
2. The Department's "Basic Case Enforcement Process Work Instructions" do not provide specific guidance on what is considered timely follow up for code violation cases.

**Comments:** Untimely follow up may lead to continued and/or additional violations, dissatisfied citizens, and decline of the area in question. In each of the cases referenced above, action was taken as soon as staff was made aware of the oversight. Therefore, it is likely that the risk of untimely follow-up could be greatly reduced by additional management review of case status data, to identify cases that may have been inadvertently overlooked.

In addition, departmental written procedures should set clear expectations for appropriate, consistent, and timely responses to code complaints/violations, with the understanding that the ability to meet these expectations may be impacted by staffing levels and workload.

- Recommendations:**
1. Management should run case status aging reports and review them on a regular basis to ensure timely and appropriate follow up of code violations.
  2. Management should update the Case Enforcement Process Work Instructions to include clear guidance and expectations for timely follow up of code violation cases.

### **CAP#3: Civil Citation Process Controls**

**Observations:** The following observations indicate a need for improved internal controls over the code violation civil citation process:

1. The individual that processes civil citation invoices also receives the payments generated by those invoices.
2. Due to system limitations, Tidemark<sup>1</sup> invoices generated for civil citations are not numbered sequentially, which inhibits the ability to reconcile them with the City's Accounts Receivable (A/R) system. Furthermore, re-invoicing for outstanding civil citations creates new invoice numbers which further complicates the reconciliation process.
3. The code violation civil citation process is not documented.

**Comments:** Although we found no evidence of wrongdoing, without proper segregation of duties and reconciliation controls there is an increased risk that:

- Invoices could be issued and not recorded in the A/R system.
- Payments received could be misappropriated.
- Errors or fraud could occur without detection.

In addition, since there is only one individual responsible for the civil citation process (and other processes), having no written procedures increases the risk that continuity of operations could be impacted if the City were to lose this individual.

- Recommendations:**
1. Ideally, management should segregate the duties of issuing invoices and receiving payments for civil citations. However, if limited staffing prevents segregation, compensating internal controls should be developed and implemented to ensure that all invoices issued and payments received are properly recorded. Compensating controls can vary, but may include additional management reviews/oversight, independently performed reconciliations, rotation of duties, etc.
  2. Management should develop a process through which all civil citation invoices and payments are reconciled with the City's A/R system, to ensure that the creation and disposition of all Tidemark invoices accurately reflects those recorded in A/R.
  3. Management should ensure that written procedures for administering the code violation civil citation process are complete, accurate, and regularly updated.

<sup>1</sup>The Tidemark system is a database used to track Code Enforcement cases.

City Auditor  
**AUDIT RESPONSE FORM**  
 Audit of Code Enforcement Program

Please enter your response to each recommendation into the white cells below. 11/07/12

	Agree Or Disagree	Brief Summary of Implementation Plan (NOTE: If recommendation will not be implemented, please explain your alternative plan to address the observation.)	Estimated Implementation Date (Month/Yr)
<b>CAP #1: Monthly Summaries of CDBG Expenses – Processes and Documentation</b>			
Management should ensure that all expense summaries prepared for the purpose of obtaining CDBG reimbursement are accurate and complete; and that all required supporting documentation is included prior to submission.			
<b>Rec #1</b>	Agree	<p>The Development and Sustainability Department has been working closely with Housing &amp; Community Development on the checklist for submitting supporting documentation. A checklist has been developed to ensure that supporting documentation submitted is accurate and complete. The checklist also includes a signature line to confirm receipt by Housing. (Exhibit A) Work Instructions will be updated.</p> <p>The MOU between Development and Sustainability Department &amp; Housing and Community Development states that CDBG funds may be spend on salaries and training for 4 full time employees and temporary employee services. With the implementation of the new Advantage system, Accounting provides Code Admin a Payroll Extract, showing the actual payroll costs associated each employee on a bi-weekly basis. These Payroll Extract Reports are provided to Housing with Officer Activities reports, Activity Summary reports, and Timecards. In the past this information was pulled from a variety of sources and depended on each officer documenting their daily activities spent inside and outside CDBG areas. With 4 officers assigned exclusively to CDBG areas, documentation is much simpler and less likely to result in errors.</p>	8/12 – checklist 10/12 – work instructions
Management should ensure that only eligible expenses are submitted for CDBG reimbursement. To that end, we suggest that improved checklists be developed, to include the specific items, tasks and reconciliation steps needed to ensure accuracy and completeness.			
<b>Rec #2</b>	Agree	<p>Two practices have been put in place to ensure that only eligible expenses are submitted to Housing for CDBG reimbursement: four code officers are assigned exclusively to CDBG areas and a new report has been developed to confirm that cases each code officer works on is located within a CDBG area.</p> <p>The Tidemark system has been modified so that it automatically identifies whether a parcel is within or outside a CDBG area. When a code case is opened, this information is viewable by the Code Officer on the opening page of the code case. A Tidemark report, "CDBG Areas – Addresses Opened" shows code enforcement activities, the Code Officer's name, an address for each case and whether the property is within or outside a CDBG area. (Exhibit B)</p>	10/12

City Auditor  
**AUDIT RESPONSE FORM**  
 Audit of Code Enforcement Program

	Agree Or Disagree	Brief Summary of Implementation Plan (NOTE: If recommendation will not be implemented, please explain your alternative plan to address the observation.)	Estimated Implementation Date (Month/Yr)
		<p>Previously, code officers worked both inside and outside a CDBG area. The department relied on each officer documenting the time they spent inside and outside CDBG areas on a daily basis. Summarizing these activities involved a combination of reports. This year, accounting for Code Officers activities has been simplified with the new assignments.</p>	
		<p>Specific Officers are now assigned to CDBG properties, eliminating the need to track the amount of time they spend on CDBG and non-CDBG activities. However, if such tracking should be needed in the future, a more structured approach to time tracking should be considered, in order to ensure consistency and accuracy.</p>	
<b>Rec #3</b>	Agree	<p>A Tidemark report has been developed that shows each COD case, the Code Officer assigned to work on the COD case and whether the COD case was located in a CDBG area. This report will verify for Housing and Community Development that Code Officers assigned to CDBG areas did indeed work in CDBG areas. (Exhibit B)</p> <p>In the future, if Code Officers are assigned to work both inside and outside the CDBG areas, a more structured approach will be developed. A strategic approach to the allocation of work and time tracking will be developed to ensure reports are consistent and accurate.</p>	10/12
<b>CAP #2: Case Management – Follow-up/Monitoring Process</b>			
		<p>Management should run case status aging reports and review them on a regular basis to ensure timely and appropriate follow up of code violations.</p>	
<b>Rec #1</b>	Agree	<p>The Code Supervisor runs a report entitled Code Cases 90 Days Old on a weekly basis. Each open case is reviewed to determine if the case is active and to ensure there is appropriate follow up. The Deputy Director reviews the Code Cases 90 Days Old report with the Supervisor on a monthly basis.</p> <p>A new task was added to Tidemark that enables anyone to look at cases that have been opened but that have not had any follow up activity. This task has been added to the Supervisors and Deputy Directors task lists and will be reviewed by the Supervisor weekly and the Deputy Director monthly.</p> <p>This monitoring procedure will be added to the Work Instructions.</p>	<p>2/12 – report created              8/12 – task added              10/12 – work instructions revised</p>

City Auditor  
**AUDIT RESPONSE FORM**  
 Audit of Code Enforcement Program

	Agree Or Disagree	Brief Summary of Implementation Plan (NOTE: If recommendation will not be implemented, please explain your alternative plan to address the observation.)	Estimated Implementation Date (Month/Yr)
<b>Rec #2</b>	Agree	<p>Management should update the Case Enforcement Process Work Instructions to include clear guidance and expectations for timely follow up of code violation cases.</p> <p>The Work Instructions have been updated with specific guidance on follow up times for each step of the code enforcement process. The goal is to obtain voluntary and prompt compliance whenever possible while also building evidence if a civil or criminal action is needed. Additional time may be given to implement corrective actions depending on the severity and hazards associated with the type of violation(s), the necessity for submitting plans and/or obtaining permits from the City or other agencies, and the availability of services or materials. Timeframes provided may also be shortened based on the severity and hazards associated with the type of violation and whether the violation was a conducted in a knowingly or willful manner. (Exhibit C)</p> <p>Assignment of four officers to the CDBG area and three officers to the remainder of the City has impacted the response time for confirmation of new code cases. Response times are compiled for management on a monthly basis.</p>	10/12
<b>CAP #3: Civil Citation Process Controls</b>			
<b>Rec #1</b>	Agree	<p>Ideally, management should segregate the duties of issuing invoices and receiving payments for civil citations. However, if limited staffing prevents segregation, compensating internal controls should be developed and implemented to ensure that all invoices issued and payments received are properly recorded. Compensating controls can vary, but may include additional management reviews/oversight, independently performed reconciliations, rotation of duties, etc.</p> <p>Citation process controls that segregate the issuance of invoices from the collection of payments have been improved in two ways: implementation of the Advantage system and logging of payments sent directly to the Civil Hearing Office.</p> <p>The Civil Hearing Offices creates invoices and enters them into the Advantage system. Payments made by mail are processed by Customer Service. Then the Code Administrative Supervisor enters all payment information into Tidemark. Hand-delivered payments are received by the Development Services Front Desk staff are entered into Tidemark and submitted to Customer Service. If payments are sent directly to the Civil Hearing Office by mistake, department administrative support staff will log the payments in a spreadsheet and take the check to Customer Service. After reviewing the spreadsheet, the Code Administrative Supervisor will enter all payment information into Tidemark.</p>	10/12

City Auditor  
**AUDIT RESPONSE FORM**  
 Audit of Code Enforcement Program

	Agree Or Disagree	Brief Summary of Implementation Plan (NOTE: If recommendation will not be implemented, please explain your alternative plan to address the observation.)	Estimated Implementation Date (Month/Yr)
		Work Instructions are being revised to reflect how information is entered and received from the new Advantage system.	
<b>Rec #2</b>	Agree	<p>Management should develop a process through which all civil citation invoices and payments are reconciled with the City's A/R system, to ensure that the creation and disposition of all Tidemark invoices accurately reflects those recorded in A/R.</p> <p>The Civil Hearing Office has sent the Advantage accounting team a request for a report that will show all Code and Civil hearing invoices and payments. The report will be used to reconcile fee information in Tidemark.</p> <p>Work Instructions will be revised when the procedure is finalized.</p>	Anticipated – 1/2013
<b>Rec #3</b>	Agree	<p>Management should ensure that written procedures for administering the code violation civil citation process are complete, accurate, and regularly updated.</p> <p>Work Instructions were written in Feb 2012 to document the Code Enforcement Process including the Citation Process. The Citation Service Requirements Work Instructions have been updated and reviewed by the City Attorney. Administrative Work Instructions, including preparing invoices and documenting payments, will be updated to include instructions for the new Advantage System. Civil Hearing Office Staff is working with Development Services Front Counter staff to insure that all payments are accurately documented in Tidemark. Work instructions have been written and the Code admin staff has provided training.</p> <p>Accounts and Work Instructions will be reviewed regularly to ensure they are consistent with current procedures and to ensure they include best management practices.</p>	Anticipated WI for administration - 1/2013