



AUDIT, FINANCE & ENTERPRISE COMMITTEE

January 6, 2015

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 January 6, 2015, at 9:18 a.m.

COMMITTEE PRESENT

Dave Richins, Chairman
Alex Finter
Scott Somers

COMMITTEE ABSENT

Christopher Brady, Ex Officio

COUNCIL-ELECT PRESENT

Kevin Thompson

STAFF PRESENT

Debbie Spinner
Alex Deshuk
Alfred Smith
Agnes Goodwine

Chairman Richins excused Committeemember Somers from the beginning of the meeting; he arrived at 9:24 a.m.

1. Items from citizens present.

There were no items from citizens present.

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

1. Public Defender Contracts

City Auditor Jennifer Ruttman explained that this audit (**See Attachment 1**) is related to contracts the City has with 12 individual public defenders. She reported that the audit was conducted to ensure that proper controls were in place to administer the contracts in accordance with applicable regulations and policies.

Ms. Ruttman stated that the audit revealed the contracts were being managed by a Council Assistant and had previously been managed by another staff member in the City Manager's Office. She added that management of the contracts has since been transitioned to the City's Grants Coordinator.

Ms. Ruttman commented that the audit recommendations include developing formal written procedures; that future contracts should establish case limits for each public defender; and that each public defender document the number of cases assigned and submit monthly reconciliation reports to ensure proper accounting. She said that the recommendations will be implemented by the Grants Coordinator.

In response to a question from Chairman Richins, Ms. Ruttman explained that the City Manager's Office will ensure that the Grants Coordinator has processes and procedures in place before the audit follow-up.

Manager of Technology and Innovation Alex Deshuk confirmed that the City Manager's Office maintains a listing of all outstanding audits and is responsible for quarterly review and follow-up with department managers. He added that these updates are provided to the City Auditor.

Chairman Richins thanked staff for the presentation.

2. Library Technology

Ms. Ruttman explained that the Library Technology audit (**See Attachment 2**) was conducted to determine whether internal controls related to the use of technology are in place and operating effectively in order to minimize the associated risks and losses to the City.

Ms. Ruttman stated that the Library has expanded services and technology to provide patrons access to a variety of electronic devices. She commented that when providing expensive electronic equipment (ThinkSpot and automated check-in devices) to patrons, it is important to ensure that controls are in place to protect the City.

Ms. Ruttman explained that when the audit began, a pilot program was in place which allowed patrons to check out portable electronic devices. She continued by saying that during the pilot, there was discussion as to whether the program should expand to include other types of electronic devices. She added that it was decided that as those types of devices are hard to control, future lending of other electronic devices would be available on-site only.

In response to a question from Chairman Richins, Ms. Ruttman clarified that the cost of electronic readers is approximately \$100.00 each and that the percentage of those not returned was in excess of 50%.

Committeemember Somers suggested an option that is used with bicycle rentals. He explained that a patron's credit card information is used to secure the equipment, and if not returned, the credit card is charged.

Ms. Ruttman responded that although this option was considered, the mission of the Library is to provide services to all patrons and added that many who utilize the facility do not have credit cards.

In response to a question from Chairman Richins, Ms. Ruttman explained that the pilot program for portable electronic devices has already been discontinued. She noted that her recommendation to the Library is that if a similar program is considered in the future, controls such as tracking devices or fee-collecting alternatives be evaluated.

Chairman Richins thanked Ms. Ruttman for the presentation.

2-b. Hear a presentation and discuss the Phoenix-Mesa Gateway Joint Powers Airport Authority Agreement.

Chief Financial Officer Mike Kennington introduced Senior Economic Development Project Manager Scot Rigby and Jane Morris, Executive Director of the Phoenix-Mesa Gateway Airport Authority (PMGAA), who were prepared to address the Committee.

Mr. Kennington stated that staff was seeking the Committee's approval with regard to an amended Joint Powers Airport Authority Agreement (JPAAA) and the associated loan cancellation agreement.

Mr. Kennington displayed a PowerPoint presentation (**See Attachment 3**) and reported that approval of the JPAAA would allow the airport to cancel past contributions that it classified as loans and characterize future member contributions as appropriations. He explained that the City of Mesa has contributed \$52.4 million to the PMGAA as appropriations and pointed out that it has never recorded such contributions as loans. He added that the proposed action would not impact the City's financial records.

Mr. Kennington briefly discussed a 2013 Economic Impact Study conducted by Arizona State University (ASU). (See Page 4 of Attachment 3) He said that the study determined, among other things, that the Phoenix-Mesa Gateway Airport (PMGA) generates an estimated \$1.3 billion annually in economic benefit to the region, including the creation of more than 10,400 jobs.

Mr. Kennington further remarked that approximately a year and a half ago, an audit was conducted of the PMGA, at which time the external auditors expressed concern as to whether the airport would be able to pay off approximately \$80 million in loans (as characterized in its financial records) by 2020. He noted that the PMGAA assembled a work group of staff from the six member communities in an effort to explore various options concerning this matter. He commented that the ultimate solution was the drafting of the amended JPAAA. He added that the PMGA Governing Board approved the JPAAA and recommended that it be presented to the Councils of the respective member agencies in order to solicit their comments and feedback.

Mr. Kennington further spoke regarding the Gateway Master Plan, which projects significant increases in new businesses, development, employment and commercial air travel at the airport. (See Page 5 of Attachment 3)

Responding to a question from Chairman Richins, Ms. Morris clarified that the schematic drawing of the airport and the surrounding areas was completed during the visioning stage of the Gateway 2030 Plan. (See Page 7 of Attachment 3) She indicated that the drawing illustrates the south industrial area at build-out, as well as a rendering of 60 gates on the east side. She added that the property holdings yet to be developed include an estimated 300 acres on the west side and approximately 700 acres on the east side of the airport

Committeemember Finter commented that he was "a huge supporter" of the PMGA and thanked Ms. Morris for her leadership and professionalism. He stated that in his opinion, the proposal "has some political ramifications down the road" and added that he wanted to ensure that the City's actions were appropriate.

In response to a question from Committeemember Finter, Deputy City Attorney Alfred Smith explained that the City Attorney's Office conducted extensive research relative to the Arizona Constitution's Gift Clause as it relates to this matter. He reported that the law states that a public entity cannot loan credit or give financial considerations to any individual association or corporation. He stated that the case law that interprets the Gift Clause seemed to apply to public and private distributions, but did not address "a public to public" scenario. He pointed out that the PMGAA is considered a quasi-governmental entity (i.e., a Public Improvement District) and classified as a municipal corporation under state law. He concluded that after considering all of those factors, staff determined that the City met the exception to the Gift Clause and there would not be an issue with respect to this item.

Committeemember Finter remarked that the Council has a fiduciary responsibility to the taxpayers with respect to how it spends their money. He noted that initially, he was concerned with the possibility of a newspaper headline that might read: "The City of Mesa writes off \$74 million in debt." He also stated that he was satisfied with the information that staff provided him related to Mesa's contribution level to the PMGA over the years. He added that the goal has always been to support the airport, ensure its long-term growth and empower the PMGA to eventually have the ability to issue bonds for future capital improvement projects.

Responding to a question from Councilmember-Elect Thompson, Mr. Kennington indicated that at the present time, he was unable to quantify what portion of the \$1.3 billion in economic impact that is generated by the PMGA is returned specifically to Mesa.

Mr. Rigby pointed out that of the above-mentioned \$1.3 billion, an estimated \$750 million is generated through direct spending at the airport, including sales, revenue and payroll taxes. He also stated that indirect spending is generated by visitors to the region through hotel stays, dining, shopping and attending various shows and events.

Discussion ensued relative to the fact that the Towns of Gilbert and Queen Creek have experienced early retail success in and around the airport due to their close proximity to the site; that the City of Mesa has taken a long-term planning approach as it relates to growth and development at the PMGA; that the future completion of the East Side Terminal will result in a shifting of retail development to that area; and that it will be necessary for the airport to secure capital backing for many years until such time as it is operationally self-sufficient.

In response to a question from Chairman Richins, Mr. Rigby clarified that in addition to the \$52.4 million that Mesa has contributed to the airport over a 20-year period, it has also invested significant monies with respect to operational and infrastructure improvements.

Chairman Richins commented that Mesa's \$52.4 million contributions to the PMGAA "pales in comparison" to how much it has invested in the airport's infrastructure. He stated that although Mesa has the most to lose with respect to this item, it also has the most to gain. He expressed concern regarding the manner in which this issue was presented to the public and suggested that staff's PowerPoint presentation "tells the story" relative to the long-term plan for the airport in a more concise manner. He also expressed appreciation to Committeemember Somers for his leadership with the PMGAA throughout the years.

In response to a question from Committeemember Finter, City Attorney Debbie Spinner clarified that the cancellation of the loan agreement would result in the cancellation of any claims or causes of action based on the loan agreement or the promissory notes that the airport provided.

Mr. Kennington further remarked that the cancellation of the loan agreement would not impact the weighted vote of the PMGAA members, as such votes are based on the accumulated contributions of the respective communities.

Responding to a series of questions from Committeemember Finter, Ms. Morris reported that annually, the PMGAA Board considers the contributions needed for the following year. She explained that the Board's recommendation is forwarded on to the Councils of the member communities for consideration as part of their upcoming budget process.

Ms. Morris remarked that moving forward, she would anticipate a ten-year process to develop the east side of the airport. She said that the PMGAA has obtained initial grants from the Arizona Department of Transportation (ADOT) for the preliminary design of the drainage project on the east side. She also noted that her objective for this calendar year is to put in place a ten-year plan for the development of the east side and continue to work on maximizing grants.

Ms. Morris referenced a schematic drawing titled "Northeast Area Development – Aeronautical vs. Non-Aeronautical Planned Land Use." (**See Attachment 4**) She pointed out that there are approximately 300 acres on the east side of the airport that is private development and said that she would like to focus on that area, as well as the industrial development on the west side.

Responding to comments from Committeemember Finter, Ms. Morris clarified that the Gateway 2030 Plan did not address private investment, but included a combination of grants and the ability for the airport to bond and seek additional financing. She also stated that the Plan did not include a specific reference to the City's funding. She added that having this action in front of the Council and obtaining the approval of all six PMGAA community members is "a huge step forward" for the airport.

Further discussion ensued relative to the fact that the airport is currently engaged in the environmental assessment process and must obtain federal approval prior to development beginning on the east side of the airport; that it is essential that additional airline operations occur at the PMGA before the development of additional east side gates can begin; that it is equally important to maintain the viability and efficiency of the west side of the airport; and the potential for future discussions relative to the possibility of Mesa becoming a financing entity for the airport's East Side Terminal.

Mr. Rigby said that it was important to note that there may be development on the east side of the airport that does not have a direct role for passenger service immediately. He explained that although the City's goal is to attract additional airlines to the airport, that does not mean that private development on the east side cannot begin first. He cited, for example, that at Falcon Field Airport, private development creates revenue, which is then invested back into the airport.

Committeemember Finter inquired what Mesa's future commitment to the airport will be. He stated that Mesa is a large community with a variety of challenges and financial needs. He suggested that it might be appropriate for the City to solicit input from the public regarding this matter.

Ms. Spinner clarified that the agenda item as written does not require a vote by the Committee. She stated that based on the Council's previous discussion of this issue in December of last year, the matter has been included on the January 12, 2015 Regular Council meeting agenda for Council action. She added that if the Committeemembers would like to make a recommendation to the full Council, they are certainly free to do so.

Chairman Richins thanked everyone for the presentation.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 10:08 a.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 6th day of January, 2015. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

pag/dm
(attachments – 4)



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

Date: November 18, 2014

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Audit of Public Defender Contract Administration

cc: Mayor and Council
Scott Butler, Assistant to the City Manager
Matt Tafoya, Presiding City Magistrate

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed an audit of public defender contract administration. The audit report is attached and will be presented at the next scheduled meeting of the Audit, Finance & Enterprise Committee. We wish to extend our appreciation to Charlotte McDermott, Assistant City Attorney I (formerly Council Assistant), who served as the contract administrator during the audit period, for her professionalism and cooperation throughout the audit process.

Please feel free to contact me with any questions or concerns.

AUDIT REPORT

CITY AUDITOR

Report Date: November 18, 2014
Department: City Manager
Subject: Public Defender Contract Administration
Lead Auditor: Tami Steadman

OBJECTIVE

This audit was conducted to determine whether adequate controls are in place to ensure the City's public Defender contracts are administered in accordance with applicable regulations and policies; and that any related risks to the City are minimized.

SCOPE & METHODOLOGY

To achieve our objective, we:

- Interviewed City staff members from the Municipal Court, the City Attorney's office (both civil and prosecutors), the Public Defender Contract Administrator (PDCA), and others.
- Reviewed Mesa's public defender contracts, court system data reports, attorneys' case log reports, invoices, and payment records for FY 2014.
- Reviewed contracts and other methods used by other Arizona municipalities to provide public defense services.
- Reviewed applicable laws, professional standards and other authoritative guidance for government entities contracting for public defense services.

It should be noted that our scope did not include analyzing the processes related to determining indigent status or assessing/collecting fees associated with public defense services, as both of those processes relate more to defendants than to public defenders. We did, however, review the administrative processes related to the distribution of the total workload among the contracted public defenders.

BACKGROUND

The City of Mesa contracts individually with 12 attorneys to provide public defense services for indigent defendants as required by the Sixth Amendment to the U.S. Constitution and in accordance with the Arizona Rules of Criminal Procedure. These contracts provide 1 public defender for the In Custody Courtroom, 1 for the Arraignment Courtroom, and 2 for each of 5 other courtrooms. There is no regular rotation or reassignment of attorneys among the various courtrooms. According to data provided by court staff, approximately 23% of all new criminal cases filed in the Mesa Municipal Court are assigned public defenders.

In order to maintain independence from both the Court and the City Prosecutor's office, Public defender service contracts are administered in the City Manager's office. Historically, however, there has been no consistent ownership of this process by a subject matter expert, and essentially no additional oversight. Currently, the PDCA role is assigned to a Council Assistant, who performs essentially all of the administrative tasks, from overseeing the procurement of contracts to approving monthly payments. However, this is not one of her primary duties and contract administration is not typically a responsibility of a Council Assistant. Fortunately, the current PDCA does have a legal background and, since assuming this role, she has made several improvements to the contracts and the processes used to monitor them.

Fiscal Impact

In FY 2014, payments for the 12 public defender contracts totaled \$848,480, including:

- \$20,800 for 1 Arraignment Court public defender, 2 mornings/week, \$50/hour.
- \$45,000 for 1 Jail Court public defender, 4 mornings per week, fixed rate/year.
- \$782,680 for the 10 other public defenders, \$170/case.

To offset a small portion of the administrative costs related to providing public defense services, the judge may order a defendant to pay a \$25 Court Indigent Administrative Assessment Fee. If it is determined that a defendant can afford to contribute to the cost of his/her own defense, the judge may also assess a Public Defender Fee. If applicable, these fees are due when the case is completed. In FY 2014, the City collected a combined total of approximately \$90,341 for these fees.

CONCLUSION

In our opinion, except as noted below, adequate controls are currently in place to ensure the City's public defender contracts are administered in accordance with applicable regulations; and the risk of improper payments or other losses has been effectively mitigated.

However, we did identify a few areas of risk as well as opportunities to improve internal controls. If the role of PDCA were to be transitioned to a different employee in the future, these risks are likely to increase unless additional compensating controls are implemented. A summarized list of our observations and recommendations is included below. For additional details and responses from management, please see the attached Corrective Action Plans (CAPs).

OBSERVATIONS

1. There are no written procedures for the administration of Mesa's public defender contracts.

2. Mesa's public defender contracts do not limit the number of cases that can be assigned to each attorney. According to professional standards and relevant case law, a maximum of 400 misdemeanor cases is recommended for a full time contracted public defender, to prevent excessive caseloads from negatively impacting the quality of defense counsel provided. All other cities' contracts we reviewed included such limits. Although individual caseloads varied considerably among Mesa's public defenders, the average number of cases assigned per attorney in FY 2014 was 460.
3. Public defenders do not always submit complete and accurate monthly case log reports in full compliance with their contracts. In addition, the current reporting processes do not provide the PDCA with the data needed to perform an annual summary reconciliation between public defender payments and court records; therefore, differences may not be detected and corrected.

RECOMMENDATIONS

1. Formal written procedures should be developed for the administration of public defender contracts. In addition, at least one additional employee should be familiar with the process.
2. The City's public defender contracts should be revised to include caseload limits, to be exceeded only upon approval of the Presiding City Magistrate. This control would provide assurance that the City actively monitors caseloads as required by legal standards for the provision of effective counsel. Additionally, to maximize independence and to help ensure an equitable distribution of cases among contracted attorneys, we recommend that public defenders rotate between the different courtrooms rather than being assigned to a single courtroom.
3. Public defenders should be required to submit accurate and complete monthly reports as required by their respective contracts. However, the reporting requirements for each type of contract should be reviewed and revised to ensure only relevant information is collected. In addition, invoice data should be reconciled with updated court records at the close of each year, to capture any changes entered after the monthly reports were produced and to identify and correct any differences which may have been overlooked during monthly processing.

CAP#1: Lack of Written Procedures

Observation: There are no written procedures for the administration of Mesa's public defender contracts.

Criteria: Written procedures should be maintained for significant business processes or functions, to ensure management's objectives are achieved in a consistent, efficient and reliable manner. They also help ensure checks and balances are maintained by preventing key process steps from being omitted, particularly when turnover occurs. The provision of public defense services is a federal mandate and the City has 12 public defender contracts with a total annual budget of \$900,000. As such, this process is significant enough to warrant formal written procedures.

Comments: The City's public defender contracts are administered in the City Manager's office. This responsibility is currently assigned to one Council Assistant as an extra duty. Upon "inheriting" this assignment, she was trained by the former contract administrator on the various tasks and processes involved, but no written procedures were provided.

There is also no back-up staff person with the background knowledge and training necessary to administer these contracts. Therefore, if the contract administrator were to become unavailable, it would be difficult for another employee to take over this assignment. In the interim, the City would be at increased risk for delinquent and/or incorrect payments being made to contractors, non-compliance with contract terms, failure to renew/renege contracts, etc.

Recommendation: 1-1. The PDCA should develop formal written procedures for the administration of public defender contracts. In addition, at least one additional employee should be familiar with the process.

Management Response: 1-1. We concur with the City Auditor's recommendation. Formal written procedures for administering the public defender contracts will be developed. Additionally, a person will be identified as a backup for the PDCA and will become familiar with the administration of the contracts.

CAP#2: Contracts Do Not Limit Caseloads

Observation: The City's public defender contracts do not specify a maximum allowable caseload for each attorney.

Criteria: Standards and other authoritative guidance¹ have been established for government entities contracting for public defense services, to help ensure the adequacy of counsel provided to indigent defendants. These standards recommend that contracted full time public defenders be assigned a maximum of 400 misdemeanors per year. In accordance with these standards, caseload maximums are included in all of the other public defender contracts we reviewed, including those in Chandler, Glendale, Scottsdale, Tempe and Phoenix.

Comments: Although individual caseloads varied considerably among Mesa's public defenders, the average number of cases assigned per attorney in FY 2014 was 460.

Unlike other cities' contracts, City of Mesa's public defender contracts do not limit the number of cases that can be assigned to each attorney. The lack of this internal control increases the risk that excessive caseloads could expose the City to increased liability from claims of inadequate provision of counsel.

The standards also indicate that the total workload of each attorney (from all sources) should be considered when evaluating caseloads. Based on the hours reported by each of our public defenders, Mesa's cases average 68% of their workloads, yet the average number of cases they are assigned exceeds the maximum for a full time attorney.

Recognizing that there may be circumstances under which a public defender could provide high quality counsel while maintaining a caseload that exceeds standard limits, most cities have added contract terms that allow for exceptions to be granted when appropriate.

¹ Sources of authoritative guidance include: National Advisory Commission on Criminal Justice Standards and Goals, Task Force on Courts, Chapter 13, The Defense (1973); National Study Commission on Defense Services, Guidelines for Legal Defense Systems in the United States (1976); American Bar Association Standards for Criminal Justice, Providing Defense Services (3rd ed. 1992); NLADA Guidelines for Negotiating and Awarding Contracts for Criminal Defense Services, (1984); National Conference of Commissioners on Uniform State Laws, Model Public Defender Act (1970); State of Arizona v. Joe U. Smith, 681 P. 2d 1374 (1984)

Recommendations: 2-1. The City's public defender contracts should be revised to include caseload limits, to be exceeded only upon approval of the Presiding City Magistrate. Objective criteria should be established to ensure consistent and appropriate evaluation of requests for exceptions. Consideration should be given to the types of cases assigned, the average amount of time required to complete those cases, any relevant performance issues, and other appropriate criteria as determined by the Presiding City Magistrate.

2-2. To maximize independence (in both fact and appearance) and to help ensure an equitable distribution of cases among contracted attorneys, public defenders should be rotated between the different courtrooms rather than being assigned to a single courtroom.

**Management
Response:**

2-1. We concur with the City Auditor's recommendation and the public defender contracts will be revised to include this language. The new contract will be implemented in June 2015 when the public defender contracts are renewed.

2-2. We concur with the City Auditor's recommendation. The distribution of cases is determined by the Mesa City Court staff. The PDCA will recommend and request that Court staff rotate the courtroom assignment for each regular public defender on a yearly basis.

CAP#3: Inaccurate/Incomplete Monthly Reports and Invoices

Observations: Public defenders do not always submit complete and/or accurate monthly case log reports as required by their contracts.

In addition, the current contract administration process does not provide the PDCA with the data needed to perform an annual summary reconciliation between public defender payments and court records; therefore, small differences may not be detected and corrected.

Criteria: Section 10.b of the "standard" public defender contract states (in part):

"ATTORNEY shall maintain current Public Defender case logs, including but not limited to, total number of assigned cases, types of cases, method of disposition, and time spent on MESA cases, and shall provide monthly written reports containing sufficient and pertinent information requested as required by MESA for the purpose of audit and evaluation of ATTORNEY's performance under this Agreement."

Section 5 of the Agreement for Counsel Services in the Arraignment Court states:

"ATTORNEY shall keep monthly coverage reports as required by the CITY, to include types of cases, methods of disposition, and time spent at arraignment court. This report shall be provided to the CITY no later than 10 calendar days following the end of each month. Additionally, no later than the tenth (10th) day of the calendar month the ATTORNEY shall provide the CITY with Attorney's back-up coverage report from the previous month."

Comments: The contract terms noted above serve to ensure that the City obtains the information needed to adequately monitor the caseloads and performance of contracted public defenders. Reporting requirements are reviewed annually by the PDCA as part of the contract renewal process; however, we noted that there has been some debate over the relevance and usefulness of some of these requirements. This uncertainty has contributed to a lack of consistent compliance/enforcement in this area.

When a public defender submits an invoice to the City, the PDCA reconciles the invoice to summary data provided by the court. Occasional discrepancies due to timing differences and manual processes are expected and are routinely reconciled by the parties. However, in the sample of invoices we tested, we noted discrepancies which were not ultimately reconciled through the normal process; and no periodic summary analysis is performed to verify that all discrepancies are resolved over time. This increases the risk that incorrect payments will not be identified and corrected.

- Recommendations:**
- 3-1. Public defenders should be required to submit accurate and complete monthly reports as required by their respective contracts.
 - 3-2. The reporting requirements for each type of contract should be reviewed and revised to ensure only relevant information is collected.
 - 3-3. Invoice data should be reconciled with updated court records at the close of each year, to capture any changes entered after the monthly reports were produced and to identify and correct any differences which may have been overlooked during monthly processing.

- Management Response:**
- 3-1. We concur with the City Auditors recommendation. The PDCA will ensure all relevant information is collected on a monthly basis.
 - 3-2. We concur with the City Auditors recommendation. The PDCA will determine what information is relevant and will revise the public defender contract language to collect only the necessary information.
 - 3-3. We concur with the City Auditors recommendation. Annually (at the end of the yearly public defender contract) the PDCA will ask the Court to generate a report of all the activity for each public defender over the past year. The PDCA will reconcile their monthly reports using this information.



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

Date: December 10, 2014

To: Audit, Finance and Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Audit of Mesa Public Library Technology Controls

cc: Mayor and Council
Alex Deshuk, Manager of Technology & Innovation
Heather Wolf, Library Director

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed an audit of the Mesa Public Library Technology Controls. The audit report is attached and will be presented at the next scheduled meeting of the Audit, Finance & Enterprise Committee. We wish to extend our appreciation to the Library staff for their professionalism and cooperation throughout the audit process.

Please feel free to contact me with any questions or concerns.



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

AUDIT REPORT

CITY AUDITOR

Report Date:	December 10, 2014
Department:	Library Services
Subject:	Library Technology Controls
Lead Auditor:	Bill D'Elia

OBJECTIVE

This audit was conducted to determine whether internal controls related to the use of technology are in place and operating effectively to minimize the associated risks.

SCOPE & METHODOLOGY

To accomplish our objectives, we:

- Interviewed Library and Information Technology Department staff members.
- Reviewed and tested policies, procedures and/or other controls related to the following:
 - Automated materials check-in and check-out procedures
 - Contracts/functionality related to e-books, other digital media and mobile applications
 - E-Readers and tablets available for patron checkout
 - Computers and printers available onsite for patron use
 - Internet accessibility
 - Equipment dedicated to the THINKspot at Red Mountain Library
- Performed other tests and procedures as necessary to meet the audit objectives.

BACKGROUND

The Mesa Public Library operates a Main Library in downtown Mesa plus three branch libraries—Red Mountain, Dobson Ranch and the Mesa Express Library. In recent years, the Library has expanded its services to provide patrons with a variety of technological tools and resources, including but not limited to:

- An automated materials check-in and check-out system.
- A comprehensive website that includes the ability to checkout various electronic books, videos and other materials from selected vendors.
- Applications for mobile devices that allow users to use Library services from their smart phones and tablets.
- The THINKspot at Red Mountain, a collaborative workspace equipped with a 3-D printer, smart boards and other high-tech devices intended to foster innovation and creativity.
- The Hotspot digital help desk.
- Electronic readers, tablets, and laptop computers.
- Computers with Internet access available at all branches.

CONCLUSION

In our opinion, internal controls related to the use of technology are in place and have generally been effective in minimizing the associated risks. We found that automated check-in and check-out processes have been functioning as intended and on-site equipment has been effectively safeguarded. Controls over Internet access have been carefully designed to comply with Arizona statutes; and filtering software is used only to the extent necessary to protect patrons from illegal content, while preserving the constitutional rights of individual patrons. Due to the complex nature of this balance, we have suggested that the Internet Use Policy be periodically reviewed by the City Attorney's office.

While controls over on-site electronic devices are adequate, controls over devices that have been made available for checkout have historically been less effective. Portable electronic devices and similar items are prone to theft, easily converted to cash, and difficult to effectively protect from loss. We acknowledge that all libraries experience unreturned items as an inherent cost of doing business, with the underlying philosophy that the benefits to the public outweigh the costs. However, the likelihood and impact of losses associated with portable electronic devices differs from the loss profile associated with more traditional library materials. Therefore, in the future, if the Mesa Public Library were to contemplate making portable electronic devices available for off-site public use, we would recommend that City management consider the increased risks when evaluating the cost/benefit to taxpayers.

Empowering Gateway's Future

January 6, 2015



Re-characterize Member Contributions

- Phoenix Mesa Gateway Airport Authority (PMGAA) staff and the Gateway Board are asking each member agency Council to approve the amended and restated Joint Powers Airport Authority Agreement (JPAAA) and associated loan cancellation agreement.
 - Approval of the JPAAA would allow the airport to cancel the past contributions that they have classified as ‘loans’ and would characterize future member contributions as appropriations.



Mesa's Contributions

- Mesa has contributed a total of \$52.4 M to PMGAA since 1993.
- Mesa has never recorded these contributions as loans receivable and has always recorded them as appropriations.
- Mesa does not factor/include the repayment of these contributions in the budget or long-term forecast.



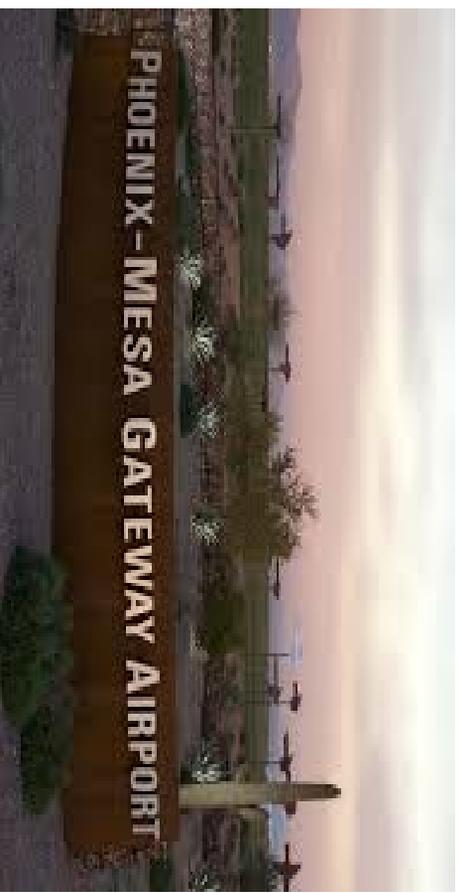
Financial Return on Investment

- 2013 Economic Impact Study:
 - 10,400 jobs, \$1.3B annual regional impact
 - Direct benefits totaled \$767M in revenue
 - 436,900 visitors
 - Each visitor generates \$931 in spending (hotels, shows, events, shopping, restaurants, etc.)
 - 51 on airport employers
 - Notable employers include Able, Embraer, Cessna, L3, Orbital, Allegiant, ASU, ATP, WFS, International Air Response, HB Aerospace, & a number of federal agencies
- PMGAA member communities provide \$4.06M (\$1.7M from Mesa) in annual member contributions to generate the estimated annual \$1.3B economic impact.



Next Steps

- The other five political entities have approved the amended JPAAA and loan cancellation agreement (Apache Junction, Gilbert, Gila River Indian Community, Phoenix and Queen Creek).
- This item is scheduled to be considered by the City Council on January 12th.



Questions



Northwest Area Development- Aeronautical vs. Non-Aeronautical Planned Land Use



Northwest Area Total Acreage
700± Acres

