



AUDIT & FINANCE COMMITTEE

July 6, 2010

The Audit & Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on July 6, 2010 at 4:02 p.m.

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

Chairman Somers excused Committeemember Jones from the beginning of the meeting.

(Committeemember Jones arrived at the meeting at 4:10 p.m.)

1. Items from citizens present.

There were no items from citizens present.

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

a. Custodial Services Contracts

City Auditor Jennifer Ruttman reported that the primary objectives of this audit were to verify compliance with the contracts' terms; verify that contractors/subcontractors were complying with Federal and State immigration laws and regulations; and determine whether there were opportunities for improvement in the City's monitoring of custodial services contracts.

Ms. Ruttman explained that in general, the City's contractors provide services in compliance with the contracts' terms, but noted that certain security weaknesses exist that should be resolved. She stated that Facilities Maintenance and Municipal Security are working to address those issues, ensure that immigration requirements are met, and implement a database to improve contract monitoring processes.

Discussion ensued relative to the fact that it was recommendation of the City Auditor's Office that Facilities Maintenance and Parks, Recreation and Community Facilities (PRCF) work with

Municipal Security to immediately perform background checks and issue ID cards for all custodial contractor employees who are granted unaccompanied access to non-public areas on City premises; that City management should revise City policies to explicitly require background checks for any individuals who will be granted unaccompanied access to non-public areas on City premises; and that staff from various City departments formed a committee to establish a policy regarding when and on whom background checks should be conducted.

Chairman Somers spoke regarding the raids conducted by the Maricopa County Sheriff's Office (MCSO) at the Mesa City Plaza and the Main Library relative to immigration violations. He commented that although the auditor's report does not identify any immigration violations, he questioned how staff could have performed a thorough audit if the report states: "This does not involve verifying actual employment records, such as the e-Verify reports that we reviewed during the audit."

Ms. Ruttman clarified that the contractors provided her office the e-Verify reports for their employees, after which time staff reviewed the documents. She also stated that relative to the above-referenced raids, the auditor recommended that the City's Contract Administrator revise the Arizona Legal Workers Act (ALWA) compliance verification Work Instruction procedures to include reviewing actual employment records (i.e., e-Verify) for evidence of current work eligibility.

In response to comments by Chairman Somers, Ms. Ruttman further remarked that per State law, the contractors are required to use the Federal government's e-Verify program. She said that in the past, the City required the contractors to sign a warranty of compliance verifying that they were in compliance with the law, but noted that the City never actually reviewed the contractors' documents to ensure that was the case.

Responding to a question from Chairman Somers concerning whether the ALWA required that the City review the e-Verify documents, City Attorney Debbie Spinner clarified that A.R.S. §44-4401 (B) requires government entities to: "Conduct random verifications of the employment records of their contractors to ensure they are complying with their warranties." She stated that to her knowledge, she was unaware of any case law that interpreted this phrase to define what was required.

Ms. Spinner reiterated that previously, the City of Mesa required that the custodial contractors sign a warranty of compliance verifying their compliance with Federal law and added that what the City Auditor's Office is now recommending is that the City conduct random verifications of those employment records.

Contracts Administrator Tom LaVell informed the Committee that the City of Mesa currently conducts random verifications every six months. He said that two verification processes have been conducted thus far and a third would be completed shortly.

In response to a question from Chairman Somers, Ms. Ruttman stated that it was her belief that the procedures that have been implemented are sufficient to ensure that the City would be in compliance with the ALWA.

b. Falcon Field Fuel Flowage Fees

Ms. Ruttman reported that this audit was conducted at the request of Falcon Field Airport and said that the auditor found that the City was receiving the correct amount of fuel flowage fees as provided under the City's Schedule of Fees and Charges. She noted that there was one minor finding of a field delivery that was not reported to Mesa, but said that when the matter was brought to the attention of the Fixed Base Operator (FBO), the fees were paid shortly thereafter.

c. Follow-up Review of ITD Contract Monitoring Process

Ms. Ruttman indicated that this item was a follow-up review of a June 2009 audit of the ITD Contract Monitoring Process. She stated that in the prior audit, the auditor recommended that ITD implement a Master File checklist to ensure that all required items were included or referenced in each contract Master File. Ms. Ruttman advised that although ITD staff created a checklist, it was not fully implemented. She noted that as a result of this follow-up audit, the auditor further recommended that ITD implement the Master File as agreed and designate a specific individual that would be accountable for ensuring that it was done.

d. Municipal Court Minimum Accounting Standards

Ms. Ruttman remarked that this audit was mandated by the Arizona Supreme Court, Administrative Office of the Courts (AOC). She stated that the AOC has "agreed-upon" accounting procedures that the City Auditor's Office applies in performing the audit as a courtesy to the Arizona Supreme Court. Ms. Ruttman advised that there was one finding relative to manual receipts not being handled in compliance with Minimum Accounting Standards and said that the Mesa Municipal Court staff has since resolved the issue.

e. Municipal Court C-Cure System Management

Ms. Ruttman reported that the C-Cure system (C-Cure), which is used Citywide to manage access control to a majority of City buildings, is administered by a limited number of civilian employees in the Municipal Security and Police Department IT (PDIT) sections of the Police Department. She explained that the Mesa Municipal Court independently maintains and administers a separate C-Cure system, which runs on a standard PC located at the facility.

Ms. Ruttman noted that although it was the auditor's recommendation (Recommendation 1-1) that the Court's C-Cure system be run from the same secure server (located in a City Data Center) that houses the Citywide system, the Court disagreed with the recommendation. She stated, however, that the risks the auditor identified that the recommendation was aimed at correcting have been mitigated by new procedures and system changes implemented by the Court.

Ms. Ruttman indicated that given the lack of consensus relative to the auditor's recommendation, the Court and the City Auditor's Office "have agreed to disagree" on the remaining recommendations related to the consolidation of the two C-Cure systems.

Ms. Ruttman provided a brief overview of the "Audit Response Form," which contains the auditor's findings and recommendations and the Mesa Municipal Court's responses. (See **Attachment 1**)

Committeemember Higgins concurred with the recommendations of the City Auditor's Office and questioned why the Mesa Municipal Court disagreed with the recommendation that its C-Cure system should be run from the same secure server that houses the Citywide system.

Court Administrator Paul Thomas responded that several years ago, the Arizona Supreme Court issued a directive indicating that access to Court buildings must be exclusively controlled by the Presiding Judge or the Court.

Responding to a question from Chairman Somers, City Attorney Debbie Spinner clarified that the Arizona Supreme Court Administrative Office of the Courts (AOC) issued the directive referenced by Mr. Thomas. She explained that in reviewing the document, it did not appear to be anything more than guidelines. Ms. Spinner stated that what she believed Mr. Thomas was referring to is language contained in Section E, "Records" under "Frequently Asked Questions" as follows:

"Question: Under what circumstances should records of the Court be available to the public and city or town officials?"

Answer:The only individuals that should have keys to the court facility are the judge, court personnel so designated by the judge, and individuals responsible for building maintenance and security."

Ms. Spinner stated that in her reading of the above passage, she did not believe that building maintenance and security must be Court personnel. She further commented that she did not believe that the City Auditor's Office was asking that anyone outside the Court be given automatic access, but rather the question is more related to who has control over the Court's C-Cure system.

In response to comments from Committeemember Higgins, Mr. Thomas clarified that the focus of the Court with regard to this matter was control of the C-Cure system. He stated that the issue of monitoring is a different discussion as it relates to who may have access, for instance, to activity reports of individuals going in and out of the Court building. Mr. Thomas also advised that the exterior doors of the Court building are controlled by Municipal Security and the internal doors that access Court space are controlled by the Court.

Committeemember Higgins noted that when individuals swipe their security cards on an outside door of a City building, the Data Center has a record of such activity. She noted, however, that when an individual swipes an internal door at the Court building, such activity is only monitored by someone internal to the Court. Committeemember Higgins further remarked that it was her understanding of the auditor's recommendation that the monitoring of activity at the internal doors at the Court be done like in other City buildings and the data held securely in the Data Center.

Ms. Ruttman responded that Mr. Thomas' comment about monitoring being a separate function is a valid point. She stated that in order to monitor interior door activity at the Court, it would be necessary to have access to the data and the C-Cure system, which is currently unavailable. Ms. Ruttman clarified, however, that the issue at hand with regard to Recommendation 1-1 has more to do with the physical location of the system and who can configure it to grant or deny access.

Committeemember Higgins stated that in her opinion, controlling access and monitoring the C-Cure system are the same function.

Ms. Ruttman further remarked that not only is the data produced by the system activity, but system level changes to the data can also be detected. She cited, for example, if someone hacked into the system and gave an individual access or changed data so that it would appear as though no one had sought access, that information is also available on those systems.

Responding to additional questions from Committeemember Higgins, Mr. Thomas reiterated that the Court considers monitoring and controlling access of the C-Cure system as two different functions. He explained that if Municipal Security, which is supervised by the Police Department, monitored and ran reports for activity in and out of the Court building, as suggested by the auditor, that "opens the door" to the possible abuse or misuse of such information. He cited, for instance, if an officer or commander wanted to know when a judge took vacation or who went in and out of the Court building, such information could be subject to conflict or abuse under those circumstances.

Mr. Thomas also indicated that it is not to say that protocols could not be implemented to safeguard such occurrences, but said that issue has not yet been discussed. He also remarked that although he would not question the Police and their integrity, the Court must deal with how such an occurrence would appear to the public.

Discussion ensued relative to the fact that the Arizona Supreme Court performs detailed operational reviews of the Mesa Municipal Court; that the last review was completed two or three years ago just prior to Mr. Thomas' arrival at the City; and that Mr. Thomas was not aware whether the Supreme Court found issue with the fact that the Mesa Municipal Court's C-Cure system was a desktop setup not as secure and stable as a server-based configuration and that there was no monitoring of interior access points during non-business hours.

Chairman Somers commented that the Court, although somewhat of a separate entity, receives significant funding from the City's General Fund. He questioned how the Court could accept fiscal responsibility for "the associated risks, which include licensing and maintenance costs associated with a second system; desktop setup not as secure and stable as a server-based configuration; and no monitoring of interior access points during non-business hours."

Mr. Thomas responded that approximately two years ago, the Arizona Supreme Court funded the cost of the Mesa Municipal Court's current PC and the C-Cure system.

Chairman Somers inquired to what extent the City of Mesa would have jurisdiction over the Mesa Municipal Court or have the ability to influence the decision of the Court that its C-Cure system should be run on the same server that houses the Citywide system or that it independently maintain/administer a separate C-Cure system.

Responding to Chairman Somers' comments, Ms. Spinner explained that the legal analysis of separation of power is never an easy definitive answer. She stated that the Courts are an independent branch of government and noted that the Council cannot impinge on the Court's "independent objective review and administration of justice."

Ms. Spinner also indicated that the City has administrative responsibilities and input with regard to the Court, including budgetary matters. She stated that the full Council could discuss this matter if it chooses to do so, including soliciting feedback from Presiding Magistrate Matt Tafoya and Mr. Thomas regarding the impact to the Court in its administration of justice if the City Auditor's recommendations were implemented.

Mr. Thomas advised that the Arizona Constitution sets out the administrative control of the Supreme Court over all courts in the State. He explained that regardless of the outcome of the matter, he would ultimately be required to seek guidance from legal counsel for the Arizona Supreme Court to determine if the manner in which the Mesa Municipal Court proceeded was acceptable.

Committeemember Higgins referenced the last sentence of the City Auditor's Finding #3: "This lack of independent oversight increases the risk that data integrity could be compromised without detection and it limits the City's ability to conduct independent administrative investigations into the activities of its employees." She reiterated that she did not understand why the Court objects to the City Auditor's recommendations.

Mr. Thomas responded that the issue for the Mesa Municipal Court principally relates to the fact that Municipal Security, which is under the direction of the Police Department, would monitor and run reports for activity in and out of the Court building. He stated that there was discussion concerning the City IT Department possibly assuming the monitoring role, which would be more acceptable to the Court.

Ms. Ruttman remarked that her office and the Court have come to an impasse regarding the Police Department's oversight of Municipal Security and PDIT. She stated that it was her contention that the individuals who access the Court's C-Cure system, from a technological standpoint, work for PDIT and answer to a civilian Commander-level position. Ms. Ruttman stated that the idea of an employee in that division being ordered by a sworn employee to access information and/or make changes in the system that are not authorized by the Court is, in her opinion, not realistic and if that were to occur, there are protocols in place that would detect such activity.

Ms. Ruttman further expressed disagreement with the Court's contention that if Municipal Security or PDIT were to maintain the Court's C-Cure system, it would create a conflict of interest with the public. She commented that individuals who enter the Court building must pass through security checkpoints that are manned by Municipal Security and stated that if that does not create the appearance that the Police Department controls access to the Court, certainly a group of system technicians never viewed by the public would present no greater threat of an appearance of a conflict of interest.

Committeemember Higgins expressed support for the City Auditor's recommendation that the Court's C-Cure system be run from the same secure server that houses the Citywide system and noted that this would ensure greater transparency and accountability. She stated that it would be appropriate to forward this item to the full Council and added that all of the City Auditor's recommendations should be taken in their entirety.

In response to a series of questions from Chairman Somers, Ms. Spinner explained that if the Committee would like to forward this item to the full Council, it could be included as an agenda

item on a future Study Session. She stated that in the meantime, she would meet with Presiding Magistrate Tafoya and Mr. Thomas to discuss the separation of powers issue and provide more definitive information to the Council in that regard. Ms. Spinner also suggested that after her meeting with the Presiding Magistrate and Mr. Thomas, the matter could be brought back to the Committee for further discussion.

Chairman Somers stated that it was the consensus of the Committeemembers that this item be brought back to the Committee after they return from summer break.

3. Discuss and provide direction on the FY 2010/2011 Annual Audit Plan.

Ms. Ruttman stated that the audits for the FY 2010/2011 Annual Audit Plan are selected based on Council and City Manager requests, as well as input that her office solicits from Department Directors and other Managers throughout the City.

Ms. Ruttman reviewed the FY 2010/2011 Audit Plan (**See Attachment 2**), which includes the following:

- Scheduled Audits for 2010/2011

Responding to a question from Committeemember Higgins, City Manager Christopher Brady explained that it would be difficult to include an audit of the Neighborhood Stabilization Program (NSP) at this time due to the fact that the City has not yet expended all of the funds that were awarded to Mesa as part of the program.

Ms. Ruttman noted that in conjunction with the NSP, staff is conducting an on-going audit to verify that the City has processes and controls in place to ensure that all stimulus funds are used appropriately and properly accounted for and that all reporting requirements are met.

- On-Going Audits from 2009/2010 Audit Plan
- Follow-Up Reviews
- Consulting & Investigative Services

4. Hear a presentation, discuss and make a recommendation on an ordinance relating to the collection of delinquent accounts.

Business Services Director Ed Quedens stated that staff was requesting that the Committee consider an ordinance that would strengthen the City's debt collection efforts. He explained that a majority of taxpayers pay in a timely manner, but noted that the City actively pursues those individuals who do not. Mr. Quedens stated that the proposed ordinance would not only assist staff in pursuing tax debts owed to the City, but also benefit City departments as they pursue collection efforts.

Tax Administrator Roger Okin reported that adoption of an ordinance amending the Mesa City Code (MCC) would result in a new chapter being added to MCC Title 1 relating to the collection of delinquent accounts owed to the City.

Mr. Okin highlighted the four main areas the ordinance would address as follows:

- Account Set-offs

Mr. Okin reported that in some cases, terms and conditions of City contracts contain language addressing account set-offs. He noted, however, that the language is limited only to those contracts and primarily relates to set-offs against only taxes due the City.

Mr. Okin advised that Council adoption of the ordinance would include set-off language within a new Collections section of the MCC and apply to all debts due the City. He cited, by way of example, if a person owed a debt to the City and the individual was also due a refund for a utility deposit, the debt would be set off against the refund owing to that individual.

In response to a question from Chairman Somers, Mr. Okin explained that the City Attorney's Office worked with the Tax Audit & Collections Department in the drafting of the ordinance. He noted that any monies collected through this process would be considered revenue.

Mr. Quedens indicated that a check generated to a utility customer to refund a deposit is already a refund coming out of what is, in essence, an account in which the City is holding money. He explained that the money has not been recorded as revenue to the City and the deposits are held separately. Mr. Quedens added that the portion of the amount due the City is taken out of the refund as opposed to the City issuing a check to the customer for the full amount of the deposit.

Responding to comments by Chairman Somers, Deputy City Manager Bryan Raines responded that although businesses and citizens may not be happy with the collection process, they should not be confused by it. He also stated that the process would result in improvements to the City's accounting/record keeping systems to ensure that staff can "attach," for example, a utility deposit to a business tax payment as one entity.

- Personal Responsibility

Mr. Okin reported that Mesa and other tax jurisdictions are confronted with a situation in which individuals form a Limited Liability Company (LLC) for the purpose of a single construction project and once the project is completed and sold, the LLC is dissolved, ceases operations, and the City is unable to collect taxes from those entities.

Mr. Okin advised that in a recent Arizona Supreme Court case (ADOR vs. Action Marine, Inc.), the Court ruled that individual shareholders and officers could be held personally responsible for taxes due if they were the responsible individuals that had "a duty to remit" those monies. He explained that the Court viewed the collection of taxes to be similar to that of holding monies in a trust account whereby the monies do not belong to and are not for the use of a taxpayer and therefore must be remitted to the taxing jurisdiction.

Mr. Okin stated that the proposed ordinance would include language similar to what the Court relied upon in the above-referenced case. He noted that if a construction contractor formed an LLC for the purpose of one project, completed and sold the property, dissolved the LLC and ceased operations and subsequently formed a second LLC for a similar purpose, the City would

have the ability to either pursue the second LLC or hold the individual personally liable in order to collect any monies not paid to the City by the first LLC.

In response to a question from Chairman Somers, Mr. Okin clarified that if multiple principals formed an LLC, dissolved the entity and each principal formed new LLCs with different partners, the City would not be able to collect taxes from the new entities but could hold the individual members personally liable for any monies not paid to the City by the first LLC.

- Successor Liability

Mr. Okin advised that the Mesa Tax Code currently contains provisions whereby purchasers of existing businesses can be held liable for the tax liability of a prior owner. He stated that the purchaser can avoid such liability by requesting a Tax Clearance certificate from the City prior to acquisition of the business.

Mr. Okin stated that staff proposes to incorporate those provisions in the new chapter being added to MCC Title 1 related to the collection of any delinquent accounts owed to the City. He added that staff apprises the purchasers of existing businesses regarding the importance of obtaining the Tax Clearance certificate and determining whether the prior owner owes any debts to the City.

- Limitation on Obtaining New City Services

Mr. Okin reported that this section of the ordinance would preclude any person or related party from obtaining new City services under the MCC until such time as all debts owed to the City have been paid. He stated that the provision does not stop the delivery of existing utility services or invalidate any licenses that have already been issued.

It was moved by Committeemember Jones, seconded by Committeemember Higgins, to recommend to the Council that an ordinance, which would result in a new chapter being added to the Mesa City Code Title 1 relating to the collection of delinquent accounts owed to the City, be adopted.

Carried unanimously.

5. Hear a presentation and discuss the Identity Theft Prevention Program Annual Report.

Mr. Quedens reported that in 2009, the City of Mesa established the Identity Theft Prevention Program in compliance with Federal Trade Commission (FTC) requirements. He explained that it was determined that the City, as a utility provider and creditor, was required to comply with the Fair and Accurate Credit Transaction Act of 2003 (FACTA). Mr. Quedens also noted that FACTA requires that staff prepare an annual report, which is then presented to the governing body or a committee of the governing body.

Mr. Quedens indicated that the City's Identity Theft policy identifies certain "red flags" of potential identity theft and the manner in which staff should respond to those issues. He explained that Call Center and Business Office staff who handle Social Security numbers, credit data, and bank and credit card information have been trained on the policy.

Mr. Quedens further commented that during the period between May 2009 through May 2010, nine incidents related to possible identify theft were documented. He offered a brief overview of the various incidents. **(See Attachment 3)**

Mr. Quedens also indicated that staff identified a number of areas for improvement in 2010/2011. He stated that those items include reviewing the notation process on accounts to ensure that adequate notes are placed on the accounts for the next staff member who deals with the customer; reviewing the notes that contain possible incidents of identity theft to ensure that those incidents were handled in an appropriate manner; and conducting follow-up training with staff.

Mr. Quedens concluded his presentation by noting that the overall goal of the program is to raise staff awareness with regard to identifying potential incidents of identity theft and responding to those incidents in an appropriate manner as outlined in the policy.

Chairman Somers thanked Mr. Quedens for the presentation.

6. Adjournment.

Without objection, the Audit & Finance Committee meeting adjourned at 5:23 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit & Finance Committee meeting of the City of Mesa, Arizona, held on the 6th day of July 2010. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

AUDIT RESPONSE FORM
Mesa Municipal Court - Review of C-Cure System - May/2010

All of the recommendations made in our report are listed below. Following each recommendation, please provide the information requested. The space will expand, if necessary, to fit your text. Please e-mail the completed form to Jennifer.Ruttman@mesaaz.gov by June 7, 2010. Thank you.

FINDING #1

Recommendation #1-1. The Court's C-Cure system should be run from the same secure server (located in a City Data Center) that houses the citywide system, thereby eliminating the Court's separate instance of the application.		
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)
Disagree	The Court's current C-Cure system, along with the other recommendations already implemented, are sufficient for the needs of the Court.	
Recommendation #1-2. All C-Cure data files should be backed up regularly and back-up files should be stored securely off-site.		
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)
Agree	The Court will regularly back-up the C-Cure data files and store them off-site in a secure location.	

FINDING #2

Recommendation #2-1. All C-Cure system access points should be monitored during non-business hours; so that security personnel can respond in a timely manner if any access point is breached.		
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)
Agree	All exterior door access points are monitored during non-business hours by Municipal Security. Interior Court access points do not need to be monitored during non-business hours as an exterior access point would need to be breached before any interior access point can be breached.	

AUDIT RESPONSE FORM
Mesa Municipal Court - Review of C-Cure System - May/2010

FINDING #3

Recommendation #3-1. C-Cure system administrator responsibilities should be shared by two or more individuals.		
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)
Agree	This recommendation has been implemented.	
Recommendation #3-2. Changes to any individual's access should require the expressed <u>written</u> consent of an authorized employee who is not a C-Cure system administrator.		
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)
Agree	This recommendation has been implemented.	
Recommendation #3-3. Documentation for all authorized changes should be placed in a single location and maintained in accordance with the City's document retention policies.		
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)
Agree	This recommendation has been implemented. The Court is governed by the Supreme Court's Records Retention Schedule (Administrative Code, Chapter 4 § 3.402), as acknowledged in the City's records management policy.	
Recommendation #3-4. Court employees designated by the Presiding Magistrate, as well as Municipal Security C-Cure administrators, should have the ability to generate activity reports for all C-Cure access points at the Court. To ensure data integrity, these individuals should also have the ability to view system audit logs. This provides both internal and independent oversight, which are essential controls to ensure transparency and accountability.		
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)
Disagree	The Court has implemented procedures and designated more than one system administrator for the C-Cure system. Since the Court's C-Cure system will be run from a separate computer, Municipal Security will not have a need to access or generate reports from the Court's C-Cure system.	



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Our Mission: *The City Auditor's office provides audit, consulting, and investigative services to identify and minimize risks, maximize efficiencies, improve internal controls and strengthen Mesa's accountability to its citizens.*

Scheduled Audits for 2010/2011

Neighborhood Services – CDBG & HOME Programs	<ul style="list-style-type: none"> Verify that these programs are operating efficiently and in accordance with applicable regulations. Verify that adequate controls are in place and operating effectively to prevent or detect errors, fraud, waste and/or abuse.
Citywide – Grants Management Processes	<ul style="list-style-type: none"> Evaluate the efficiency and effectiveness of the City's grants management processes.
Court – Electronic Monitoring Program	<ul style="list-style-type: none"> Evaluate the cost effectiveness of the Electronic Monitoring (Ankle Bracelet) Program.
Citywide – Procurement Card Program	<ul style="list-style-type: none"> Evaluate procurement card use citywide for compliance with applicable policies and procedures. Verify that adequate controls are in place and operating effectively to prevent or detect errors, fraud, waste and/or abuse.
Citywide – Use of Temporary Labor and Personal Services Contracts	<ul style="list-style-type: none"> Evaluate the use of temporary agency workers and personal services contractors citywide for compliance with applicable policies and regulations. Verify that adequate controls are in place and operating effectively to ensure the costs associated with the use of temporary agency workers and personal services contractors are reasonable and appropriately managed.
Fleet Services – Procurement of Parts and Services	<ul style="list-style-type: none"> Evaluate the processes used by Fleet Services to procure parts and services for compliance with applicable policies and regulations. Verify that adequate controls are in place and operating effectively to prevent or detect fraud, waste, and/or abuse of resources.
Citywide – Use of State Contracts and Cooperative Agreements	<ul style="list-style-type: none"> Verify that adequate controls are in place and operating effectively to ensure that state contracts and cooperative agreements are used only when they provide the best value for the City.
Special requests	<ul style="list-style-type: none"> Special requests may require immediate attention and may supersede a scheduled audit.

On-Going Audits from 2009/2010 Audit Plan

Citywide – Stimulus Funds	Verify that the City has processes and controls in place to ensure that all stimulus funds are used appropriately and properly accounted for, and that all reporting requirements are met.
Financial Services – Bond Proceeds	Verify that proceeds from bonds with attached secondary property taxes were expended only for the intended voter-approved purposes.
Purchasing Division – Request For Proposal/Bid Process	Evaluate the request for proposal/bid process for adequate controls, compliance with applicable regulations, and for effectiveness in providing the best value for the City.



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Follow-Up Reviews

Engineering – Contract Monitoring Skilled Trades Contracting Facilities – Custodial Services Contracts Financial Services – Payroll Fire – Overtime Fire – Southwest Ambulance Contract PRCF – Adult Sports Registration	Verify that corrective action(s) agreed to in response to the audit have been implemented and were effective in resolving the related audit finding(s).
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Consulting & Investigative Services

Fraud & Ethics Hotline Investigations	Monitor the Fraud and Ethics Hotline and perform investigations as needed.
Payment Card Industry Data Security Standards (PCI DSS) Reviews	Review all credit card acceptance sites for compliance with PCI DSS.
Assistance to Other City Departments	Provide customer assistance of a short duration upon request; generally 40 hours or less.
Council Report Reviews	Perform periodic verifications of financial data and other information presented in Council Reports.
MesaStat Presentation Observations	Attend/review MesaStat presentations of performance measurement and financial data.

Approved By:

_____ Jennifer Ruttman, City Auditor	_____ Date
_____ Christopher Brady, City Manager	_____ Date
_____ Scott Somers, Audit & Finance Committee Chair	_____ Date
_____ Scott Smith, Mayor	_____ Date

IDENTITY THEFT PREVENTION PROGRAM INCIDENT REPORT

06/08/09		TJG	May 2009	Customer's ex-employee authorized to turn on service in customer's name, turned on personal home address under employer's name and paid City of Mesa bill with employer's business checks. Customer wanted to set up a new customer ID code in Customer Information System.	Investigate and inform customer of steps needed to be taken if Identity Theft: -Complete FTC Affidavit on the web or through FTC ID Theft Hotline -File a police report	Customer never followed up on complaint or brought in police report.
06/16/09		MD	May 2009	Customer called to turn on service, per Equifax received Fraud Alert.	Customer instructed to come in to the business office to show ID.	Customer came in with ID, service turned on for customer.
08/26/09		MD	May 2009	Customer called to turn on service, per Equifax received Fraud Alert.	Customer instructed to come in to the Business Office to show ID. Customer requested to speak with Supervisor.	Customer was able to verify phone numbers and addresses on credit report. Supervisor turned on service for customer.
11/16/09		FEG	May 2009	Customer came in office to set up service gave bad Social Security Number.	Customer instructed to come in back in to the Business Office and show valid ID.	Customer came in with valid picture ID.
11/25/09		FEG	May 2009	Customer in office, rep updating customer information ran positive ID on SSN customer provided and it was not his.	Rep removed SSN from account and obtained Drivers License instead.	Customer alerted of the situation and instructed further action would be taken if tries to use it again.

Date	Score	Employee	Employee Hired	Description of Issue	Resolution Response	Notes
01/26/10		CMS	May 2009	Customer reported to Credit via faxed police report stolen identity resulting in Bad Debt amount reported to the credit bureau. Customer claims never lived at address	Customer instructed to provide proof (payroll stub or lease) confirming address between Jan-Jun of 2003.	Customer provided COM proof did not reside at Bad Debt address. Credit informed credit bureau to release customer from Bad Debt.
02/25/10		MD	May 2009	Customer phone to report SSN being used for utility account, and that it had been reported to Mesa PD and FBI.	Rep removed SSN from account that was not in customer's name.	Customer provided phone number to SSN office, and Credit Bureaus.
03/09/10		JER/SRC	May 2009	Customer phoned stated he had ID theft, COM account set up fraudulently. Customer lives in California. Customer stated he filed Police report.	Investigate and inform customer of steps needed to be taken if Identity Theft: -Complete FTC Affidavit on the web or through FTC ID Theft Hotline - -File a police report	Customer to provide COM with FTC Affidavit and Police report.
04/19/10		DM	May 2009	Customer called in to question \$265.00 deposit charge on her credit card. Service established for a customer with different name. Customer reported that her truck had been borrowed by the person whose name is on the COM account, and her purse was in the truck. Additionally her name was listed as girlfriend on account, she says he's an acquaintance.	Customer was advised to dispute charge with her bank, and that the bank would send us the information and a credit would be issued to her credit card.	Rep asked customer if she would like to have PD non emergency number to report this, she declined because she was driving.