



## AUDIT, FINANCE & ENTERPRISE COMMITTEE

January 19, 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 January 19, 2012 at 9:32 a.m.

### COMMITTEE PRESENT

Alex Finter, Chairperson  
Dina Higgins  
Scott Somers

### COMMITTEE ABSENT

Christopher Brady, Ex Officio

### STAFF PRESENT

Kari Kent  
Debbie Spinner

(Items were discussed out of order, but for purposes of clarity will remain as listed on the agenda.)

#### 1. Items from citizens present.

There were no items from citizens present.

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

##### 1. State and Cooperative Contracts – Citywide

City Auditor Jennifer Ruttman reported that the primary purpose of this audit (**See Attachment 1**) was to determine whether staff utilized State and other cooperative contracts only when doing so was in the best interest of the City. She stated that it was the opinion of her office that staff's use of State and cooperative contracts during the audit period was generally in the best interest of the City. Ms. Ruttman noted, however, that the audit was unable to positively determine whether a better value existed at the time, with a few exceptions, and said that a majority of staff did not gather additional quotes prior to using the cooperative contract for the reason that City policy did not require it.

Ms. Ruttman pointed out that in May 2011, Management Policy 200 (MP200) was updated and now requires that staff perform due diligence to ensure that "the Cooperative Procurement is conducted in a manner consistent with Mesa's Competitive Selection requirements and provides the best value for the City." She said that the policy will provide staff the guidance to consider that a State contract is not the first and only choice, but rather one of several options.

In response to a question from Committeewoman Higgins, Director of Business Services Ed Quedens clarified that the type of due diligence required of staff is somewhat difficult in that they are attempting to compare something that has already been bid competitively with “a process that you do not want to make a formal process so you cannot go backwards.” He further explained that if the City committed to a Request for Proposals (RFP) or a bid, the vendors would be put through the effort of responding to the bid and publicly listing their prices. Mr. Quedens added that it would not be ethical for the City to then choose to use the State contract and not the bid.

Committeewoman Higgins stated that she did not understand why it would be unethical for the City to commit to a bid process and subsequently cancel the RFP and use the State contract.

Mr. Quedens reiterated that in his profession, once the “path” for a bid or proposal is set, it would be inappropriate to not use the bid and choose to use the State contract. He said that if “a glaring issue” arose that was not in the City’s best interest, staff would move in another direction.

Mr. Quedens further remarked that staff can perform due diligence by reviewing other State or cooperative contracts, conducting Internet searches, and informally polling vendors for prices. He said that staff’s level of due diligence for a \$500 purchase would be much less than for a million dollar contract.

Mr. Quedens acknowledged that the City has the right to cancel an RFP, but cautioned that if it occurs too often, it could “burn its bridges” with the vendor community. He added that it also takes staff time to develop specifications, issue the bid and complete the evaluation process.

Committeewoman Higgins commented that if the City was purchasing an item from a State contract, she would assume that staff had already developed specifications.

Ms. Ruttman remarked that it was easier for staff to conduct a price comparison for the purchase of a copier, for example, which is available on the open market, than an item that requires “a great deal of specificity in the intricacies of how the City wants it provided.”

Ms. Ruttman further reported that some of the State contracts were quite old and not bid in the current environment. She cited, for instance, that even for a purchase within her own office, staff determined that the State contract was not the best deal and did not use it. She said that the easiest option would have been for staff to use the State contract, which is often what happens. She added that such an option needs to be weighed against whatever staff time and effort is expended in order to conduct the purchase.

Committeewoman Higgins questioned whether it would be appropriate to establish a dollar limit, wherein if a City department was spending “X” amount of money and there was a State contract for the item, that the City would still be required to issue an RFP.

Ms. Ruttman responded that during the Purchasing Division’s training sessions, staff was asked to consider the State contract as one available option. She explained that if there are other options that staff is aware of, they should perform their due diligence to determine what those potential options hold. Ms. Ruttman also stressed that if staff already believes there is a competitive price for an item, it might not be worth their time to issue an additional RFP. She

added that she would hope that the staff who are involved in making the purchases have the professional experience and judgment to make those decisions, subject to management's approval at the appropriate levels as the dollar thresholds increase.

Deputy City Manager Kari Kent remarked that at the weekly Agenda Review meetings, management challenges City departments, when there is an item on a State contract, to perform their due diligence and consider other vendors who offer the same products or services. She stated that staff also includes information in the Council Reports to apprise the Council of their efforts in this regard, especially in the pricing of equipment. Ms. Kent added that in some cases, the City has chosen the State contract, but in other instances, such as the recent purchase of vehicles, staff issued an RFP to solicit bids from other vendors, which were ultimately less than the State contract.

Chairman Finter recalled Mayor Smith's first Mayor's Breakfast when he asked local business owners to be loyal to the City and said that the City, in turn, would be loyal to them. He stated that with the discretion that occurs in the "30 different silos in the City," even if there is a State contract, there is "a great value" in staff performing the additional due diligence and potentially issuing an RFP. He noted that such action would ensure that the local business community and others understand that the City is giving them "a fair shot" and the opportunity to submit bids for various goods and services.

Committeemember Somers remarked that he was pleased to hear Chairman Finter's comment that he was focused on providing opportunities for Mesa businesses but not necessarily guarantees. He stated that he wants Mesa businesses to be competitive, but also noted that the City has a fiduciary responsibility to the taxpayers to ensure that it gets the "best deal" on services and products.

Responding to a series of questions from Committeewoman Higgins, Mr. Quedens reiterated that from his training, the City does not reach out to the vendor community and put them through the process of putting together a proposal or a bid response if the City does not intend to realistically use that response to make an award. He stated that if the City is just "going out there to test the waters," staff would gather information before issuing an RFP or bid. He noted that the vendors can view the State contract, since it is a public record, and register with the State and participate in the bid process. He added that State contracts generally have a five-year limit.

Chairman Finter expressed frustration that five-year contracts usually have "extensions built in." He stated that the City currently has contracts that have been in place for ten years, such as Mesa's banking services contract. He noted that his frustration was not that the City temporarily maintained its same vendor, but that the local banking community "was clamoring at the door" to be given the opportunity to bid on the City's banking services and yet Mesa went with Tempe's contract bid.

In response to a question from Committeewoman Higgins, Ms. Kent clarified that if staff had a dollar amount for a particular item, they could make informal requests from other vendors for the same product to determine if their price was less than the State contract amount. She said if that were the case, staff would then have the ability to issue an RFP since they would know that the other vendors' bids would potentially come in for less money than the State contract.

Discussion ensued regarding the fact that prior to MP200 being updated, services were not required to go out for the bid and proposal process; that such a policy no longer exists and the City's banking services contract is now subject to the requirement that a service goes out for bid or proposal or some type of competitive process unless it is exempted by the City Manager as not being in the City's best interest; that Tempe's contract contains a clause that other agencies are part of the same cooperative and may participate; and that staff is attempting to educate the vendor community that participating in one community's bid or solicitation process may not just benefit them from that one community, but reap other benefits as well.

Chairman Finter stated that he celebrates the rewrite of MP200 and acknowledged that the City is "on the right track" and willing to work through any challenges.

Mr. Quedens further reported that the due diligence for cooperative contracts is a subject of interest throughout the Valley and said that last week, there was "a flurry" of e-mails among purchasing professionals seeking to gather best practices from each other. He stated that as a continuation of MP200 process improvements, he would review the City Auditor's recommendations and results; examine best practices from other communities; take into consideration the concerns that the Committee expressed today; and incorporate all those factors into the continued improvement and development of Purchasing's policies.

Chairman Finter thanked Mr. Quedens for his professionalism and hard work.

Ms. Ruttman reiterated that the focus of the audit was to ensure that staff was performing their due diligence, determine what efforts are being expended in this regard and assess "the culture" among staff. She said the audit did not make formal recommendations for improvement because of the general overall finding that the process was working. Ms. Ruttman noted, however, that her office was disappointed that staff did not see the value in spending more time to obtain other quotes beyond the State contract and added that she expressed those concerns to the City Manager.

Ms. Ruttman further remarked that a formal recommendation was not required because MP200 was updated and Purchasing was already doing what her office was going to recommend (i.e., conduct training and encourage staff to conduct additional research). She added that the follow-up audit will assess whether there has been a change in the culture among staff.

Chairman Finter stated that with the implementation of CityEdge and other possible improvements, the culture will change, which will ultimately result in cost savings throughout the organization. He added that he would welcome any suggestions that anyone might have with respect to changing the culture among staff.

Chairman Finter thanked everyone for the presentation.

## 2. Temporary Labor and Independent Contracts – Citywide

Ms. Ruttman stated that the City has several large contracts with temporary agencies, but noted that it is ultimately the decision of the departments that use those services to request a temporary agency worker. She explained that the workers are requested through a process administered by the Human Resources (HR) Department and noted that HR tracks those workers since there are numerous policies and procedures that must be followed in order to limit

the City's risk and liability associated with claims by temporary City workers or independent contractors who may wish to assert employee status after a period of time.

Ms. Ruttman reported that this Citywide audit (**See Attachment 3**), which was extremely comprehensive and took a considerable period of time to conduct, resulted in a number of findings. She said that staff from her office met with the various departments to review the specific recommendations and findings and said that the affected departments agreed to implement corrective actions as recommended.

Ms. Ruttman referred to a document titled "Appendix A – A Summary of Audit Findings" (See Pages 5 through 8 of Attachment 3) and provided an extensive analysis of the various categories in which compliance testing was performed and the associated findings. Her comments included, but were not limited to, the following:

### **Job titles & minimum qualifications**

Ms. Ruttman advised that in order to comply with City policy, temporary workers are placed in City job titles, which are vetted by HR with respect to the appropriate pay rate and job duties for the position. She pointed out that there is another category of temporary positions that are not placed in City job titles, filled through specialized agencies, and not managed by HR. She stressed the importance of the temporary workers meeting the minimum qualifications in order to safely perform the job functions.

Ms. Ruttman explained that the findings revealed that departments often needed temporary workers to perform duties that did not correlate to existing City job titles or were not bid out as part of the other category. She stated that in some cases, the departments selected a job title that had nothing to do with the duties the worker was performing, and in other instances the individual was placed in a non-City job title and the department assigned a pay rate at its own discretion. Ms. Ruttman commented that it was unclear whether the departments conducted adequate research or possessed the knowledge to assign a pay scale and added that the pay attached to the non-City job titles was in excess of what the market would have borne at the time, which was later determined to be the case.

Ms. Ruttman stated that her office ultimately recommended that HR expand the policy so that it provides the departments the appropriate guidance to ensure their compliance.

### **Background Checks and Other Screening**

Ms. Ruttman noted that per City policy, fingerprinting and background checks are required for temporary agency workers and independent contractors that may, in the course of their duties, come into contact with minors, disabled or homebound persons or who work in security-sensitive areas.

Ms. Ruttman advised that the findings revealed that in certain instances, background checks were not performed, some departments assumed they had been performed, and in other cases there was insufficient management oversight to realize that certain workers were in contact with children and required such a background check. She also indicated that the driving records of certain workers who drove as part of their job duties were not checked.

Ms. Ruttman said that staff from her office worked with the various departments to ensure that the above-referenced checks and screenings were implemented and a process in place.

### **Compensation**

Ms. Ruttman remarked that according to City policy, the “standard” pay rate for a temporary agency worker is equivalent to 5% below the “1” Step for the range assigned to the job title, unless an exception is approved by the department director. She stated that very few City employees were aware of such a requirement.

In response to a question from Chairman Finter, Ms. Ruttman clarified that the requirement is found in Management Policy 331 (MP331), which addresses Temporary Agency Workers on Assignment to the City.

Ms. Ruttman reported that this policy came about to ensure that temporary agency worker pay rates would not exceed the rates paid to City employees for the same type of work. She advised that in recent years due to the downturn in the economy, the City’s reduction in force, and an insufficient number of City staff to meet the workload, the City brought in temporary agency workers, including employees who were laid off, recently retired or possessed the necessary skills to perform a specific job. Ms. Ruttman stated that in those instances, it was not necessarily appropriate to pay those individuals at the 5% below the “1” Step range and said that the department director had the authority to approve a salary at the rate that the former employee was paid prior to leaving the organization.

Ms. Ruttman remarked that her office took issue with the fact that the majority of temporary agency workers used by the City were paid more than the standard rates, and in some cases such rates exceeded the maximum pay rates associated with the positions, with no written director-level approval on file.

### **Time Cards and Payment Procedures**

Ms. Ruttman indicated that temporary agency workers are expected to fill out a time card reflecting the hours they worked, sign the card and have it reviewed and signed by their supervisor. She stated that the findings revealed that in one case, the supervisor recorded a worker’s hours on the time card in a manner that did not reflect the actual hours worked. Ms. Ruttman noted that reporting that workers are working on City premises when they are not or reporting that they are not working on City premises when they are, exposes the City to increased risk for workers’ compensation claims and other liabilities. She added that it was also important to ensure that when invoices come in from a temporary agency, that staff compares those documents to the time cards that were submitted and signed off on, so that HR is billed for the correct number of hours.

In response to a series of questions from Chairman Finter, Ms. Ruttman clarified that for FY 2011/12, it is projected that the City will pay \$4.4 million for temporary agency workers, as compared to \$3.2 million in FY 2008/09. She said that these figures do not include the costs for independent contractors. Ms. Ruttman remarked that although the audit addresses the use of temporary labor and independent contractors, her staff could not quantify the independent contractor number because they were looking at personal services contracts, individual, independent contractors. She said that there are many items in the City’s accounting system

that fall under “contract” and many different services that are provided and paid for using the same coding. Ms. Ruttman indicated that in order to identify and quantify just those contracts that were the focus of this review would have been “almost impossible, if not completely impossible to do” given the current system. She added that hopefully the implementation of CityEdge would remedy that situation.

Chairman Finter commented that these would not be items that would come before the Council.

Ms. Ruttman confirmed Chairman Finter’s comments and said that the subject of the audit related to small dollar amounts (under \$1,000 or \$2,000), as opposed to the type of contracts that Chairman Finter referenced that would come before Council. She also noted that the temporary agency contracts are large dollar amounts in total, but said that the individual use of those varies immensely.

Responding to a question from Committeewoman Higgins, Ms. Ruttman explained that the cost for the temporary agency workers comes out of the individual department’s budget. She stated that in some cases when departments lost staffing, it was understood that there would be some additional dollars allocated to those departments in order to make up for the loss through the use of temporary labor. Ms. Ruttman added that one of the reasons for increased temporary labor and independent contractors was the need to backfill positions held by City employees who have been temporarily reassigned to the CityEdge project.

Chairman Finter stated that he recently visited the CityEdge project and was told that one of the biggest components of the system will include purchasing and procurement which, in his opinion, is a positive step forward.

### **Break-In-Service Rules**

Ms. Ruttman remarked that a temporary agency worker is required to take a break in service after 12 consecutive months of work, unless the individual never worked 20 or more hours per week. She stated that in general, HR monitors such activity very closely for the vast majority of temporary agency workers, which resulted in the audit finding no exceptions in that group. Ms. Ruttman noted, however, that the audit did find exception with several temporary workers who were not monitored by HR, but said the issue has now been rectified.

### **Contract Existence & Document Retention**

Ms. Ruttman reported that Management Policy 332 (MP 332) requires that “An independent contractor will sign a contract for each arrangement/project specifying the terms of the relationship.”

Ms. Ruttman stated that with respect to this issue, her staff performed some initial “data mining” through the financial data expenditures and sent requests to City departments to determine whether they had entered into service contracts with independent contractors. She stated that some departments thought they had written contracts and were unable to produce them and others were uncertain whether or not there was a contract.

Ms. Ruttman commented that had there been solid retention policies in place, the contracts would have been easier to find, since there would have been a standard procedure that the

document be maintained in a specific location for a certain period of time. She noted that the findings also revealed that there had been minimal oversight with respect to this issue since the contracts were for small dollar amounts and perhaps handled by lower level staff.

### **Contract Content**

Ms. Ruttman pointed out that this issue focused on ensuring that when staff enters into a personal services contract, that the terms are written exactly as intended and that all parties understand and agree to the terms. She stated that there were instances in which it was evident that no one read the contracts or that they were prepared in haste and poorly written. Ms. Ruttman added that a requirement of CityEdge is that the contracts be uploaded into the system and that payments are consistent with the terms of those contracts.

### **Conflicts of Interest**

Ms. Ruttman remarked that per State law, an employee of a public agency shall not provide any goods or services to such agency without the benefit of a public, competitive bidding process. She said the findings revealed that in one instance, a City employee's business was retained, with a small dollar amount contract, to provide services to another City department without engaging in a competitive bidding process. Ms. Ruttman noted that such activity was discontinued in 2010 and added that the employee no longer works for the City. She said that it was unfortunate that the business was retained by a lower level employee and added that if there had been department head oversight, such an incident might not have occurred.

### **Contract Payments**

Ms. Ruttman advised that payments for contracted services should be made only in accordance with the terms of the contract. She stated that when a contract is renewed every year, and in this particular case for professional services for which no one is debating the merit of whether the City needs the services or not, it must be based on the actual historical expenditures as well as anticipated expenditures.

Ms. Ruttman noted that the findings revealed that in one department, a contract was submitted year after year for \$35,000, when in actuality the City was spending \$50,000 on various services. Ms. Ruttman commented that department management did not realize they were spending \$50,000, although the line level employees who paid the bills did. She stressed the importance of effective communication between management and staff and added that when a professional services contract is submitted to the City Manager for approval, it must contain the correct information so that he can make an informed decision and not one based on inaccurate information.

### **Employee v. Independent Contractor Status**

Ms. Ruttman reported that the findings revealed a situation in a couple departments which runs the scale from very small dollars to very big dollars, but said it was always important because the liability dollars are large. She stated that whether it is injury liabilities that are not covered by workers' compensation, a department does not have a contract in place or the correct contract in place, the City would not be covered.

Ms. Ruttman explained that in other cases, it is a matter of not hiring someone using a contract if they should be hired through a temporary agency because it is basically the same work that other City employees are doing. She noted that by using a contract, it would create a situation where that is considered "employment" and the Internal Revenue Service (IRS) views it as such and would not care whether a department called it a contract or anything else and the City would pay fines and penalties. She pointed out that approximately 25 years ago, the City of Mesa was fined by the IRS for this very issue. Ms. Ruttman added that her office's assertion is that if the same agency were to be found guilty of the same thing again, the IRS could increase the penalties. She added that her office wants to ensure that does not happen and also that individuals do not file for a "common law employee" claim, wherein the City may be liable for back benefits and current benefits.

Chairman Finter commented that he had heard it was difficult for departments to obtain approval from the City Manager for new Full Time Employees (FTEs) due to the current economic downturn. He inquired if departments were using this process to "sidestep" that.

Ms. Ruttman responded that in this particular case, she would not think so because a City department can use the temporary agency contract. She explained that if a City department does not go through a temporary agency and just paid a worker on a weekly or monthly basis, without the benefit of any payroll activity, whether through the temporary agency or the City's Payroll Department, the government does not like that and "wants their cut." She pointed out that the City will send the workers a 1099, but said that does not guarantee they will pay their taxes.

Ms. Ruttman acknowledged, in answer to Chairman Finter's question, that the City is using a significant number of temporary agency workers for a long period of time because various departments cannot obtain approval for FTEs.

Ms. Kent pointed out that some departments are using temporary agency workers for case development services. She stated that if it was necessary for the City to process a significant number of permits, for example, a temporary worker could be hired to perform those duties. Ms. Kent added that once the workload lessened, that individual's tenure would end and the duties would be assigned to a lower level staff member.

Committeemember Somers stressed that the City has realized significant cost savings by utilizing part-time employees or temporary agency workers on a full-time basis as opposed to hiring FTEs. He stated that if a department determines that a particular position needs to be funded, then the department would move into the FTE position.

Ms. Ruttman further reported that when her office staff reviews the cost of work performed either through a temporary agency, independent contractor or City employee, they consider the total current cost of the employee (i.e., pension, health benefits). She remarked that dollar for dollar, the City often spends "significantly more" for an independent contractor or temporary agency worker than for a City employee. Ms. Ruttman noted that there must be "an informed business decision" for the City to spend more to have the flexibility to utilize an independent contractor or temporary agency employees for a limited period of time as opposed to using a City employee.

Ms. Ruttman, in addition, commented that there has been debate among staff with respect to a situation in which temporary agency workers or independent contractors were being used for “the long term” (i.e., six to eight years) when departments knew that the length of a project might last that period of time. She stated that her office wanted the assurance that the business justification and cost benefit analysis were being performed by management to ensure that it was, in fact, an informed decision.

Chairman Finter recalled the direction of the Council, especially after the challenging economic times the City has faced in the last few years. He said that they wanted the organization to remain “a lean, solid core government” and would consider various options, such as private contracting, when surges of development occur. He stated that in his opinion, it makes “good fiscal sense” to move in that direction.

Ms. Ruttman further remarked that in certain instances, City departments have been unable to recruit and retain employees in certain positions, resulting in the City having no choice but to seek out independent contractors to fill those jobs.

Ms. Ruttman reiterated that her office met with the individual departments to discuss the findings and said that staff has taken steps to increase their awareness and improve their understanding and compliance with various policies applicable to the use of temporary agency employees and independent contractors. She added that her office will conduct a follow-up audit in approximately one year to determine whether the corrective actions have been implemented effectively.

Ms. Ruttman further advised that her office has recommended to the City Manager and HR that some of the temporary agency worker policies be reexamined to ensure that they appropriately meet today’s business needs of the departments utilizing such services. She said that HR is actively working on these policies and added that her office would conduct a follow-up review in this regard.

Chairman Finter acknowledged that the City Auditor’s Office has the full support of the Council. He noted that Ms. Ruttman was very general in her presentation “without naming names” and suggested that if the various departments do not cooperate or her office encounters challenges with respect to their recommendations, the Committee would like to know the names of those departments and have them appear before the members.

Ms. Ruttman assured the Committee that the follow-up audit would be more specific with respect to issues that have not been resolved.

City Attorney Debbie Spinner remarked that the transition the City had undergone in the past few years, including the reduction in force, has raised a number of tactical, operational and legal issues that the City had not encountered before. She said that her office has been working with the City Manager’s Office and HR to look at the legal distinctions between independent contractors and employees and assured the Committee that staff was working hard to resolve these matters outlined by Ms. Ruttman.

Committeemember Somers commented that the purpose of the City Auditor, whose position was approved by the voters, is to identify these issues early on and make the appropriate recommendations to the Council and staff before the City violates State and Federal law.

Chairman Finter thanked Ms. Ruttman for the extensive and informative presentation.

### 3. Fuel Management – Fleet

Ms. Ruttman briefly discussed this audit (**See Attachment 2**) and stated that several recommendations were made with respect to the security that is currently in place regarding the distribution of fuel at the City's various fuel sites. She reported that the recommendations were well received by Fleet Services, which is working on these issues in cooperation with the Information Technology Department (ITD).

Ms. Ruttman explained that the recommendations are fairly significant improvements to the fuel system in order to reduce risks, although the audit did not reveal instances of fraud or abuse. She noted that by implementing various changes that Fleet Services has agreed to make and already made, the situation has improved overall.

Fleet Services Director Pete Scarafiotti addressed the Committee and advised that the City has seven fuel sites, including locations at each Police substation, the Magma service area, the 6<sup>th</sup> Street Service Center and the East Mesa Service Center. He stated that Fleet Services operates an estimated 12 million miles a year, which equates to 1.9 million gallons of fuel. He added that the fuel that flows through the fuel management system and the mechanical dispensers on the pumps are tested regularly and also manually checked at the time of fuel delivery.

Mr. Scarafiotti pointed out that the audit exposed different issues as "opportunities" for Fleet Services to address and resolve, many of which were small, but overlooked (i.e., the fuel inlet nozzles on the tankers that hook to the City's tanks and offload fuel did not have locking caps; whether the fuel dispensed into small trailers or large containers is properly used in City equipment). He said that Fleet Services and the City Auditor's Office met to discuss these issues and others and developed a series of safeguards. Mr. Scarafiotti remarked that it was the consensus of both departments that it would be appropriate to conduct a similar audit every five years, at a minimum, and added that staff was "amazed" that such an audit had never been conducted before.

Discussion ensued relative to the fueling process for City crew trucks that carry, for example, a generator on the truck and also tow a compressor; that because the generator does not have an individual equipment number, its fuel would be charged to the truck; and that the fuel for the compressor, which has a vehicle number, should be charged as a separate transaction from the fueling of the truck; that fuel cards are still utilized, although certain departments utilize valid operator id's in order to meet the validation criteria for the vehicle; that Fleet Services is attempting to move away from fuel cards because they are stored in the vehicles and often deteriorate in the summer heat and become inoperable; and that it was the recommendation of the City Auditor's Office that an employee's proximity card be used as an alternative.

Mr. Scarafiotti complimented the City Auditor's Office for the thoroughness of the audit and also for allowing Fleet Services to offer their input throughout this process.

Ms. Ruttman expressed appreciation to Senior Internal Auditor Jason Taylor for his efforts and hard work regarding this audit.

Chairman Finter thanked staff for the presentation.

2-b. Hear a presentation, discuss and take action on the Parks, Recreation and Commercial Facilities schedule of Fees and Charges for FY 11/12 and 12/13.

Parks, Recreation and Commercial Facilities (PRCF) Department Director Marc Heirshberg displayed a PowerPoint presentation (**See Attachment 4**) and reported that the purpose of this presentation was to review the recommended changes to fees and charges for various services provided by the PRCF Department.

Mr. Heirshberg briefly discussed the fees and charges review process (See Page 2 of Attachment 4) and stated that on January 11, 2012, the Parks and Recreation Advisory Board unanimously approved the recommended fees and charges. He added that pending approval by this Committee, staff would present such proposals to the Council for approval at the March 5, 2012 Council meeting.

Mr. Heirshberg explained that regarding the Commercial Operations (See Pages 3 and 4 of Attachment 4), the recommended changes to the fees and charges will result in no fiscal impact. He stated that with respect to the Dobson Ranch Golf Course, staff recommends changing the winter dates from November through April to November 1 through April 15 and summer dates from May through October to April 16 through October 31. He said that changing the effective dates of the fees would better align the golf course with fees in other municipalities.

Mr. Heirshberg also remarked that staff recommends changing the 18-hole fee to "Green Fee" and removing the 9-hole fee. He said that Dobson Ranch would still offer 9-hole golf off the back 9 at a reduced rate (Twilight Special) for the first two hours the course is open. He added that if golfers came to the course at noon, for example, and wanted to play 9 holes, they would be required to pay the full rate.

In response to a question from Committeewoman Higgins, Mr. Heirshberg clarified that when individuals want to play 9 holes, it creates "some weird gaps" in the tee sheets with respect to scheduling.

Committeewoman Higgins commented that she was not comfortable removing the 9-hole fee and suggested that the 9 holes be based on availability at the course, as opposed to scheduling a tee time for 9 holes. She added that Dobson Ranch is a municipal golf course and attempts to meet the needs of all residents.

Mr. Heirshberg clarified that other municipal courses are moving away from a 9-hole fee and charging the same fee for 18 or 9 holes unless golfers play during the first two hours that a course is open.

Committeemember Somers remarked that although Dobson Ranch is a City-owned golf course, it is not taxed or subsidized and must be operated as a business. He stated that if the City is unable to "stay in the business of 9 holes," it must consider other options.

Committeewoman Higgins pointed out that the City is getting rid of its 9-hole course at Riverview and stated that "the 72 year old golfer who likes to play 9 holes" will be unable to do

so unless the individual pays full price. She added that she did not understand why the City could not have a 9-hole fee which could be “based on availability” at the golf course.

Mr. Heirshberg responded that he would take this issue back to the golf contractor and the pros to determine whether the 9-hole play could be accommodated beyond the first two hours that the course is open.

Mr. Heirshberg continued with the presentation and reviewed the recommended changes to fees and charges for Recreation Operations, which would have an estimated total fiscal impact of \$23,545 for FY 11/12 and \$45,545 for FY 12/13. (See Page 5 of Attachment 4) He stated that over the past few years, all of the programs have moved to a 20% cost differential between resident rates and non-resident rates.

Mr. Heirshberg outlined the recommended changes to the Aquatics Program fees and charges. (See Page 6 of Attachment 4) He explained that staff proposes to change the Family pass for non-amenity pools (Taylor and Fremont) to unlimited and amenity pools to limited (a maximum of six individuals on a pass). Mr. Heirshberg noted that a new fee would also be created for each additional family member over six members. He added that it was anticipated that \$9,945 in additional revenue will be collected as a result of implementing the new fee.

Mr. Heirshberg said, in addition, that staff recommends adjusting the fee range for Flowrider rentals to include nonprofit and commercial fees. He said that the changes would accommodate smaller groups and generate an additional \$5,900 in revenue.

Mr. Heirshberg further remarked that in an effort to “compress” the Aquatics fees, staff recommends implementing a new hourly lifeguard fee, which encompasses guards and lane rental, when the City hosts competitive meets.

Responding to a question from Committeewoman Higgins, Mr. Heirshberg clarified that as part of the Aquatics coalition agreement, the City, Mesa Public Schools, Mesa Aquatics Club, Arizona Aqua Stars, Desert Dolphins and Desert Divers are exempt from paying lifeguard fees, but are charged a fee for pool usage (with the exception of Mesa Public Schools).

Mr. Heirshberg further discussed the recommended changes to fees and charges for Recreation Operations related to park use, recreation centers/gymnasiums, summer recreation activities, sports complex field use and sports leagues. (See Pages 7 and 8 of Attachment 4)

In response to a question from Chairman Finter, Mr. Heirshberg explained that the City is offering Youth Softball Leagues this spring at reduced fees for age groups 14 to 16 and 17 to 19.

Responding to a question from Committeewoman Higgins, Mr. Heirshberg clarified that staff is attempting to include the lane rental, which is typically \$4.00 per lane/per hour into the new hourly lifeguard fee. He stated that the above-listed coalition members only pay \$4.00 per participant/per season and added that the City is working with the members and the school district to “rework some of those discussions” through Mesa’s Intergovernmental Agreement (IGA) process.

Chairman Finter thanked Mr. Heirshberg for his presentation. He stated that with the exception of the 9-hole fee, which staff will bring back at a future date, it was the consensus of the Committee that the recommended changes to fees and charges be forwarded on to the full Council for consideration.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 11:03 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 19<sup>th</sup> day of January 2012. I further certify that the meeting was duly called and held and that a quorum was present.

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LINDA CROCKER, CITY CLERK

pag  
(attachments – 4)



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

Date: December 13, 2011  
To: Audit, Finance & Enterprise Committee  
From: Jennifer Ruttman, City Auditor  
Subject: Citywide Audit of the Use of State & Cooperative Contracts

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed an audit of the City's use of State and cooperative contracts. The final report is attached. Since there were no significant findings, no management response was required. Please feel free to contact me if you have any questions.



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

## **AUDIT REPORT**

**CITY AUDITOR**

**Report Date: December 13, 2011**  
**Department: Citywide**  
**Subject: Audit of Use of State & Cooperative Contracts**

### **OBJECTIVES**

The purpose of this audit was to determine whether State contracts and other types of cooperative contracts have been used only when doing so was in the best interest of the City.

### **SCOPE**

Purchase orders referencing State or other cooperative contracts, dated between 7/1/2010 and 4/30/2011, with a total value of \$11.1M, were reviewed on a sample basis.

### **METHODOLOGY**

While we acknowledge that many factors contribute to whether or not a purchase is in the City's best interest, for the purpose of this audit, we sought to answer the following questions:

- Did staff seek out multiple quotes prior to using a State or cooperative contract?
- Is there any evidence that better values existed when the contract purchases were initiated?
- Did staff ensure the City received the contract price at the time of payment?

To answer these questions, we interviewed City staff members responsible for purchasing; researched alternate sources and pricing for items purchased during the audit period; reviewed contracts, purchase orders, invoices and other payment documents; and performed other testing and analyses as necessary.

### **BACKGROUND**

When another governmental agency or organization conducts a competitive evaluation process that results in a contract for goods or services, there is often a provision in the contract that allows other agencies to also use that contract. Historically, this has been accepted as an efficient procurement method that provides a competitive price without duplicating the cost and effort already expended by the first agency to conduct the competitive evaluation process. In addition, with limited time and resources available to conduct new evaluations, these contracts often provide an expedient option. However, in today's economic climate, it is reasonable to question whether a contract that was competitively awarded several years ago still provides the best possible value to the City.

Prior to May 2011, Management Policy 200 (MP200), Procurement Policy and Procedures, allowed staff to procure goods and services using a State or other cooperative contract without performing any additional steps to ensure the contract actually provided the best value. When MP200 was updated in May 2011, the following language was added:

*"Due diligence should be performed to ensure the Cooperative Procurement was conducted in a manner consistent with Mesa's Competitive Selection requirements and provides the best value for the City."*

## **OBSERVATIONS**

### **Did staff seek out multiple quotes prior to using a State or other cooperative contract?**

We found that, for the majority (73%) of purchases we tested, the staff members responsible did not gather any additional quotes prior to choosing to use the cooperative contract. The primary reason cited for this was that City policy did not require it. The staff members who initiated these purchases considered these contracts to be the most expedient and efficient means to procure the goods or services in question, and did not see the value in spending the time to gather other quotes. The staff members who did obtain other quotes reported that they chose to use the cooperative contract because it was ultimately the best value for that specific purchase.

### **Is there any evidence that better values existed at the time?**

While it is difficult to determine at a later date whether a better value might have been available when a purchase was made, we were able to identify a very small number of instances in which the same items were purchased by more than one department within a few months of each other; and we found that the contract offered the lower cost for approximately 90% of these purchases. In addition, although there were an insufficient number of direct comparison opportunities available to consider this a statistically significant conclusion, when we looked at purchases that were similar, rather than exactly the same, we found only a minimal increase in the number of opportunities for savings through the alternative sources.

### **Did staff ensure the City received the contract price at the time of payment?**

We found that, with one exception, vendor invoices were consistent with contract pricing. The one exception involved an error on the City's part, which resulted in the underpayment of a vendor. When this was discovered, the department identified the cause of the error and is implementing controls to prevent future occurrences.

## **CONCLUSION**

In our opinion, the use of State and other cooperative contracts during the audit period was generally in the best interest of the City. Although there were occasional instances in which better values were available elsewhere, we anticipate that the due diligence explicitly required by the City's revised purchasing policy should ensure even better results in the future.



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

Date: January 11, 2011  
To: Audit, Finance & Enterprise Committee  
From: Jennifer Ruttman, City Auditor  
Subject: Fleet Services – Audit of Fuel Management

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed an audit of Fleet Services Fuel Management. The final report, which includes 5 Corrective Action Plans (CAPs), is attached. Also included are management responses from Fleet Services, for CAPs #1-#4, and from the Police Department, for CAP #5. My office will perform a follow-up review in approximately 1 year, to verify that the planned corrective actions have been implemented effectively.

We would like to extend our appreciation to the staff members of the Fleet Services, Police, and Information Technology departments, for their time, cooperation, and assistance throughout this audit.

Please feel free to contact me if you have any questions.



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

## AUDIT REPORT

CITY AUDITOR

**Report Date: December 20, 2011**  
**Department: Fleet Services**  
**Subject: Audit of Fuel Management**

### **OBJECTIVE**

Determine whether City fuel is adequately procured, safeguarded, and accounted for.

### **SCOPE & METHODOLOGY**

To accomplish our objective, we interviewed City staff members, observed fuel sites, and reviewed fuel invoices, fuel and fleet system configurations, and internal fuel transactions for fiscal year 2011.

### **BACKGROUND**

In fiscal year 2011, the City spent about \$5.5 million for fuel services. Of this amount, about \$5.3 million represents the cost of fuel, and the remainder was for services and commodities needed to maintain the fuel infrastructure and comply with environmental regulations.

About 99% of the fuel used by the City is diesel (47%) and gasoline (52%) – a combined total of approximately 1.86 million gallons during fiscal year 2011. The fuel is purchased under contract from Supreme Oil Company based on a national price index and delivered as needed to seven fuel sites. It is then stored in above- or below-ground tanks that are generally between 10,000 and 15,000 gallons each. The remaining 1% of fuel used by the City is compressed natural gas (CNG), which is supplied by the Energy Resources Division and compressed by Fleet Services at two sites.

Various departments are involved in managing the City's fuel. Fleet Services employs a full-time Fuel Services Specialist to maintain the equipment, inspect and clean the fuel sites on a daily basis, and observe all fuel deliveries. In addition, Fleet administrative staff members spend time managing the FleetAnywhere and FuelForce systems, reviewing authorization exceptions, and reconciling fuel inventories. Since the Mesa Fire Department (MFD) maintains its own fleet, it also manages its own fuel and authorization exceptions. Also involved is the Development & Sustainability Department, which manages a process to ensure environmental compliance.

To obtain fuel, an authorized user generally must enter an employee ID (EEID), vehicle code, and odometer reading into a keypad at the pump. The FuelForce system then authorizes or

rejects fueling based on certain criteria. For example, vehicle codes and EEIDs must be valid; odometer changes must be within a specified range; and a vehicle cannot be refueled beyond its total fuel capacity within a 2-hour time span. Fuel is also dispensed for non-vehicle related purposes, such as for use in landscaping equipment, generators, etc., but there are fewer controls in place to manage this type of fuel use. FuelForce records all transactions, and the fuel costs are allocated to the user departments each month as a component of their equipment usage rates.

### **CONCLUSION**

Overall, it is our opinion that the City's fuel is adequately procured, safeguarded, and accounted for. Although we noted no instances of fraud or abuse, we did identify a few opportunities to further reduce risks, as noted in the recommendations listed below. For additional details, please see the attached Corrective Action Plans (CAPs).

### **RECOMMENDATIONS**

1. Fleet Services should improve the FuelForce automated authorization process by:
  - a. Ensuring that validation checks are appropriate for all vehicles;
  - b. Identifying and deactivating unnecessary vehicles and fuel cards;
  - c. Verifying that new fuel cards have been authorized by appropriate supervisors and/or RC managers; and
  - d. Monitoring all changes to the FuelForce system. (See CAP#1)
2. Fleet Services and the MFD should improve IT access controls by granting users access only to functions that are essential to their job duties. (See CAP#2)
3. Fleet Services should improve controls over miscellaneous fueling by:
  - a. Considering requiring proximity cards to obtain fuel at certain sites;
  - b. Reducing recorded gallon capacities and/or adding 2-hour wait times for each miscellaneous vehicle code; and
  - c. Developing and reviewing exception reports that highlight unusual transactions or patterns. (See CAP#3)
4. Fleet Services should improve physical security over fuel sites by closing fuel site gates during unpopulated hours and/or implementing other methods for securing the tanks. (See CAP#4)
5. The Police Department should work with the Information Technology Department and Fleet Services to improve controls over leased police vehicle fueling by developing/reviewing fuel usage reports; and/or applying odometer validations to each leased vehicle. (See CAP#5)

### **Other Pertinent Information**

An inherent risk of providing fuel in-house is the possibility of incurring regulatory non-compliance penalties and/or fuel leak remediation costs. The regulatory environment is complex, involving federal, state, and county agencies. Perhaps the most notable cost incurred

by the City has been remediation of a 1980s fuel leak at the Sixth Street location. Although the Development & Sustainability department does not have historical remediation cost figures, a representative asserted that the costs have at least exceeded \$1 million. Other compliance costs are likely less significant, but pose a risk nonetheless.

We did not assess regulatory compliance during our audit, primarily because the Development & Sustainability department actively monitors compliance, including performing internal inspections. Further, department representatives asserted that the City has been in substantial compliance and avoided fines for several years since implementing the compliance monitoring program. However, they also maintain that leaks often cannot be identified until underground storage tanks are eventually decommissioned.

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## **CAP #1: Improvements to Fuel Authorization Process**

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**Observations:** Taken as a whole, Fleet's process for authorizing fuel usage incorporates strong internal controls. However, we noted the following areas for improvement:

1. FuelForce validation checks were turned off for several vehicles. Specifically, of 1,567 vehicles reviewed, 9 were exempt from odometer validations and 337 did not have to wait 2-hours between tank refills.
2. Fleet does not attempt to identify FuelForce vehicles or fuel cards that are no longer needed. We noted 177 vehicles and several fuel cards with no fuel transactions in FY 2011.
3. Fleet does not review system changes to vehicles, fuel cards, or validation parameters to ensure that they are appropriate.

**Comments:** Fleet Services relies on FuelForce to automatically prohibit fueling if certain criteria are not met (known as validation). However, if FuelForce vehicles and fuel cards remain in the system when they are no longer authorized for use, or if the validation checks on them are turned off, they could be used to fraudulently obtain fuel without triggering detection.

**Recommendations:**

1. Fleet should ensure that FuelForce validation settings, including odometer validations and 2-hour wait requirements, are appropriate for all vehicles.
2. Fleet should periodically identify and deactivate unnecessary FuelForce vehicles and fuel cards.
3. Fleet should develop a process for ensuring that new fuel cards have been properly authorized, such as requiring supervisors and/or RC managers to sign a request or send an email to Fleet administrative staff.
4. Fleet should work with the Information Technology Department (ITD) to develop reports that notify Fleet administrative staff of changes to FuelForce vehicles, fuel cards, or vehicle validation criteria, and verify that all changes are appropriate.

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**CAP #2: Improvements to FuelForce & FleetAnywhere Systems Access Controls**

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- Observations:**
1. At the start of the audit, all FuelForce system users had administrator access rights, which gave them the ability to modify fuel authorization settings.
  2. Several Fleet and MFD FleetAnywhere users had access rights that enabled them to create and/or modify vehicles in the system, despite having job duties that did not require them to do so. In addition, system administrator rights were inappropriately held by an MFD staff member.

**Comments:** As noted in CAP #1, if FuelForce vehicles or fuel cards do not represent authorized vehicles or users, or if the validation checks on them are turned off, they could be used to fraudulently obtain fuel. Therefore, the ability to modify this information in the system should be limited to those few employees whose job duties require it. In addition, since vehicle creation is initiated in FleetAnywhere, access should be similarly limited in that system.

Prior to the audit, Fleet staff members were unaware that different FuelForce system users could be assigned different levels of access; however, the excessive FleetAnywhere system access rights resulted from a lack of recent review. Both Fleet and the MFD resolved these access issues prior to the completion of the audit.

- Recommendations:**
1. Fleet should continually ensure that users only have access to FuelForce functions that are necessary for their job duties. Special care should be given when granting system administrator rights or access to fuel authorization settings.
  2. Fleet and the MFD should continually ensure that FleetAnywhere users are only granted vehicle creation or system administrator rights if their job duties warrant it.

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### **CAP #3: General Lack of Control Over Miscellaneous Fueling**

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**Observations:** The controls over obtaining fuel for miscellaneous purposes are weak or inappropriate. Further, there are virtually no reviews of usage.

**Comments:** Fleet has established FuelForce vehicle codes that are used for refueling miscellaneous equipment. This includes items such as tractors, small lawn equipment, generators, and fuel containers used to refuel this equipment onsite. Although miscellaneous fueling represents less than 1 percent of total fuel usage, it is subject to a higher risk of fraud than vehicle fueling, due to several control limitations.

Preventive controls are lacking as follows:

1. Fuel can be obtained for miscellaneous equipment by entering a vehicle code and an active EEID. The nature of the miscellaneous fueling prevents odometer validations that would otherwise serve as a preventive control.
2. The vehicle codes used for miscellaneous equipment have designated fuel capacities that are generally far greater than necessary and/or they do not have the standard 2-hour minimum wait time between refueling. Such limits would make it more difficult to dispense large amounts of fuel for an unauthorized purpose, as multiple transactions and/or longer wait times between transactions would be required.

The lack of preventive controls over this fuel usage creates a need for stronger detective controls. However, neither Fleet nor the user departments routinely review this type of fuel usage. Some staff members indicated that exception reports pointing out odd transactions or patterns, such as individuals with an unusual number of transactions, or significant volume variances, would be helpful to them; and ITD's FuelForce/FleetAnywhere application administrator indicated that developing such reports would be a relatively simple process. It may also be beneficial to some departments to maintain fuel logs, to improve accountability for miscellaneous fuel dispensed from secondary storage containers.

**Recommendations:** To improve controls over miscellaneous fueling, Fleet should:

1. Consider implementing proximity card readers, at least at the less-secure fueling sites (6th Street, EMSC, Magma) to ensure that only authorized staff with City of Mesa access cards can obtain fuel.
2. Reduce the specified gallon capacities and/or add 2-hour wait times, as appropriate, for each miscellaneous vehicle code.
3. Work with ITD to develop exception reports that highlight unusual transactions or patterns; and follow-up on exceptions and/or distribute them to the departments for review and resolution.

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#### **CAP #4: Physical Security Improvements**

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**Observations:** Storage tanks at the primary fuel sites - 6th Street and the East Mesa Service Center (EMSC) – are accessible to the general public during certain days/hours.

**Comments:** The fuel tanks at these locations are located behind mechanical gates operated by an access card. The gates remain open during the day, Monday through Saturday, which presents little risk when City employees are present. However, employees are not consistently present most days at EMSC and on Saturday afternoons at 6th Street. There are no alternative security measures in place, such as locking fill pipes on the tanks or dedicated security cameras. Without this physical protection, the fuel is vulnerable to theft.

**Recommendations:** Fleet should:

1. Request that Municipal Security close the gates to the 6th Street and EMSC fuel sites during unpopulated hours (currently all daytime hours for EMSC and Saturday afternoons for 6th Street); and/or
2. Implement additional physical security measures, such as installing locking fill pipes on the tanks or installing dedicated security cameras.

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**CAP #5: Lack of Controls Over Leased Vehicle Fueling**

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**Observations:** The only control over fuel usage by leased Police vehicles is that users have to enter a vehicle code and EEID. The Police Department (PD) does not review fuel usage to ensure that it is appropriate.

**Comments:** The PD leases about 35 vehicles at a time for undercover purposes. All of these vehicles currently refuel under a single vehicle code, making it impossible to validate odometer readings. As with miscellaneous fueling, this provides an opportunity for individuals to inappropriately dispense fuel and places a greater emphasis on the need for detective controls. The PD currently does not review fuel usage, although representatives said they would do so if provided a usage report by EEID. They also indicated that they would support using separate vehicle codes for each leased vehicle (thus allowing odometer validations), if doing so is administratively feasible for Fleet.

**Recommendations:** To provide better controls over leased vehicle fueling, the Police Department should:

1. Work with Fleet and ITD to develop fuel usage reports; and periodically review these reports to ensure that fuel is only being used for City business.
2. Work with Fleet to assess the feasibility of using separate vehicle codes and applying odometer validations for each leased vehicle.

City Auditor  
**AUDIT RESPONSE FORM**  
 Fleet Services Fuel Management - Dec/2011

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

CAP #1: Improvements to Fuel Authorization Process	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 #1</b>	Agree	Fleet should ensure that FuelForce validation settings, including odometer validations and 2-hour wait requirements, are appropriate for all vehicles.	Feb 2012
		Fleet will audit all active Fuel Force vehicles and work orders to ensure proper validations in place per normal vehicle operation or documented department request.	
<b>Rec #2</b>	Agree	Fleet should periodically identify and deactivate unnecessary FuelForce vehicles and fuel cards.	Feb 2012
		We will request a query report to identify vehicles and cards which meet the criteria. On occasion there are valid reasons why there has been no activity, but in reviewing the audit findings most cases are historical oversights.	
<b>Rec #3</b>	Agree	Fleet should develop a process for ensuring that new fuel cards have been properly authorized, such as requiring supervisors and/or RC managers to sign a request or send an email to Fleet administrative staff.	In place
		Fleet will continue to provide a fuel card for new vehicles put in service. However, we will require proper department authorization to grant employee key pad authorization for fuel.	
<b>Rec #4</b>	Agree	Fleet should work with the Information Technology Department (ITD) to develop reports that notify Fleet administrative staff of changes to FuelForce vehicles, fuel cards, or vehicle validation criteria, and verify that all changes are appropriate.	January 2012
		We concur that an administrative review of any changes as mentioned is beneficial. Unfortunately the vendor does not currently maintain a transaction log that would provide this data. We have spoken with the vendor regarding creating a file in future updates. We have implemented a formal log for all miscellaneous fuel transactions by Fleet staff.	
<b>CAP #2: Improvements to FuelForce &amp; FleetAnywhere Systems Access Controls</b>			
<b>Rec #1</b>	Agree	Fleet should continually ensure that users only have access to FuelForce functions that are necessary for their job duties. Special care should be given when granting system administrator rights or access to fuel authorization settings.	In place
		Fleet staff who was responsible for this system were not aware of the security level issues until questioned in the audit. This resulted in a follow up conversation with the vendor and appropriate changes have been implanted.	

**City Auditor**  
**AUDIT RESPONSE FORM**  
**Fleet Services Fuel Management - Dec/2011**

	<p><b>Agree Or Disagree</b></p> <p><b>Brief Summary of Implementation Plan</b>                      (NOTE: If recommendation will not be implemented, please explain your alternative plan to address the observation.)</p>	<p><b>Estimated Implementation Date (Month/Yr)</b></p>
<p><b>Rec # 2</b></p> <p>Agree</p>	<p>Fleet and the MFD should continually ensure that FleetAnywhere users are only granted vehicle creation or system administrator rights if their job duties warrant it.</p> <p>As a result of this audit there are two individuals in Fleet Services and one in MFD that have full administrator access. These individuals determine the level of access staff have to the system. When employees terminate ITD removes all their computer access rights. MFD has addressed the issue for their users.</p>	<p>In place</p>
<p><b>CAP #3: General Lack of Control Over Miscellaneous Fueling</b></p>		
<p><b>Rec # 1</b></p> <p>Disagree</p>	<p>Fleet should consider implementing proximity card readers, at least at the less-secure fueling sites (6th Street, EMSC, Magma); to ensure that only authorized staff with City of Mesa access cards can obtain fuel.</p> <p>Our current Fuel Force site terminals can be modified to replace the existing card readers with proximity card readers at an estimated hardware cost of \$10,000. We have requested a budget estimate from the vendor to request funding next fiscal year. Changing to proximity card readers will require a software change as the current system assumes any City of Mesa employee is eligible to obtain fuel if they have a valid fuel card and the unit being fueled meets system established criteria. Proximity card authorization will require transferring data from Municipal Security to the Fuel System which means that Fleet no longer has control of valid fuel users. This proposal may be a viable alternative to cards but an in depth feasibility study must be done prior to making an implementation decision.</p>	<p>TBD/Budget System Design</p>
<p><b>Rec # 2</b></p> <p>Agree</p>	<p>Fleet should reduce the specified gallon capacities and/or add 2-hour wait times, as appropriate, for each miscellaneous vehicle code.</p> <p>Fleet has requested and received formal documentation from all Department Supervisors who utilize miscellaneous fuel regarding fuel requirements and made the necessary changes. We are also investigating the feasibility of installing smaller fuel tanks for Parks and Cemetery on site.</p>	<p>Ongoing</p>
<p><b>Rec # 3</b></p> <p>Agree</p>	<p>Fleet should work with ITD to develop exception reports that highlight unusual transactions or patterns; and follow-up on exceptions and/or distribute them to the departments for review and resolution.</p> <p>The fuel system administrators will develop exception criteria reports.</p>	<p>Subject to ITD resources (City Edge)</p>

City Auditor  
**AUDIT RESPONSE FORM**  
 Fleet Services Fuel Management - Dec/2011

	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 #4: Physical Security Improvements</b>			
<b>Rec # 1</b>	Disagree	Fleet should request that Municipal Security close the gates to the 6th Street and EMSC fuel sites during unpopulated hours (currently all daytime hours for EMSC and Saturday afternoons for 6th Street); AND/OR implement Rec #2.  Fleet is not in a position to dictate Yard Schedules as the yards are used by multiple departments.	
<b>Rec # 2</b>	Agree	Fleet should implement additional physical security measures, such as installing locking fill pipes on fuel tanks or dedicated security cameras.  Fleet has ordered tamper proof lockable fill caps for the Sixth street and East Mesa yards. They will be installed when obtained from the vendor. Access to the keys will be limited.  Fleet will also request the fuel sites be considered for future security enhancements.	March 2012

City Auditor  
 AUDIT RESPONSE FORM  
 Fleet Services Fuel Management - Dec/2011  
 MPD Response

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 #5: Lack of Controls-Over Leased Vehicle Fueling</b>			
<b>Rec #1</b>	Agree	<p>The Police Department should work with Fleet and ITD to develop fuel usage reports; and periodically review these reports to ensure that fuel is only being used for City business.</p> <p>MPD and Fleet personnel met and are in the process of developing a report, which will track fuel usage by personnel assigned to lease vehicles. The report will be reviewed and analyzed by MPD Fleet Management and then forwarded to workgroup supervisors to verify fuel usage by assigned personnel. The report will be generated and analyzed every six months. MPD Fleet Management will act as the custodian of records.</p>	1/2012
<b>Rec #2</b>	Disagree	<p>The Police Department should work with Fleet to assess the feasibility of using separate vehicle codes and applying odometer validations for each leased vehicle.</p> <p>The feasibility of using separate vehicle codes and applying odometer validations for each lease vehicle was analyzed. Although it is possible, it would be impractical given that the associated cost in time to MPD and Fleet staff would outweigh the benefit of implementation. The MPD uses lease vehicles for many reasons, to include the flexibility of exchanging vehicles and assigned drivers. Although a lease vehicle contract is typically a year in duration, the contract allows for frequent exchanges based on mission critical requirements. A lease vehicle maybe exchanged in as little time as a month. As such, it is recommended that the aforementioned report be utilized to track this requirement.</p>	1/2012



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

Date: January 12, 2011

To: Audit, Finance & Enterprise Committee

From: Jennifer Ruttman, City Auditor

Subject: Citywide Audit of the Use of Temporary Labor & Independent Contractors

Pursuant to the Council-approved Audit Plan, the City Auditor's office has completed a citywide audit of the Use of Temporary Labor & Independent Contractors. The final report is attached. Due to the unusually wide scope of this audit, and the numerous departments involved, our findings and recommendations are presented in summary format, but are listed in more detail in the accompanying appendix. For the same reasons, individual responses are not incorporated into the report. However, each affected department has agreed to implement corrective actions as recommended.

We will perform a follow-up review in approximately 1 year, to verify that the planned corrective actions have been implemented effectively.

Please feel free to contact me if you have any questions.



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

**AUDIT REPORT**

**CITY AUDITOR**

**Report Date: January 12, 2012**  
**Department: Citywide**  
**Subject: Use of Temporary Agency Labor & Independent Contractors**

**OBJECTIVE**

The objective of this audit was to evaluate the use of temporary agency workers and personal services contractors for compliance with applicable policies, regulations, and contract terms.

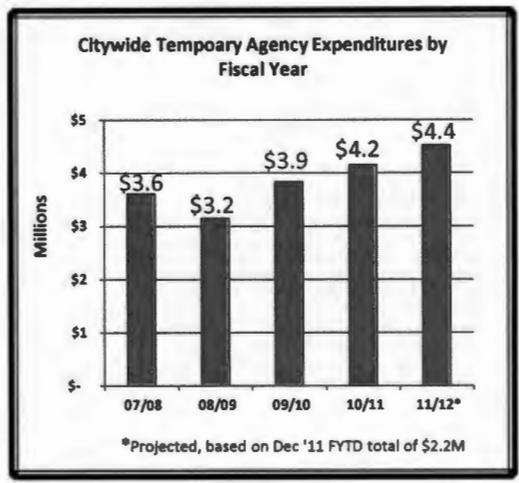
**SCOPE & METHODOLOGY**

The audit scope included transactions and contracts dated during fiscal years 09/10 & 10/11. To meet the audit objective, we reviewed applicable policies, contracts, invoices and other payment documents; interviewed City staff members; and performed other testing and analyses as necessary.

**BACKGROUND**

Increased Demand for Services

In recent years, the use of temporary labor and independent contractors has increased significantly as the City has struggled to maintain service levels with fewer full-time employees. Other causes for the increase include the inability to recruit qualified applicants for certain positions; the need to back-fill positions held by City employees who have been temporarily reassigned to the CityEdge project; and, in some cases, a lack of adequate succession planning that resulted in the use of former employees as "temps", either to train others to do their jobs, or to do the work themselves until the position was filled.



Governance

The use of both temporary workers and independent contractors is governed by several management policies, as well as numerous citywide and departmental guidelines. (A list of these authoritative documents is provided in Appendix B.) These policies and guidelines have been implemented to ensure that the City complies with state statutes as well as federal employment rules established by the Department of Labor (DOL) and Internal Revenue Service (IRS). Specific rules are also included to reduce the risk of temporary workers claiming that they meet "common law" employee criteria and are therefore entitled to the same benefits as City employees. To avoid such claims, it is critical to maintain a "non-employee like" relationship with temporary agency workers as well as with independent contractors.

Processes, Roles & Responsibilities

Temporary agency workers are classified into 4 Groups, based on the liability for injury associated with the assigned job title. Groups I – III include only those workers placed in City of Mesa position titles, which range from administrative to light industrial to medium industrial

classifications. Group IV includes only those workers placed in specific non-City position titles within the Arts & Cultural and Parks, Recreation & Commercial Facilities (PRCF) Departments.

Groups I – III temporary workers are requested through a process administered by a Coordinator in the Human Resources (HR) Department. The Coordinator is responsible for processing the request and working with the agency to place the appropriate worker. This includes ensuring that required documents are completed, and that verifications such as fingerprinting, background check, E-verify, required licenses/certifications, MVD check if driving, etc. are performed prior to the start of work. The Coordinator also monitors problems with workers or the agencies, tracks hours worked to ensure compliance with break-in-service requirements, reviews invoices to verify that the correct pay and markup rates are charged, and reports temporary labor expenditures to management.

The Group IV temporary agency positions utilized by the PRCF and Arts & Cultural Departments, as well as certain technical positions that are filled through specialized agencies, are not managed by HR, but are instead administered at the department level. However, since most of the same rules apply to these workers, it is important that each of these departments have effective procedures in place to monitor compliance.

For certain personal services that are not typically performed by employees, and are project-oriented or based on specific deliverables, and meet other applicable criteria, departments may enter into personal services contracts with qualified independent contractors, rather than obtain these services through an employment agency. However, it is important that these arrangements meet the criteria for a contract relationship as opposed to an employment relationship.

## **OBSERVATIONS**

Compliance testing was performed on a sample basis and focused primarily on the following:

- Job titles & minimum qualifications
- Background checks & other screening
- Compensation
- Time cards & payment procedures
- Break-in-service rules
- Contract existence & document retention
- Contract content
- Contract payments
- Employee vs. independent contractor status

During the audit, we found that the majority of City staff members involved with the use of temporary agency workers and independent contractors did not have a strong understanding of the applicable policies and procedures; and as a result, compliance has been inconsistent. Since these policies were specifically designed to protect the City from various liabilities, non-compliance has exposed the City to an increased risk of loss. Examples of potential liabilities include injuries, common-law employee claims, unemployment compensation, overpayment for services, and many others.

In some departments, the same individuals have served as temporary agency workers and independent contractors simultaneously. This may present a problem if the total number of hours worked is not carefully monitored, as any hours over 40 in a week would be considered overtime under FLSA rules.

We also found that some departments do not have adequate controls in place to ensure that personal services contracts are appropriately managed. For example, many contracts that were said to exist could not be located. In some of those cases, we were able to confirm that the department did not actually have a contract, but procured the services based only on verbal agreements. Among the sampling of contracts we were able to review, we found several indications that better controls are needed. A few examples include: payments that significantly exceeded the contract limits; contracts that the departments acknowledged did not accurately reflect the intent of the parties; and contracts that were written so poorly as to be non-executable.

### **CONCLUSION**

In our opinion, the use of temporary labor and personal services contractors citywide did not always comply with applicable policies, regulations, and contract terms during the audit period. The primary cause for this was an overall lack of awareness and understanding of the various requirements along with inconsistent management oversight. Please see Appendix A for a more complete summary of the audit findings.

### **RECOMMENDATIONS**

We have communicated in detail with the affected departments regarding our specific findings and we have made individualized recommendations to address them. These recommendations can be summarized as follows:

1. Department directors should take steps to increase staff members' awareness and improve their understanding of (and compliance with) the various City policies and procedures applicable to the use of temporary agency employees and independent contractors.
2. Department directors should take steps to improve the level of due diligence and attention to detail exercised by City staff when engaging in contracts for personal services. This includes verifying that contracts contain appropriate terms and limits, monitoring deliverables and payments for compliance with those terms and limits, and ensuring that contracts are retained in accordance with applicable document retention standards.

Each of the affected departments has agreed to implement the recommendations presented to them. We will follow up in approximately 1 year to determine whether all corrective actions have been implemented effectively.

**Appendix A – Summary of Audit Findings**

<b>Requirement</b>	<b>Finding</b>
<p><u>Job Titles &amp; Minimum Qualifications</u></p> <p>To comply with City policy, temporary employees in Groups I – III must be placed in City job titles; and all temporary workers should be assigned job titles that are appropriate for the duties performed. These workers should meet the minimum qualifications specified in the corresponding City job descriptions.</p> <p>The underlying premise of this policy is that City job descriptions, along with their corresponding minimum qualifications and assigned pay ranges, have been vetted by HR and deemed appropriate.</p> <p>The minimum qualifications (i.e. education, licenses, certifications, etc.) specified in City job descriptions have generally been established to provide assurance that an individual assigned that job title has the knowledge and expertise needed to safely and effectively perform their duties.</p>	<p>When the job duties assigned to temporary workers did not correlate to existing City job titles, some departments used non-City titles. Since no established pay ranges existed for these titles, the departments assigned pay rates at their own discretion. While assigning an alternate title might have been a reasonable course of action under the circumstances, some type of market research or other analysis should have been performed (and documented), to ensure the minimum qualifications, job duties, and pay rates associated with these titles were appropriate. In addition, the deviation from policy should have been approved by the City Manager or designee. This would have called attention to the fact that the existing policy was not meeting the needs of the City and was in need of revision.</p> <p>In other cases in which the workers' assigned job duties did not correlate to existing City job titles, the workers were placed in job titles that were not appropriate for their duties, and for which they did not meet the minimum qualifications. According to staff members, this was done because the policy required that a City title be used, but no appropriate City title existed.</p> <p>We also noted a temporary agency worker who did not possess a license that was necessary to fully perform the duties associated with the job.</p>
<p><u>Background Checks and Other Screening</u></p> <p>Fingerprinting and background checks are required for temporary agency workers and independent contractors that may, in the course of their duties, come into contact with minors, disabled or homebound persons, or work in security sensitive areas.</p> <p>Driving record checks and/or drug screening may be required for some temporary workers and/or contractors, depending upon the type of work performed and the associated risks.</p> <p>In addition, most of the City's service contracts</p>	<p>Some independent contractors were not fingerprinted or background checked, although their work involved contact with minors. For various reasons, the responsible City staff members had erroneously assumed that the checks had been done.</p> <p>The City engaged independent contractors to transport City assets from one location to another; however, their driving records and insurance coverage were not checked.</p>

Requirement	Finding
<p>require that the contractor maintain (and provide proof of) specific types and amounts of insurance coverage, to limit the City's liability.</p>	
<p><u>Compensation</u></p> <p>According to City policy, the "standard" pay rate for a temporary agency worker is equivalent to 5% below the "1" step for the range assigned to the job title, unless an exception is approved by the department director.</p> <p>This policy was intended to provide some level of assurance that temporary worker pay rates would be appropriate for the job duties and would not exceed the rates paid to City employees for the same type of work.</p>	<p>The majority of temporary agency workers used by the City are paid more than the standard rates. In some cases, the rates paid to temporary agency workers exceeded the maximum pay rates (or "7" step) associated with the positions, with no written director-level approval on file.</p>
<p><u>Time Cards and Payment Procedures</u></p> <p>Temporary agency workers are expected to record the date, start time, finish time, time off, and total hours on their time cards. The cards should then be reviewed and signed by their direct supervisors.</p> <p>Temporary agencies are required to provide Workers Compensation coverage for their employees. This coverage only applies to incidents that occur during working hours.</p> <p>Invoices received from temporary agencies must be compared to information recorded on time cards, to ensure the number of hours billed for each worker is accurate, and that any overtime billed is valid. Depending on the agency, a two or four hour minimum may be billed for an individual who works less than the minimum number of hours specified in the contract.</p>	<p>These procedures were not always followed. In some cases, the supervisor recorded the workers' hours on the time cards in a manner that did not reflect the actual hours worked. While the total number of hours recorded was accurate, the times of day were not. Reporting that workers are working on City premises when they are not, or reporting that they are not working on City premises when they are, exposes the City to increased risk for workers compensation claims and other liabilities.</p> <p>In one case, overtime was erroneously paid, when staff failed to adequately scrutinize an invoice. In another case, the rules regarding the minimum number of billable hours were applied incorrectly, resulting in overpayment.</p>
<p><u>Break-In-Service Rules</u></p> <p>Breaks in service are required after 12 consecutive months of work by a temporary agency worker, unless the individual never works 20 or more hours/week. The length of the required break, if any, varies by Group classification and depends on the number of hours worked per week. These requirements were implemented to reduce the risk of "common law employee" claims. <i>(This term is</i></p>	<p>In one department, several temporary workers that were engaged through a specialized agency (not monitored by HR) did not take the required breaks in service, because the responsible City staff members were unaware of the requirements of Management Policy 331. These "temporary" employees worked full-time for multiple years without any break in service.</p>

Requirement	Finding
<p><i>explained below, under "Employee vs. Independent Contractor Status".)</i></p>	
<p><b><u>Contract Existence &amp; Document Retention</u></b></p> <p>According to City policy (MP 332): "An independent contractor will sign a contract for each arrangement/project specifying the terms of the relationship."</p> <p>Effective contract administration requires that staff has adequate knowledge of the existence and terms of all contracts and is actively monitoring them. This includes maintaining copies of all contracts in accordance with applicable document retention standards.</p> <p>If a contract cannot be found, it cannot be enforced, and payments made in association with it cannot be verified as appropriate. In addition, the City would be unable to comply with Freedom of Information Act requests and could be in violation of applicable records retention laws.</p>	<p>Several departments engaged individuals to provide various services based only on verbal agreements. Unfortunately, without a written contract, deliverables and compensation may not be clearly defined or understood, potential liabilities may not be mitigated, and overpayments are more difficult to prevent and/or detect.</p> <p>Some departments asserted that they had written contracts, but they were unable to produce copies of those contracts when we requested them. In many cases, staff members were uncertain as to whether or not there was a contract.</p>
<p><b><u>Contract Content</u></b></p> <p>When entering into a contract, sufficient care must be taken to ensure the terms are written exactly as intended and that all parties to the contract understand and agree to those terms. In addition, for a contract to be enforceable, its terms must be fully executable.</p>	<p>Some departments did not pay sufficient attention to detail when engaging individuals with limited services contracts; and as a result, they signed contracts that did not accurately reflect the intent of the parties. In some cases, the terms were written so poorly that they were non-executable. In our opinion, neither City staff nor the contractors intended to misrepresent the terms of these agreements, but they failed to apply the appropriate level of scrutiny prior to signing.</p>
<p><b><u>Conflicts of Interest</u></b></p> <p>State law prohibits the City from procuring services from an employee, except as a result of a public, competitive bidding process.</p>	<p>A City employee's business was retained to provide services to another City department, without engaging in a competitive bidding process. This was discontinued in 2010, and the individual involved no longer works for the City.</p>
<p><b><u>Contract Payments</u></b></p> <p>Payments for contracted services should be made only in accordance with the terms of the contract. These terms generally specify the timing of</p>	<p>Some departments made payments that were not in accordance with applicable contract terms. In some cases, payments were made prior to full performance by the contractor. In other cases, payments were made well in excess of the maximum</p>

Requirement	Finding
<p>payments in relation to performance, and often include a minimum and/or maximum amount payable under the contract.</p> <p>Prior to renewing an annual contract for professional services, City departments should review actual expenditures for the current and prior years, to ensure the maximum amount payable under the contract will be sufficient to meet the City's needs for the duration of the contract period. If the need for services exceeds the expected maximum during the contract period, the contract should be amended in writing to provide for the increase.</p>	<p>specified in the contract.</p> <p>In one department, staff members repeatedly underestimated the need for services and the corresponding maximum amount payable when submitting an annual professional services contract to the City Manager for approval. There was ample historical data available that, if reviewed, would have indicated that the actual expenditures were much higher than the contract amount.</p>
<p><u>Employee v. Independent Contractor Status</u></p> <p>The IRS requires that workers be classified as employees or independent contractors, based on 3 basic characteristics – behavioral control, financial control, and type of relationship. If, based on these characteristics, the IRS determines that a contractor should actually be classified as an employee, the City could be liable for fines, penalties, and employment taxes, retroactive to the date the work began.</p> <p>In addition, the individual might then have a plausible basis for a "common law employee" claim. Such claims, which stem from several precedent-setting court cases in the 1990's, could expose the City to liability for retroactive employee benefits in addition to the tax liabilities noted above.</p> <p>To avoid these and other risks, services that fall within the scope of City job classifications, if not provided by employees, should be provided by temporary agency workers through one of the City's contracted agencies. These workers should then be monitored for compliance with break-in-service requirements.</p> <p>Limited Services Contracts are designed to be used only when personal services are required to meet specific, finite deliverables within a specific time period. They are not appropriate for procuring ongoing services, and should not be used when deliverables cannot be specifically defined.</p>	<p>Some departments have engaged individuals as contractors on a full-time basis for extended periods of time, providing services more in the manner of employees than that of independent contractors. The length of service and the extent of direction provided by City staff are of particular concern, as these are considered critical factors in the IRS analysis.</p> <p>In some cases, there are additional risks, such as when the work being performed is associated with a high risk of industrial injuries. When the work is performed by employees or temporary agency workers, this risk is mitigated through appropriate workers' compensation coverage. However, when using contractors, the risks associated with injuries must be addressed with appropriate contract language, including not only insurance provisions and liability waivers, but also detailed terms of service delivery that are specifically designed to protect the City from other risks.</p> <p>In one case we reviewed, administrative services typically provided by employees were obtained through a limited services contract, instead of through the temporary agency; and when the individual's services were no longer required, the State of AZ deemed the City responsible for unemployment compensation.</p>

## **APPENDIX B – Authoritative References**

### Management Policies

- Management Policy 331, Temporary Agency Workers on Assignment to the City
- Management Policy 332 – Use of Independent Contractors
- Management Policy 325 – Interns

### Citywide Guidelines, Procedures, and Forms (issued by HR)

- Supervisors Guide to Temporary Workers with the City of Mesa
- Background Check Guidelines
- Temporary Agency Workers 1 Year of Service Tracking Procedures
- Group IV Temporary Agency Worker Processes
- Temporary Agency Worker Requisition Form
- HR InsideMesa Webpage Guidelines

### Departmental Guidelines and Procedures

- Parks, Recreation & Commercial Facilities Department Guideline - Temporary Worker & Dual Employment
- Parks Division – Job Descriptions for Temporary Agency Workers
- Arts & Cultural Department Job Descriptions for Temporary Agency Employees

### Contracts

Citywide Contract for Temporary Worker Services (Contract #2005152)

Commercial Facilities Contracts for Temporary Employment Services (Contract #2009167)

### Statutes

Arizona Revised Statute 38-503: Conflict of interest; exemptions; employment prohibitions.

# **Fees & Charges Review FY 11/12 and FY 12/13 Parks, Recreation & Commercial Facilities Department (PRCF)**





## Review Process

- **PRCF Department**
- **Parks & Recreation Advisory Board Fees and Charges Subcommittee**
- **Full Parks and Recreation Advisory Board**
- **City Council Audit & Finance Committee**
- **City Council**



## Commercial Operations

- Fiscal Impact
  - FY 11/12 - \$0
  - FY 12/13 - \$0
- Verbiage changes and minor adjustments to offer services that customers have come to expect, while remaining competitive with comparable facilities



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## Commercial Operations

### Golf

- Change winter dates from November through April, to November 1 through April 15 and summer dates from May through October to April 16 through October 31. Changing effective dates of fees will better align with other municipality fees.
- It is recommended to change the 18-hole fee to “Green Fee” and remove the 9 hole fee. This will allow for more effective scheduling and maximize the number of rounds played.



## Recreation Operations

- Fiscal Impact
  - FY 11/12 - \$23,545
  - FY 12/13 - \$45,545
- Verbiage changes and minor adjustments to offer services that customers have come to expect, while remaining competitive with comparable facilities



## Recreation Operations

### • *Aquatics Programs*

- Change family pass structure
  - Amenity Pools – Maximum number of individuals on pass is 6.
    - Create an Additional Family Member fee
    - Non-amenity Pools – no limit
    - Changes will generate \$9,945 annually
  - Adjust fee range for Flowrider rentals to include non-profit and commercial fees. These changes will accommodate smaller groups generating an additional \$5,900 in revenue
- New Hourly Lifeguard Fee for Competitive Meets that encompasses guards and lane rental.



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## Recreation Operations

- **Park Use**
  - Add a Ramada Cleaning Fee at Riverview, Pioneer, Countryside, Falcon Field, Red Mountain and Skyline Parks between October 1 through Memorial Day on Saturday and Sunday rentals
  - Changes will increase revenue \$2,500 in FY11/12 and \$11,000 in FY12/13
- **Recreation Centers/Gymnasiums**
  - Removing fees for a number of youth recreation programs that are no longer offered.
- **Summer Recreation Activities**
  - Add 20% non-resident fee to rental of Fun and Fitness mobile recreation unit.



## Recreation Operations

- ***Sports Complex Field Use***

- Change fee structure to day and night rates at both secured and unsecured sports complexes to make pricing inclusive of light use.
  - These changes will generate \$4,000 in FY11/12 and \$17,000 in FY12/13.
- Adjust fee range for custom field preparations and the field rental deposit fee.

- ***Sports Leagues***

- Increase Soccer program fee range to allow for program redevelopment in the future.



# Questions?

Department: Parks, Recreation and Commercial Facilities  
 Proposed Changes to Fees and Charges  
 Recreation-EXHIBIT A

Change: Resolution

Description of Services: Fee Policies	Current Fee/Charge	Unit	Proposed Fee Charge	Date Last Revised	FY 11/12 Fiscal Impact	FY 12/13 Fiscal Impact	Notes
<p><b>Fee Assistance</b> – The fee assistance program provides financial assistance to participants in selected programs when participation would otherwise not be possible due to economic hardship. Individuals who qualify for the public school free or reduced lunch program and/or federal subsidy recipients may receive a discount on selected program fees. Eligible programs are identified with an asterisk (*).</p> <p><b>Scholarships</b> – Scholarships may be offered for participation in selected programs when an outside source provides funding that either covers the entire program or a portion of the registration fee according to the terms of the financial support. Scholarships are available for Mesa residents only.</p> <p><b>Returns and Credits</b> – Returns or credit may be given to a household account for reasons of illness, emergencies, etc.</p> <p><b>Fee Adjustments</b> – It is understood that on occasion special consideration may be needed in determining fees for groups of individuals having circumstances uncommon to those in the fee structure criteria. In these cases, the Parks and Recreation Director (or designee) will review all such requests. Request shall be submitted in writing to the Director (or designee) prior to the event, activity or service. The request may be taken to the Parks and Recreation Board for consideration, as determined by the Director.</p> <p>In addition, the Director is authorized to institute special discounts, promotions or other short-term fee adjustments that are of benefit to the City, program and/or service.</p> <p><b>Satisfaction Guarantee</b> – Mesa is so confident that its classes are of the highest quality that a money back guarantee is offered. Within the first week of class, if a participant is not completely satisfied, 100% of the class registration fee will be refunded.</p> <p><b>Contracts/Agreements</b> – Individual contracts or agreements are negotiated with various community groups that establish specific fees and charges as part of the approved contract or agreement. Examples include Mesa Public Schools, Gilbert Public Schools, Mesa Convention and Visitors Bureau, and Mesa Parent Youth Athletic Association.</p> <p><b>TimeOut Brochures</b> - Printing and marketing costs associated with division brochure are included in program fees.</p>							
<p><b>Aquatics</b></p> <p>Family pass (*****)                      Fremont/aylor (UNLIMITED)                      Birmihal/Carson/Shepherd/Slapley/Kino/Rhodes/Skyline (LIMITED TO 6 FAMILY MEMBERS)</p>							
EACH ADDITIONAL FAMILY MEMBER (OVER 6)	NEW		\$30.00		\$9,945	\$9,945	The current system has no limit for each pass. Without a limit, abuses occurred where multiple households were placed on one pass. This structure will insure added revenue to cover a bigger portion of operational expenses.
Flowerider Rhodes							
Individual Daily Flowerider Admission	\$3.00-\$10.00			04/01/11			
Flowerider Punch Ticket	\$45.00-\$120.00						
Public/Non-Profit Flowerider Rental	\$155.00-\$200.00	Hour	\$118.00-\$200.00		\$5,900	\$5,900	Rentals revenue will increase if a small group rental rate is included for three lifeguards and no flow fence as opposed to five lifeguards. Based on 25 rentals at 2 hours each.
Commercial/Private Flowerider Rental	\$186.00-\$220.00	Hour	\$142.00-\$220.00		\$0	\$0	Rentals revenue will increase if a small group rental rate is included for three lifeguards and no flow fence as opposed to five lifeguards.
Pool Rentals Team Competition Surcharge	\$1.00-\$10.00			07/01/09			

Plus Transaction Privilege (Sales) Tax, where applicable.



Department: Parks, Recreation and Commercial Facilities  
 Proposed Changes to Fees and Charges  
 Recreation-EXHIBIT A

Change: Resolution

Description of Services:	Current Fee/Charge	Unit	Proposed Fee Charge	Date Last Revised	FY 11/12 Fiscal Impact	FY 12/13 Fiscal Impact	Notes
Family pass-Non-Resident Single parent family pass-Resident Single parent family pass-Non-Resident	n/a n/a n/a		n/a n/a n/a	\$28,000-\$84,00 \$24,000-\$70,00 \$28,000-\$84,00			
<p><u>15% FETI Discount-Mthly Rate</u></p> Youth/Teen (age 5-15)-Resident \$18,000-\$60,00 Youth/Teen (age 5-15)-Non-Resident \$21,000-\$72,00 Adult (age 16-54)-Resident \$18,000-\$60,00 Adult (age 16-54)-Non-Resident \$21,000-\$72,00 Senior (age 55+)-Resident \$18,000-\$60,00 Senior (age 55+)-Non-Resident \$21,000-\$72,00 Two adult pass-Resident \$18,000-\$60,00 Two adult pass-Non-Resident \$21,000-\$72,00 Family pass-Resident \$18,000-\$60,00 Family pass-Non-Resident \$21,000-\$72,00 Single parent family pass-Resident \$18,000-\$60,00 Single parent family pass-Non-Resident \$21,000-\$72,00							Correct description verbiage
<p><b>Sports Complex Field Use</b>                      LOCKED COMPLEXES: GENE AUTRY SPORTS COMPLEX (BASEBALL);                      QUAIL RUN SPORTS COMPLEX (BASEBALL, SOCCER, SOFTBALL);                      RED MOUNTAIN SOCCER COMPLEX; RED MOUNTAIN SPORTS COMPLEX                      (BASEBALL AND SOFTBALL); RIVERVIEW SPORTS COMPLEX (SOFTBALL                      AND SOCCER); AND SKYLINE COMPLEX (SOFTBALL)</p> Field use by permit: FIELD USE -BASEBALL COMPLEX-DAY USE \$4,000-\$46,00 FIELD USE -BASEBALL COMPLEX-NIGHT USE NEW \$30,00-\$36,00 FIELD USE -SOFTBALL OR SOCCER COMPLEX-DAY USE NEW \$45,00-\$50,00 FIELD USE -SOFTBALL OR SOCCER COMPLEX-NIGHT USE NEW \$15,00-\$18,00 Field preparation NEW \$27,00-\$33,00 \$55,00-\$65,00 \$15,00-\$120,00 CUSTOM FIELD PREPARATION NEW \$55,00-\$500,00 Field supervision \$17,00-\$25,00 Labor/Charge \$10,000-\$40,00 Non-Partner Youth Tournament/Game Facility SECURITY Deposit- <del>clean up and no show</del> -( <del>fees-refundable</del> ) \$90,000-\$190,00 FIELD DEPOSIT NEW \$150,00-\$300,00		Hour Hour Hour Hour Field FIELD Hour Hour DAY	\$30,00-\$36,00 \$45,00-\$50,00 \$15,00-\$18,00 \$27,00-\$33,00 \$55,00-\$65,00 \$15,00-\$120,00 \$55,00-\$500,00 \$17,00-\$25,00 \$10,000-\$40,00 \$90,000-\$190,00 \$150,00-\$300,00	04/01/14	\$2,000 \$1,000 \$1,000	\$6,000 \$4,000 \$4,000	Remove fee-do not use Remove fee-do not use Verbiage change
<p><b>PUBLIC USE SPORTS FIELD USE</b>                      UNLOCKED SPORTS FIELDS AT: COUNTRYSIDE PARK; JEFFERSON PARK,                      ESCOBEDO PARK; EVERGREEN PARK; KLEINMAN PARK AND GENE                      AUTRY VOLLEYBALL COURTS</p> FIELD USE-DAY USE \$10,00-\$12,00 FIELD USE-DAY USE: YOUTH PROGRAM RENTALS \$15,00-\$18,00 FIELD USE-DAY USE: ADULT PROGRAM RENTALS \$22,00-\$25,00	NEW NEW NEW	HOUR HOUR HOUR	\$10,00-\$12,00 \$15,00-\$18,00 \$22,00-\$25,00			\$1,000 \$1,000 \$1,000	
<p><b>Sports Leagues</b>                      Kickball-Adult \$300,00-\$600,00                      1 game/week/per team                      Baseball - Adult \$1,250-\$1,500                      2 games/week/per team                      Basketball - Adult \$375-\$600                      2 games/week/per team                      \$375-\$600                      1 game/week/per team                      Flag Football \$395-\$500                      Adult - 1 game/week/per team</p>				04/01/11 07/01/05 07/01/05			
Soccer - Adult				07/01/05			

Plus Transaction Privilege (Sales) Tax, where applicable.

Department: Parks, Recreation and Commercial Facilities  
 Proposed Changes to Fees and Charges  
 Recreation-EXHIBIT A

Change: Resolution

Description of Services:	Current Fee/Charge	Unit	Proposed Fee Charge	Date Last Revised	FY 11/12 Fiscal Impact	FY 12/13 Fiscal Impact	Notes
1 game/week/per team	\$495-\$600		\$300.00-\$900.00		\$0	\$0	Recommend increasing range to allow for program re-development. PRCF currently does not offer soccer.
Softball – Adult 2 games/week/per team 1 game/week/per team Used softballs Used softballs	\$270-\$600 \$270-\$600 \$1.00 \$10.00	Ball Dozen		04/01/11			
Volleyball (indoor) – Adult 1 game/week/per team	\$225-\$400			07/01/05			
Adult Sports League Cancellation Fee After Deadline	100% of Fee			07/01/07			
Adult Sports Tournaments	\$100.00-\$750.00						
<b>Summer Recreation Activities</b>							
Partial day programs/per session/per person-Resident*	\$44.00-\$100.00						
Partial day programs/per session/per person-Non-Resident*	\$53.00-\$120.00			04/01/11			
Full day programs/per week/per person-Resident*	\$21.00-\$130.00						
Full day programs/per week/per person-Non-Resident*	\$25.00-\$156.00						
Safe kids program/per week/per person-Resident	\$25.00-\$50.00						
Safe kids program/per week/per person-Non-Resident	\$30.00-\$60.00						
Fun and fitness mobile recreation unit-RESIDENT	\$100.00-\$500.00						Add Resident to fee There have been no requests to date for a Non-resident rental, but it allows for it should the need arise.
<b>FUN AND FITNESS MOBILE RECREATION UNIT-NON-RESIDENT</b>	<b>NEW</b>		\$120.00-\$600.00		\$0	\$0	
					\$23,545	\$45,545	Total

Plus Transaction Privilege (Sales) Tax, where applicable.

