



# City of Phoenix

## City Auditor Department

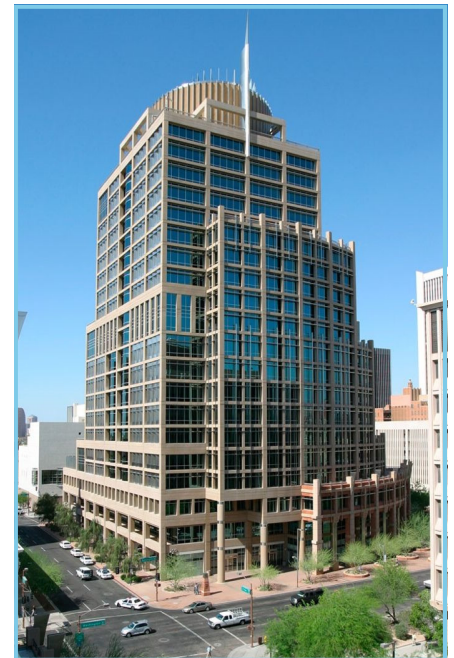
### Annual Report 2020

#### Our Mission

*The City Auditor Department provides independent and objective feedback to assist City management in meeting objectives, efficiently and ethically managing public assets, and reducing the organization's risk.*

During fiscal year 2019-2020, the City Auditor Department focused on identifying and mitigating risk throughout the City. Using a risk-based approach, audit resources were allocated to high-priority projects to ensure City resources remain safeguarded. Within the 71 projects reported during the year, hundreds of recommendations provided guidance on improving processes and strengthening the City's internal controls.

The City Auditor Department employs a talented, diverse, highly credentialed staff. Along with this level of experience and strength, comes the challenge of planning for the future. Succession planning remains a high priority, as almost half of the auditors in the department are eligible for retirement in the next five years. The Department is busily training the next generation of audit leadership, and passing along as much institutional knowledge as possible.



#### COVID-19

*In mid-March, 2020, the City Auditor Department followed City guidance and began teleworking to reduce the spread of COVID-19. A freeze on the hiring of all non-essential positions was also enacted, resulting in three vacancies within the department for an extended period of time, impacting the number of projects completed.*

Performance Measures	Actuals	Targets
Number of Projects Completed	71	90
% of Planned Projects Completed	78%	80%
Chargeable Hours	78%	75%
Economic Impact 2018	\$601 K	\$1.2 M
Economic Impact Last 5 Years	\$5.8 M	\$6.6 M

**87% of Recommendations Implemented**  
**City departments implemented 186 of 213 recommendations scheduled for FY 2019-2020.**



## CITYWIDE CONTRACT MONITORING

On March 27, 2020 the CARES Act was signed into law to address the economic fallout resulting from the COVID-19 pandemic in the United States. The bill is the largest economic bill in United States history totaling over \$2.1 trillion. The CARES Act provides different types of funding that local governments can apply to offset COVID-19 related expenses. As a large city with a population in excess of 500,000, Phoenix was awarded a direct allocation of \$293 million in Coronavirus Relief Funds (CRF). The CRF is intended to cover only those costs that are necessary expenditures incurred due to the public health emergency. On May 5, 2020, City Council approved a plan to allocate the CRF into three main categories:

- Community Services - \$75 million
- City Operations - \$75 million
- Reserve to Preserve - \$143 million



In an effort to ensure that all Coronavirus Relief Funds are being spent in accordance with federal guidelines, the City Manager's Office formed a small team consisting of staff from Audit, Budget and Research, and Neighborhood Services who will be reviewing expenditures on a routine basis. The team will be primarily focused on the expenditures under the Community Services Category.

## AREAS OF INCREASED AUDIT FOCUS

### Cyber Security

Information and data privacy are continued technology and reputational risks for the City. In the Verizon 2020 Data Breach Investigations Report, nearly 4,000 data breaches were reported throughout the United States. Protecting the City's data, and the system where data is housed, not only helps reduce the risk of restricted City information from being compromised, it also helps reduce the risk that our customers' personally identifiable data is compromised. Information privacy is not only a best practice; many State, Local, and Federal regulations govern data privacy and outline the responsibilities of organizations who are collecting consumer data.

In FY2020, we conducted a review of the City's Red Flags Rule program (May 2020). This Federally mandated program requires organizations to implement and identify theft prevention programs. Our review found that impacted departments had programs in place; however, governance can be strengthened through ongoing monitoring and coordination of periodic assessments. We also conducted multiple Information Security Management Audits and found that departments had documented plans and that information privacy training was provided to staff. Through improved user access to data, information security management can be strengthened.

### Payroll

Salaries and wages are one of the City's highest expenditure line-items. The City employs over 14,000 full and part-time people, including both salaried and hourly employees. Payroll data resides in the City's personnel/payroll system, eCHRIS. This year we made our payroll testing more dynamic. By automating and scheduling our routines to run every pay period, we are quickly identifying internal control weaknesses and catching errors that could add up to significant losses. Each pay period we identify and investigate salaried employees who earned overtime, as this is not typically allowed. We verify that all employees have a valid social security number in eCHRIS, and we identify and investigate large adjustments to employee paychecks. New this year, we obtained more detailed earnings information and created new analytic tests focusing on specific areas of risk. For example, we identified an increased risk of overpayment when certain employees work overtime during the same week that they use sick leave. Also, due to programming limitations in eCHRIS, we found an increased risk of employees with low sick leave banks taking sick leave before it's been earned. By correcting these weaknesses, we estimate the City will save at least \$140,000 annually. We will work with departments next year to ensure they implement controls to prevent these types of overpayments where possible and to catch and correct errors if needed.



## PAVEMENT OVERLAY

Since 2017, the Street Transportation Department has used Job Order Contracts to complete over \$200 million of pavement overlay services. Services include milling roadways, applying tack and asphalt overlay, and other pavement restoration services.

In FY2020, we reviewed payment applications, unit rate adjustments, and quality control testing results. Although various aspects of the job order contracts were monitored, the responsibility of what to do with inspection information, testing results, and payment authorization needed was not defined. We noted that; field and lab test results were not shared with inspectors timely, penalties for deficiencies or corrective action were not implemented, change orders/ adjustments were based on estimates, not actual costs, allowances used the incorrect overhead and profit factors, and unit price rate adjustments were not calculated per the formula in the contract. In total, we identified approximately \$450,000 in overpayments applicable to our sample.

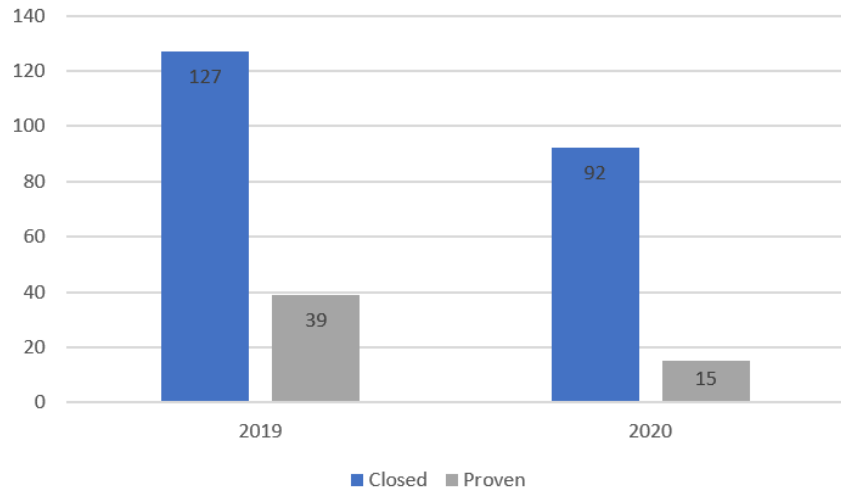


## MAINTAINING INTEGRITY

The Integrity Line Program provides City employees, residents, and contractors with a way to report fraud, waste, and abuse in the City.

The program is administered by the Integrity Line Committee, which is comprised of the City Auditor, the City Attorney, and a Deputy City Manager.

This year there were 92 allegations resolved, of which, 15 were proven (the allegation was validated).



## ADMINISTRATIVE HEARINGS



The Hearing Officer presides over administrative hearings between citizens and other City departments. This year, the Hearing Officer conducted 163 administrative hearings. All rulings were issued within time frames required by City Code.

Hearing Type	Total
Water Hearings	13
False Alarm Hearings	12
Loud Party Hearings	6
Seized Property Hearings	130
EOD Small Business Certification	2
<b>Total</b>	<b>163</b>

**City of Phoenix**  
**City Auditor Department**

**City Auditor Ross Tate**

BS Business Operations, CIA, CMA, CFE, CGAP

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**AUDIT TEAM MEMBERS**

Senior Internal Auditors

Jason Christ — BS Accounting, CFE

Jaki Gerald IT — BA Business Administration, CPA  
CISA, ACDA

Sara LeBeau — BS Liberal Arts, CFE (Retired)

Stacey Linch IT — BS Business Admin, CISA, PCI  
ISA, CIA, CFE, CRMA

Leigh Ann Mauger — MSA Accounting, BS Justice  
Studies, CFE

Heidi Wang — MPA, BS Public Administration, CIA

Internal Auditors

Terri Bruemmer — BS Accounting, CFE (Retired)

Aaron Cateil — MBA, BS Computer Information  
Systems, PCI ISA, CSX CF

Shaelin Charania — MBA, BS Accounting, CIA, CFE

Ashley Foose — BS Accounting, CFE

Lee Martin — BA Accounting, CFE

Ryan Richelson — BA Economics, CFE

Wendy Simeon — MPA, BA Accounting, CIA, CFE

Karen Tash — MBA, BS Geography, CFE

Associate Auditors

Suzanne Acosta-Jovanelly — BA Psychology

Andrew Nullmeyer — BS Psychology

Elizabeth Wright — BS Management

**SUPPORT STAFF TEAM MEMBERS**

Martha Espindola, Administrative Assistant I

Michelle Gillis, Administrative Secretary

**HEARING OFFICE TEAM MEMBER**

Carl Wright, Hearing Officer — BA Management  
Studies/Accounting, CPA

**MANAGEMENT TEAM MEMBERS**

Deputy City Auditors

Aaron Cook IT — MPA, MS Accountancy, BA  
Economics, CISA, CIA, PCI ISA, CISSP, CGAP  
CRMA, ABCP

Barbara Coppage — MPA, BS Business Admin/Acct  
CIA, CQA (Retired)

Irene Larkin — BS Finance, CIA, CGAP

Cristina Preciado — MBA, BS Sociology, CIA, CFE,  
CM, COSO Enterprise Risk Management

