



City of Phoenix

City Auditor Department

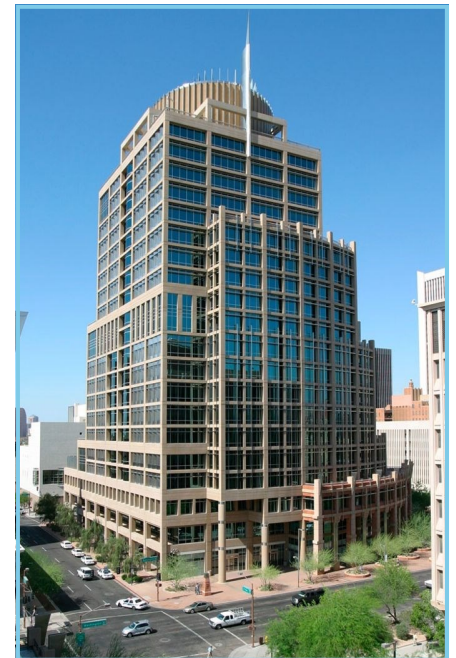
Annual Report 2021

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 2020-2021, 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 67 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, and highly credentialed staff. Along with this level of experience and strength, comes the challenge of planning for the future. Retirements left the department with several vacant positions. During fiscal year 2020—2021, three associate auditors were hired and four internal staff members were promoted. The Department is actively training the next generation of audit leadership and working to preserve institutional knowledge.



COVID-19

In mid-March, 2020, the City Auditor Department followed City guidance and began teleworking to reduce the spread of COVID-19. We recruited three associate auditors in January 2021 to fill vacancies created by retirements in 2020. Carrying the vacancies for six months impacted the number of projects completed.

Performance Measures	Actuals	Targets
Number of Projects Completed	67	80
% of Planned Projects Completed	74	80
Chargeable Hours	78%	75%
Economic Impact 2021	\$614 K	\$1.2 M
Economic Impact Last 5 Years	\$5.04 M	\$6.6 M

94% of Recommendations Implemented
City departments implemented 126 of 134 recommendations scheduled for FY 2020-2021.

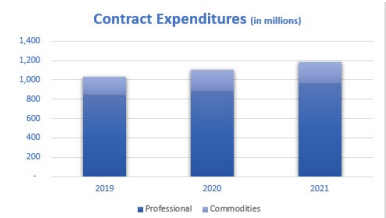


CITYWIDE CONTRACT AUDITING

The City contracts with outside agencies for a wide variety of services from janitorial to construction. In FY 21, the City spent \$965.8 million on professional services and \$187.3 on commodity purchases. Contractual expenditures amounted to 21% of the City's overall budget.

Contract monitoring is integral to ensuring that the City receives the services it pays for. Administrative Regulation 3.10 General Procurement Procedures, states that "Central Procurement or Self Support Departments are responsible for monitoring all contracts for purchases. The department/function is responsible for timely notification to Central Procurement of any perceived problems with the contract." While Administrative Regulation 3.10 is being revised to include contract monitoring guidelines, currently, there is no definition provided for contract monitoring, and departments are not required to have documented procedures.

Each year, Audit staff reviews contract expenditures and revenues to identify contracts to include in the following year's audit plan. Over the past three years, Audit completed 39 contract audits resulting in 91 recommendations and \$846,000 in economic impact. The recommendations focus on developing controls to ensure that contractors are either billing or reporting revenue accurately and are following contract terms. Contract terms may include: (1) meeting key performance indicators, (2) providing accounting reports, (3) achieving minimum staffing levels, and (4) maintaining minimum insurance requirements.



Contractual expenditures have increased by 13% over the past three years.

AREAS OF INCREASED AUDIT FOCUS

Public Safety

The Public Safety Program is comprised of the Office of Homeland Security, and the Police and Fire Departments. This program accounts for almost 31% of the City's annual budget. The Police Department accounts for approximately 75% of the City's Public Safety Budget and employs approximately 4,360 sworn and non-sworn personnel.

As part of the City Auditor Department's annual audit planning process, Audit staff conduct research of police-related audits in other jurisdictions, meet with key department personnel, analyze department expenditures, and review prior audit reports and recommendations. Throughout the year, Audit staff identify potential audit topics and risks. Additionally, the City Auditor confers with the Police Chief to obtain management's concerns. The information gathered is used to develop audits for the following year. In FY 21, we completed four Police Department audits. We made 39 recommendations.

Each year, we conduct at least one joint Case Management Review with the Professional Standards Bureau. The objective of a case management review is to determine if case management practices within the division were documented in accordance with policy and were completed timely. Units are selected for review based on the last time they were audited and issues identified by the Department.

System Implementation

The City continues to replace and upgrade mission critical information systems. The City Auditor Department reviews system implementations to validate that key controls are put in place as the system is designed, built, tested, and implemented. Audit staff identify key controls by gaining a basic understanding of the system, reviewing prior audit reports, and researching similar systems. Audit staff create a catalog of controls and select a sample of the highest risk controls to trace throughout the project's lifecycle. Through this process, Audit staff also provides limited quality assurance services and assess project readiness. Audit staff provide feedback to the key stakeholders and project team at least annually, and sometimes quarterly. This allows our audit staff to provide timely feedback that can address concerns during the implementation phase and not wait until a system is live, at which time changes could be expensive.

Recent system implementation evaluations include (1) the Planning & Development Department's replacement of the planning and permitting system (SHAPE PHX), (2) the Retirement's Office replacement of the retirement system (PensionGold), (3) the Fire Department's replacement of the computer aided dispatching system, (4) the Public Works Department's replacement of the security and badging system, and (5) the Police Department's replacement of the records management system.



BODY-WORN CAMERA SYSTEM CONTROLS

In FY 21, Audit staff conducted an audit of Body-Worn Camera System Controls. Our objective was to determine that the Phoenix Police Department's (PPD) body-worn camera system controls, including asset management, access management, and information security, were sufficient to ensure data confidentiality, integrity, and availability. Beginning in 2011, PPD implemented a pilot body-worn camera program, which encompassed approximately 300 cameras. In May 2018, PPD issued a request for proposal for a body worn camera video solution including cameras, video storage, and categorization. The contract was awarded in February 2019 to Axon Enterprise Inc. (Axon) for \$5.7 million over the five-year contract term.

The review found that overall, operational controls were in place to; ensure that cameras and videos were appropriately used, block inappropriate user reviews, and to guide supervisor assessments. Additionally, application controls were in place to ensure videos were categorized and retained according to the policy. The videos were stored in the vendors cloud environment, which allowed for availability and increased security.

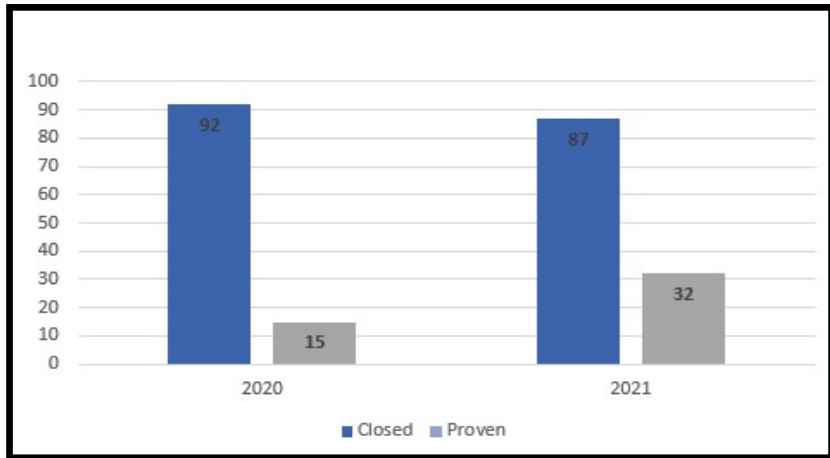
The audit resulted in 27 recommendations to improve the processes and system controls. Audit staff noted weaknesses in supervisor review of videos and monitoring procedures for non-compliance. Additional weaknesses were noted in the review of system errors and categorization accuracy. As the body-worn camera program continues to expand, Audit staff identified the potential financial risk due to the large volume of videos stored in the vendor's cloud environment.

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 87 allegations resolved, of which, 32 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 202 administrative hearings. All rulings were issued within time frames required by City

Hearing Type	Total
Water Hearings	7
False Alarm Hearings	9
Loud Party Hearings	11
Seized Property Hearings	170
EOD Small Business Certification	5
Total	202

City of Phoenix
City Auditor Department

City Auditor Ross Tate

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AUDIT TEAM MEMBERS

Senior Internal Auditors

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

Jason Christ – BS Accounting, CFE

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

Ryan Richelson – BA Economics, CFE

Heidi Wang – MPA, MS Business Analytics, BS Public Administration, CIA

Internal Auditors

Shaelin Charania – MBA, BS Accounting, CIA, CFE

Ashley Foose – BS Accounting, CFE

Andrew Nullmeyer – BS Psychology, CFE

Wendy Simeon – MPA, BS Accounting, CIA, CFE

Karen Tash – MBA, BS Geography, CFE

Associate Auditors

Suzanne Acosta-Jovanelly – BA Psychology

Jill Benson – CFE, BS Psychology

Sherard Medrano – JSM Tax Law, MSc Business Publishing, BS CIS, CAMS, CWM, CCO

Joyita Mekondo – MBA, BA Political Science

Elizabeth Wright – BS Management

Auditor Intern

Phurtemba Sherpa – MS Business Analytics, BS Supply Chain Management

SUPPORT STAFF TEAM MEMBERS

Martha Espindola, Administrative Assistant I

Michelle Gillis, Administrative Secretary

HEARING OFFICE TEAM MEMBERS

Lee Martin – BA Accounting, CFE

Carl Wright, Hearing Officer – BA Management Studies/Accounting, CPA (Retired)

MANAGEMENT TEAM MEMBERS

Deputy City Auditors

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

Irene Larkin – BS Finance, CIA, CGAP (Retired)

Stacey Linch – MPA, BS Business Admin, CISA, PCI ISA, CIA, CFE, CRMA

Leigh Ann Mauger (Acting) – MSA Accountancy, BS Justice Studies, CFE

Cristina Preciado – MBA, BA Sociology, CIA, CFE, CM, COSO Enterprise Risk Management

