



City of Phoenix

**Mission Statement**

To improve the quality  
of life in Phoenix  
through efficient  
delivery of outstanding  
public services.

**Project Team**

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**Project Number**

1240011

This report can be made  
available in alternate  
format upon request.

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## Water Services Department Contract Audit – Ernst & Young US LLC

December 18, 2023

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### ***Report Highlights***

**Payments**

*Controls were in place to ensure that invoices were accurate before payments were issued.*

**Monitoring**

*The Water Services Department effectively monitored the contracts to ensure that deliverables were met.*

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## **Executive Summary**

### **Purpose**

Our purpose was to determine that the Water Services Department had controls in place to ensure that Ernst & Young US, LLP (EY) complied with its contract requirements.

### **Background**

The City of Phoenix (City) has an existing Customer Information Systems (CIS) solution in place that is closely integrated with several other applications, including the Customer Care & Billing (CC&B) system (see Attachment A – Systems Integrated with Oracle – CC&B). In 2019, the Water Services Department (WSD) entered into contract #150207 with EY for the operation, maintenance, and improvement of the existing CIS solution and its allied components.

WSD currently uses Oracle Mobile Workforce Management (MWM) to manage fieldwork for Water services. MWM uses Process Integration Pack (PIP) to integrate with CC&B. The current MWM and PIP are at their end-of-life and do not have extended warranties. WSD entered into contract #157689 with EY for a strict technical upgrade to the MWM and PIP systems.

### **Contract Summary**

<b>Contract</b>	<b>Contract #</b>	<b>Term</b>	<b>Total Value</b>
<b>Managed Services, Customer Information Systems</b>	150207	7/1/2019 – 6/30/2024	\$9,555,807
<b>Technical Upgrades</b>	157689	7/1/2022 – 6/30/2023	\$1,084,960

**The total combined contract value was \$10,640,767.**

### **Results in Brief**

**Controls were in place to ensure that invoices were accurate before payments were issued.**

The managed services contract has a flat yearly fee paid in 12 installments. In 2020, travel ceased due to the COVID-19 pandemic. Amendment No. 1 was executed on

January 19, 2021, to reduce the annual fee by \$60,000, the amount budgeted for travel. We selected 12 invoices paid during the audit period for testing. We verified that the amounts billed were accurate and that the travel fees were subtracted.

The technical upgrades contract was broken into six phases, with payments of \$180,826.70 due at the end of each phase. We verified that the invoices were accurate and payments were properly approved. No exceptions were noted.

**WSD effectively monitored the contracts to ensure the deliverables were met.**

The managed services contracts had staffing, system availability, response time, and reporting requirements. The technology upgrades contract was split into phases, with expected deliverables due at the end of each phase. We verified that controls were in place to ensure EY complied with the contract requirements. No exceptions were noted.

## **1 – Payments**

### **Background**

The managed services contract has a flat yearly fee paid in 12 installments. In 2020, travel ceased due to the COVID-19 pandemic. Amendment No. 1 was executed on January 19, 2021, to reduce the annual fee by \$60,000, the amount budgeted for travel. During our review, the managed services contract was in its fourth year, and payments were fixed with a travel concession of \$5,000 per month.

The technical upgrades contract was broken into six phases, with payments of \$180,826.70 due at the end of each phase. EY completed the technical upgrade on June 18, 2023, and WSD made the last contractual payment on September 1, 2023.

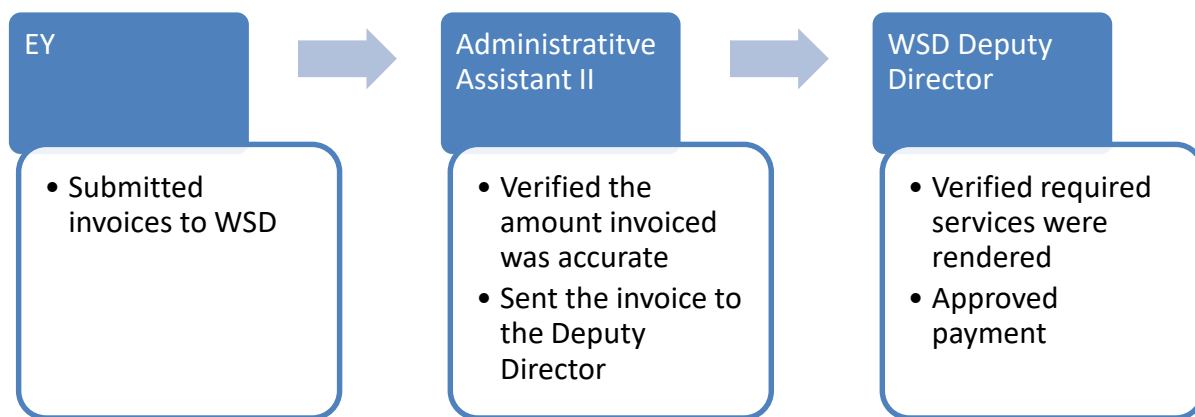
We reviewed a sample of invoices and payments from January 2021 through September 2023. We verified that WSD had controls to ensure that the amounts invoiced were accurate and that payments were approved.

### **Results**

#### **Controls were in place to ensure the invoices were reviewed before making payments.**

EY submitted monthly invoices for the managed services contract. The technical services invoices were submitted at the end of each project phase.

#### **Invoice Review Process**



**Invoices were reviewed and approved before being paid.**

We selected 12 managed services and six technical upgrade invoices for testing. We verified that the amounts billed were accurate and that the \$5,000 travel concession was included. Additionally, we verified that the WSD Deputy Director approved each invoice before they were paid.

**Recommendation**

None

## **2 – Contract Monitoring**

### **Background**

WSD used a Sharepoint site to communicate with EY and monitor contract deliverables. EY and WSD staff meet weekly to discuss the status of projects, upgrades, and any stakeholder concerns.

We reviewed entries in Sharepoint to determine if WSD monitored contract deliverables for the managed services and technology upgrade contracts.

### **Results**

#### **WSD had controls to ensure that EY complied with the managed services contract requirements.**

The managed services contracts had requirements related to staffing, system availability, response times, and reporting.

#### **Managed Services Contract Requirements**

Requirement	Met?
System Availability	Yes
Security level Issue Response Times	Yes
Reporting	Yes
Staffing	Yes
CAB Meeting Participation	Yes

#### **WSD effectively monitored the contract and ensured that EY complied with the contract requirements.**

EY submitted weekly reports via Sharepoint with system updates and availability statistics. Service level issues were tracked as they occurred and were discussed daily. We reviewed the weekly reports for October through December 2022 to ensure all required items were included. No exceptions were noted.

The contract required at least one EY employee to work on-site from 8:00 AM to 5:00 PM. In March 2020, the COVID-19 pandemic led to staff working remotely, including the EY employee. As of November 2023, the employee had not returned to work on-site. WSD staff did not express any concern with the employee working remotely.

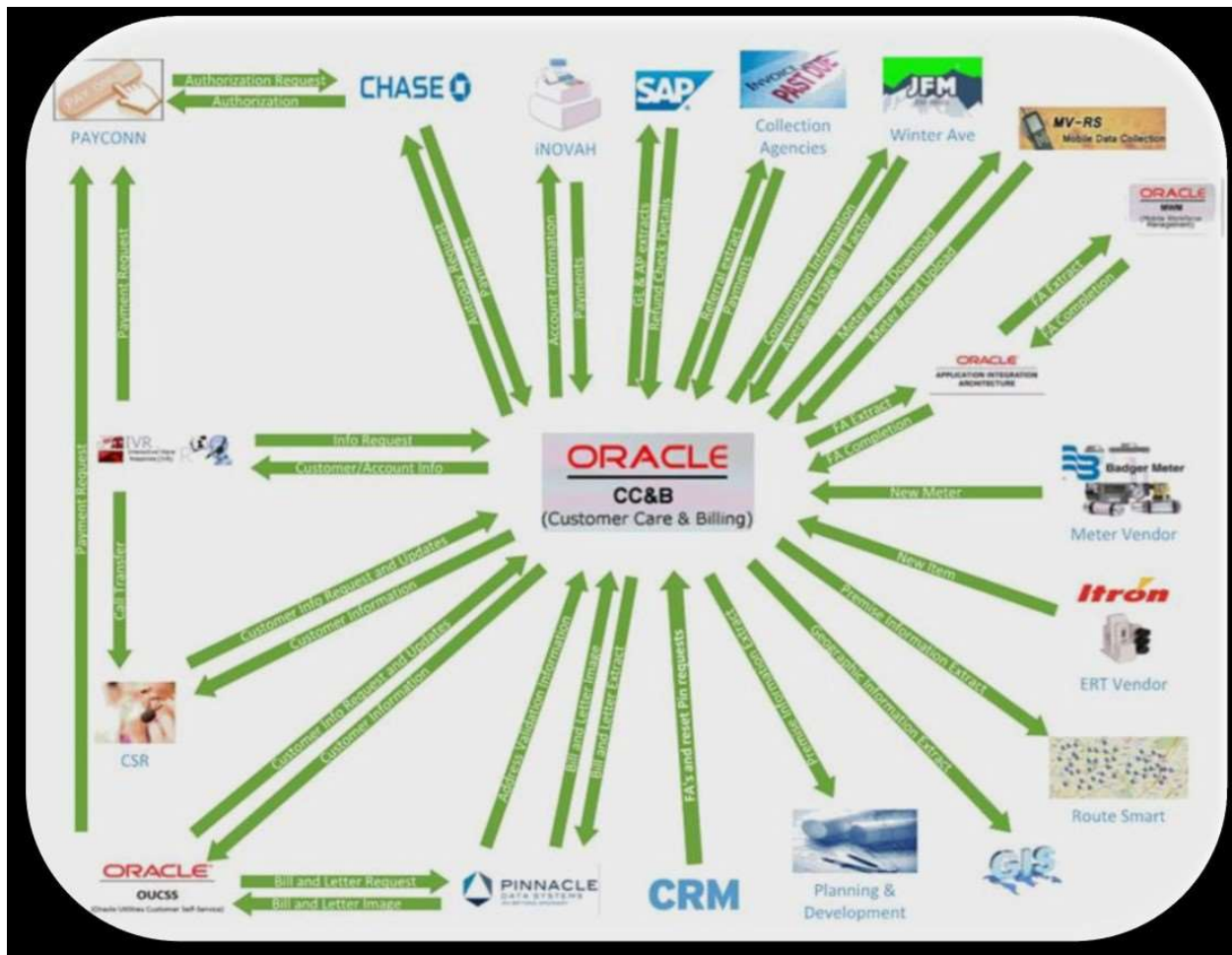
**WSD had controls to ensure that EY completed each phase of the technical upgrades contract before payments were made.**

The technical upgrades contract was broken into six phases, with payments of \$180,826.70 due at the end of each stage (see Attachment B – MWM Phases for phase details). WSD monitored the requirements of each phase through Sharepoint. At the end of each phase, eight WSD staff signed the Approval Sign-Off form indicating their approval and acceptance of the work completed. We verified that all signatures were obtained before the payment dates. No exceptions were noted.

**Recommendation**

None

## Attachment A – System Interactions with Oracle – CC&B





## **Attachment B – MWM Phases, Requirements, and Completion of Payments**

<b>Phase</b>	<b>Requirements</b>	<b>Completed before payment</b>
Discovery	Document business case Create a simple success scenario diagram Create a system process diagram	Yes
Requirements	Compile business requirements Approve business requirements Present new project to sponsors and/or stakeholders Create Remedyforce ticket Determine report changes Discuss impact to all business units Determine public-facing impact Determine services needed outside of the team Determine impact to Water Meter Division	Yes
Code Development	Identify and test transactional data that impacts the process Develop the test plan Support, create and/or modify reports Design, code, test and release Lock code deployment procedure	Yes
Cycle 1 Test	Identify testing environment Coordinate testing effort and resources Execute test scenarios and document results Confirm and resolve logs	Yes
Cycle 2 Test	Testing environment is UAT Coordinate testing effort and resources Execute test scenarios and document results Review test results Document process changes in BRIANS Perform QA for code package	Yes
Implementation	Create request to cycle workstations Create change and release records	Yes

	Cycle all application services Perform production system checks Technical validation Business validation Review change process and implementation Close change record	
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## **Scope, Methods, and Standards**

### **Scope**

We audited the Water Services Department's managed services and technical upgrades contracts with Ernst & Young to ensure contract terms were met and invoices were accurate. Our review included work performed between January 1, 2021 and September 30, 2023.

The internal control components and underlying principles that are significant to the audit objectives are:

- Control Activities
  - Management should design control activities to achieve objectives and respond to risks.
  - Management should implement control activities through policies.
- Control Environment
  - The oversight body should oversee the entity's internal control system.
- Monitoring Activity
  - Management should establish and operate activities to monitor the internal control systems and evaluate the results.

### **Methods**

We used the following methods to complete this audit:

- Selected a sample of reports generated from Sharepoint to ensure deliverables were monitored.
- Ensured that the contractor met the milestones required before the department approved the associated payment.
- Tested a sample of invoices to ensure payments were approved and accurate.
- Verified that payments did not exceed contract thresholds.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

### **Data Reliability**

The ZEXPRPT data was previously determined to be reliable through an independent audit review.

## **Standards**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.