



City of Phoenix

Mission Statement

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

Project Team

Ross Tate
City Auditor

Aaron Cook
Deputy City Auditor

Sherard Medrano
Associate Auditor

Project Number

1230075

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

Finance Department Year-End Review of Monthly Financial Report

June 12, 2023

Report Highlights

Expenditure Variances

Overall, expenditure variances were reasonable and supported by adequate documentation.

Data Comparison

Based on our testing, data presented in the City's fiscal year 2022 financial report matched the data published in the City's June 2022 monthly financial report.

City Auditor Department
140 N 3rd Avenue Phoenix, AZ 85003
602-262-6641 (TTY use 7-1-1)

Executive Summary

Purpose

Our purpose was to determine that material variances in expenditure categories presented in the Monthly Financial Reports were reasonable and supported. In addition, we evaluated the accuracy of the expenditure reporting process and verified the reliability of the financial data.

Background

Section 2-10 of the City Charter defines the City Auditor Department's duties. One of those duties is to provide monthly reports to the City Council on revenues and expenditures. At the time Section 2-10 was written, the City Auditor Department was a function of the Finance Department (Finance). Now that the departments are separate, Finance is responsible for preparing the Monthly Financial Report (MFR). The City Auditor Department fulfills its duties by conducting a high-level review of the MFR on a monthly basis before the report is published.

Along with this monthly high-level review, a more detailed annual review is performed. The annual review alternates each year to test either revenues or expenditures. For fiscal year (FY) 2021/22, expenditures were tested. Comparing FY 2020/21 to FY 2021/22, financial highlights include the following:

- General fund revenue increased 1.1%, from \$1.49 billion to \$1.51 billion.
- General fund expenditures increased by 7.2%, from \$1.37 billion to \$1.47 billion.
- Overall expenditures increased by 7.8%, from \$4.16 billion to \$4.49 billion.

Results in Brief

Expenditure variances between the two fiscal years appeared reasonable and were supported by adequate documentation.

Expenditure variances between FY 2020/21 and FY 2021/22 selected for testing included the following categories:

- Aviation
- Economic Development
- Finance
- Libraries
- Neighborhood Services
- Phoenix Convention Center
- Wastewater

- Water System

The tested areas totaled \$685 million, or 12% of total expenditures for FY 2021/22.

The Finance Department's documented process of generating expenditure data for the MFR was adequate to assure the accuracy of reported figures.

Finance staff documented routine processes to compile the financial data to create the MFR. Expenditure "pull-down reports" were used to collect and format the data for reporting purposes.

Overall, revenue and expenditure data reported in the externally audited Annual Comprehensive Financial Report (ACFR) reflected data in the published MFR.

We compared the published June 2022 MFR and the FY 2021/22 ACFR to determine expenditure variances. Finance staff provided reconciliations that supported the variances.

Recommendations

None

Scope, Methods, and Standards

Scope

The scope of audit included the MFR compiled and published by Finance during FY 2021/22.

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

- Monitoring Activities
 - Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Methods

We used the following methods to complete this audit:

- We compared the MFR for two fiscal years and identified expenditure trends.
- We used defined criteria to select expenditure variances for further review.
- We reviewed SAP reports to validate expenditure data.
- We interviewed Finance accounting staff to obtain supporting documentation or explanations for the selected expenditure variances.
- We interviewed Finance accounting staff to document the process of generating expenditure data published in the MFR.
- We compared SAP expenditure reports and Finance reports to validate the accuracy of the data published in the MFR.
- We compared data between the ACFR and the MFR to identify variances for further review and obtained reconciliations from Finance accounting staff to validate that the variances were reasonable.

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

We assessed the reliability of SAP ZBFI data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that these data were sufficiently reliable for the purposes of this audit.

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.