

***City of Tucson***  
***Independent Audit and Performance Commission***

**February 16, 2011**

**Subject: Report to Mayor and Council: Commission Activities – July through December 2010**

**Honorable Mayor and Council:**

The attached report provides information on the City's Independent Audit and Performance Commission (IAPC) activities between July 1, 2010 and December 31, 2010. During this period the IAPC prepared one report (*Review of the City's Fleet Services Division*) at the request of the City Manager. Currently, the Commission is conducting the following three projects:

- A review of the City's Annual Financial Report (CAFR) – The Commission has reviewed the CAFR for FY 2010 and will prepare a report regarding areas of interest and staff's response to those.
- A review of the Metropolitan Tucson Convention and Visitors Bureau (MTCVB) – At the request of the Mayor and Council, the Commission is reviewing MTCVB's contract with the City. The Commission anticipates completing a report to Mayor and Council in March 2011 regarding contract compliance. The Commission is also reviewing MTCVB's performance and will provide a report to Mayor and Council later this spring.
- In collaboration with staff, the Commission is expanding the development of a "dashboard" set of high level operating ratios (liquidity; liability and expense coverage; revenue-segment volatility) for management's and the Council's ongoing financial monitoring, forecasting, and risk management uses.

A report on the period January 2011 through June 2011 will be provided to you by August 2011.

Commission members appreciate the opportunity to provide the Mayor and Council with review of relevant issues. Please contact your appointee to the Commission, or the City Manager, should you have topics you would like the Commission to review. The Commission appreciates the support of City Internal Audit staff members Jane Prior, Bob Kulze, and Dennis Woodrich.

Respectfully Submitted,



David Cormier  
IAPC Chair

c: Mike Letcher, City Manager

# **INDEPENDENT AUDIT AND PERFORMANCE COMMISSION REPORT ON ACTIONS AND ACTIVITIES JULY 1, 2010 THROUGH DECEMBER 31, 2010**

The following is a list of Independent Audit and Performance Commission (IAPC) actions and activities, based on agenda items, from July 1, 2010 through December 31, 2010.

The Commission met four times and established a subcommittee which met twice.

## **Action Taken by the Commission:**

- The Commission provided a report to Mayor and Council on July 28, 2010, regarding Commission activities from January 1 through June 30, 2010.
- The Commission approved a revised Fiscal Year 2011 Audit Plan on October 6, 2010 which was provided to Mayor and Council on October 20, 2010. The plan was revised because of a significant reduction in staff due to budget constraints.
- Commission Chair David Cormier presented information to the Mayor and Council at the October 5, 2010 Study Session regarding the Commission's functions, duties, and activities.
- At the request of the City Manager, the Commission conducted a review of the City's Fleet Services function. The Commission concluded that the Fleet Services Division should continue to be responsible for maintenance of City vehicles. Analysis showed that the Division's operation was both effective and efficient. The report was provided to the City Manager on November 10, 2010. The report was also provided to the Mayor and Council.
- The Commission members discussed their role as a Commission at the September 1, 2010 meeting.
- The Commission members agreed to review the City's Annual Financial Report (CAFR) and prepare a report to Mayor and Council in February 2011.
- In consultation with staff, the Commission is in the process of developing a "dashboard" set of high level operating ratios (liquidity; liability and expense coverage; revenue-segment volatility) for management's and the Council's ongoing financial monitoring, forecasting, and risk management uses.

## **Information Provided to the Commission:**

- Heinfeld, Meech & Company, P.C. – City of Tucson Fiscal Year 2010 Audit  
Neil Galassi, CPA – July 7, 2010
- Housing and Community Development Department – Overview and Collaborative Auditing Measures  
Albert Elias, Housing and Community Development Director – July 7, 2010

- Internal Audit Plan Quarterly Update and Proposed Audit Plan for FY 2011  
Jane Prior, Internal Audit Manager  
Fourth Quarter Update for FY 2010 - July 7, 2010; First Quarter Update for FY 2011- October 6, 2010
- Downtown Development Projects: Expenditures Update  
Jane Prior, Internal Audit Manager  
The report for May and June 2010 was provided to the City Manager on August 2, 2010. The report was also provided to the Commission and to Mayor and Council.  
*(At the City Manager's request, for informational purposes, the Commission receives a copy of the monthly expenditure report for downtown development projects. Note: In fiscal year 2011 this report will be issued quarterly. However, the first quarter report was delayed due to external auditors reviewing Rio Nuevo project documents. A report will be issued in February 2010 for July through December for Rio Nuevo projects and for July through November for other downtown projects.)*
- Fleet Services Review  
Jane Prior, Internal Audit Manager and Bob Kulze, Principal Auditor  
Commission Subcommittee: Robert Clark, Chair; Bill Tilden; David Cormier  
July 7 (*staff update*), September 1 (*staff update*), October 6 (*staff update and formation of a subcommittee*), November 3 (*subcommittee report presented to the full Commission*), November 10, 2010 (*report issued to the City Manager and provided to Mayor and Council*)  
*This was a continuation of a project that began in April 2010. The City Manager requested that the Commission review the City's Fleet Services operation, particularly the pros and cons of outsourcing this function. The Commission requested that the City's Internal Audit staff conduct this review and report the results to a Commission subcommittee for discussion and final evaluation. The Commission issued a report to the City Manager at the conclusion of the review.*
- Collaborative Auditing Update – (*This is a regular/recurring agenda item.*)  
Bob Kulze, Principal Auditor and Joyce Garland, Budget Administrator July 7, September 1, October 6, 2010  
*Collaborative Auditing Updates include monthly cash flow charts, the status of department performance measure charts that are under development, and quarterly analysis reports. The performance measures are analyzed to identify existing or corrected negative trends and the corrective actions planned or taken. Collaborative Auditing information and charts are posted on the City's website.*  
  
*The City's stated goal of Collaborative Auditing (CA) is to identify, collect, chart, and analyze key performance measures in order to monitor and promote continuous process improvement. The initial focus of CA is performance measures for departments that deliver key services to citizens, such as Police, Fire, Parks, Water, Environmental Services, Transportation – Sun Tran and Streets, Development Services, Housing and Community Development.*
- Construction Contracts  
Commission Member Kevin Oberg - September 1, October 6, 2010

- Consideration – Mayor and Council Approval of the City’s Audited Financial Statements  
Mike Mason, Accounting Administrator – September 1, 2010
- Update on Core Tax and Permanent Override Review Committee Activities  
Marie Nemerguth, Budget and Internal Audit Program Director – September 1, 2010
- Proposed Internal Audit Plan for FY 2011  
Dennis Woodrich, Principal Auditor (for Jane Prior, Internal Audit Manager)  
September 1, 2010
- Election Update  
Marie Nemerguth, Budget and Internal Audit Program Director – November 3, 2010
- Southlands – City Land Use  
Commission Member Kevin Oberg – November 3, 2010