



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

1240058

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

**Finance Department
Year-End Review of Monthly Financial Report
June 12, 2024**

Report Highlights

Revenue Variances

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

Data Comparison

Based on our testing, data presented in the City's fiscal year 2023 Annual Comprehensive Financial Report matched the data published in the City's June 2023 Monthly Financial Report.

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Year-End Review of the Monthly Financial Report

Purpose

Our purpose was to determine that material variances in revenue categories presented in the Monthly Financial Reports were reasonable and supported. In addition, we evaluated the accuracy of the revenue 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 FY 2022/23, revenues were tested. Comparing FY 2021/22 to FY 2022/23, financial highlights include the following:

- General fund revenues increased by 12.4% from \$1.51 billion to \$1.70 billion.
- Special Revenue Funds and Debt Service increased by .6% from \$1.65 billion to \$1.66 billion.
- Enterprise Fund revenues increased by 2.5% from \$1.63 billion to \$1.67 billion.
- Overall revenues increased by 5% from \$4.79 billion in FY 2021/22 to \$5.03 billion in FY 2022/23.

Results

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

Revenue variances between FY 2021/22 and FY 2022/23 selected for testing included the following reporting categories:

- General Funds: State Shared Taxes – State Income Tax
- General Funds: Interest
- Special Revenue Funds & Debt Service: Regional Transit Revenues
- Special Revenue Funds & Debt Service: Federal Transit Administration
- Enterprise Funds: Aviation – Other

- Enterprise Funds: Water System – Interest

The tested areas totaled \$488 million, or 10% of total revenue for FY 2022/23.

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

Finance staff documented routine processes to compile the financial data to create the MFR. Revenue “input and calculation spreadsheets” were used to collect and format the data for reporting purposes.

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

We compared the published June 2023 MFR and the FY 2022/23 ACFR to determine revenue variances. We selected a sample of variances and Finance staff provided reconciliations which supported the variances. No exceptions were noted.

Recommendation

None

Scope, Methods, and Standards

Scope

The scope of our audit included the Monthly Financial Report (MFR) compiled and published by Finance during FY 2022/23.

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 revenue trends.
- We used defined criteria to select revenue variances for further review.
- We reviewed SAP reports to validate revenue data.
- We interviewed Finance accounting staff to obtain supporting documentation or explanations for the selected revenue variances.
- We interviewed Finance accounting staff to document the process of generating revenue data published in the MFR.
- We compared SAP revenue 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.

We assessed the reliability of SAP data used in this audit by reviewing existing information about the data and the system that produced them, and interviewing agency officials knowledgeable about the data. We determined that this data was 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 performance 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.