

City of Tulsa

Office of the City Auditor



Performance Report - Fiscal Year 2014
Audit Plan - Fiscal Years 2015 and 2016

Office of the City Auditor

Performance Report – Fiscal Year 2014

Audit Plan – Fiscal years 2015 and 2016

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Tulsa City Auditors

E. B. Cline 1909 – 1916

Frank Newkirk 1916 to 1918

Charles F. Burke 1918 to 1920

Mary Seaman 1920 to 1922

Roy Garbett 1922 to 1926

R. J. Moore 1926 to 1928

F. P. Kitchen, Jr. 1928 to 1930

Earl E. Logan 1930 to 1934

M. W. Davis 1934 to 1944

S. Maxwell Smith 1944 to 1954

Elizabeth Stowell Anderson 1954 to 1956

A. Jackson Lawrence 1956 to 1960

William F. Lambert 1960 to 1970

Frances F. Campbell 1970 to 1987

Ron Howell 1987 to 1988

Philip W. Wood 1988 to 2009

Preston L. Doerflinger 2009 to 2011

Clift Richards 2011 to 2013

Cathy Criswell 2013 to Present

A Message from the City Auditor



Fiscal year 2014 was a year of change for the Office of the City Auditor. A major change was my election. Immediately after taking office, I began discussions to determine the direction of this office. Starting with the audit staff, I asked them to share their thoughts on the office's successes and challenges and their own ideas for change. The next step was to get input from the Mayor and each City Councilor.

Armed with the information from these discussions and with what I learned from Tulsa's citizens during the election process, I developed a 5-point strategy. This strategy is aimed at:

- ▶ Improving visibility of audit resources and results,
- ▶ Focusing audit activity on value-added activities,
- ▶ Improving productivity,
- ▶ Using cutting-edge audit techniques, and
- ▶ Employing strategic staffing.

Although change is often hard to accept, the audit staff embraced it and have produced impressive results in the short time since my inauguration. They completed the 10 projects listed on page 3 of this report, as well as meeting with more than 50 City leaders to identify the risks that provide the basis of the FY15 and FY16 audit plan.

I look forward to completing the creative and vital projects the audit staff identified. I welcome your input on our plans. Please call me at 918-596-7511 to share your ideas.

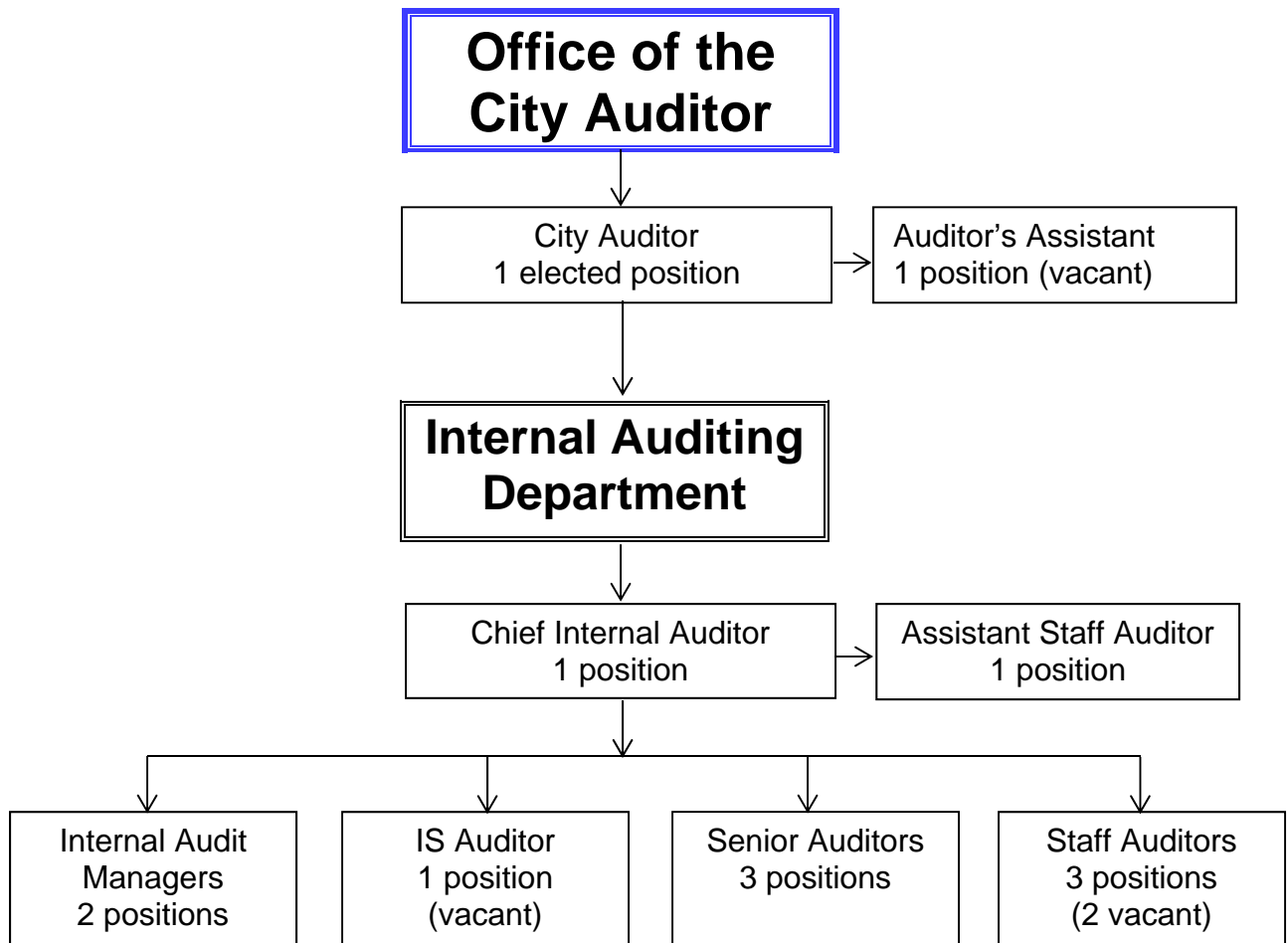
Cathy Criswell



Visit www.cityoftulsa.org/our-city/elected-officials for more information and to read audit reports



Audit Staffing



Performance Results

Projects Completed During the Fiscal Year Ended June 30, 2014

Audits	Completion Date
General Obligation / Revenue Bonds	10/16/13
HR Payroll	11/18/13
Sensitive Payments	3/28/14
Internal / External Quality Assurance Review	6/11/14
Franchise Tax	6/30/14
Right of Way / Telecommunication Fees	6/30/14
Follow-up Review	Completion Date
Report of Management Actions	2/6/14
Special Projects	Completion Date
Data Analytics - Standards and Best Practices	7/22/13
Data Analytics - Acquisition	6/23/14
Information Technology Co-Source	6/30/14

Customer Survey

The Office of the City Auditor passed its sixth external quality assurance review, which is required by professional standards to be done every five years. The quality assurance review included a customer survey for projects completed for the period July 1, 2010 to June 30, 2012. Following are the results of the survey.

Evaluation Topic	Score
Relationship with management	3.5
Audit staff	3.4
Scope of audit work	3.5
Audit process and report	3.3
Management of internal audit activity	3.4
Value added	3.5

OVERALL SCORE – 3.4 on a 4 point scale

We are pleased our customers rated our work as beneficial for City departments.

Year in Review

Initiation of audit management software



The Office of the City Auditor initiated a search for audit management software to streamline and standardize audit projects. A product was selected, purchased, and installed. This photo shows audit staff receiving system administrator training. Full staff training and implementation will be completed during FY15.

Innovations in Technology



A new strategy was adopted for staffing information technology projects, as well as other strategic sourcing. During FY14, audit staff began two projects with contractors that have specialized knowledge in information technology, including penetration testing and telephone systems. A former member of the audit staff, Cindy Crawley, returned for a temporary assignment to help with audit management software implementation. Significant savings were realized with the quality assurance review, which was

completed using self-assessment, with external validation by a contractor. These innovations will continue in FY15 through use of subject matter experts, inside and outside the organization, and co-sourcing of data analysis projects.

Year in Review

New City Auditor



Cathy Criswell was elected City Auditor and sworn-in on December 2, 2013. Cathy had previously worked for City Auditor Phil Wood for 20 years. As a result, the transition has gone smoothly. This photo shows Cathy giving her victory speech on election night.

Field trips



Believing it is important to see City employees in action first hand, the audit staff began a series of quarterly field trips. These encounters allow staff to ask questions that improve understanding of City issues at the micro and macro level. This photo shows Chief Internal Auditor Ron Maxwell learning how sewer cleaning is done. In addition to this field trip, audit staff visited the 911 call center. The staff found the visits provided useful information so they will continue in FY15.

Ethics Advisory Committee Assistance

The Ethics Advisory Committee began an initiative to strengthen the city's ethics ordinance. One of the changes proposed by the committee will create investigative duties in the Office of the City Auditor. Committee members and the City Auditor met several times with the City Council to work on the changes. Work on the change will continue in FY15.

Internal Audit Program

For the Fiscal Year Ending June 30, 2015



Process for Selecting Audit Projects

To help maintain confidence and trust in the professionalism and integrity of our audit work, the Office of the City Auditor follows the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. The *Standards* require that selection of audit projects be based on a sound risk assessment process. Audit staff develops and executes an annual audit program using a risk-based approach, which is designed to allocate limited audit resources to the most beneficial purposes.

FOCUS process – The risk model we use, entitled *FOCUS* (representing Factors Operating to Create Ultimate Success), considers the six factors in the exhibit below. Each of these risk factors has defined evaluation criteria. Audit staff meets with more than 50 City officials to get their thoughts on significant risks.

These six risk factors help focus audit projects on important City issues

1	Materiality	What is the dollar value of the assets, budget or revenues of the activity?
2	Security	How safe are the assets from conversion to private use?
3	Trust	How much impact does the activity have on customers – the citizens of Tulsa?
4	Complexity	How complicated is the activity?
5	Stability	Has there been significant change in operations?
6	Responsibility	Are employees competent, committed, and ethical? Are there established objectives, clearly defined procedures, good information and communication, and management monitoring?

Allocation of audit resources - Internal Auditing estimated the number of staff hours available in the fiscal year. These hours were allocated first to complete the audit projects in process and the ongoing audit functions carried out each year. Hours were reserved to respond to requests from management and elected officials for unplanned special projects. The remaining time was available for allocation to new audit projects.

The City's Top Risks

Audit asked department directors and other City leaders to share their thoughts on the most significant risks. Following are the top 5 risk areas most often mentioned in our discussions with City leaders.

High Risk Area	# times cited
Financial system	8
Revenue / budget constraints	8
Understaffing	7
Succession planning	7
Decision disconnect	6

Following are highlights from City leaders' comments regarding these high risk areas:

Financial system - The City's financial computer system is outdated. Managers expressed concern with system failure. Many of the City's computer systems are not integrated, which affects the ability to effectively manage information. City leaders believe replacement of the financial system should be given a higher priority.

Revenue / budget constraints – Reliance on sales tax as the primary source of support for general fund activities is a major risk. City leaders believe more diversified sources of funding should be developed.

Understaffing – Staffing cuts throughout the City are impacting the ability to get work done. Available staff are working to keep things going and do not have enough time for improvement and innovation. City leaders are particularly concerned about staffing cuts in key areas, such as information technology, financial, legal, and engineering staff.

Succession planning – The City continues to lose a significant number of long-term employees. Several managers mentioned efforts to cross-train employees to help address this condition. The City implemented a program called Leadership U to identify and foster future leaders; however, this program was deferred due to budget constraints.

Decision disconnect – Several City leaders commented on a disconnect between front-line employees and City decision-makers. Elections may cause employees to put key decisions on hold until leaders are sworn in. Because elections often lead to new leaders who are not familiar with City processes and history, City leaders believe decision analysis and discussion among decision-makers and city staff should be improved.

Audit Plan

Fiscal Year Ending June 30, 2015

Project	Hours	Departments Included
In-Process Projects		
Capital Improvements Planning	700	Finance
Use Tax	200	Finance
Voice over Internet – Penetration Test	100	Information Technology
Voice over Internet – Security	700	Information Technology
New Projects		
Vendor to Employee Data Comparison	500	City-wide
Investments	500	Finance
Surplus Property	500	City-Wide
Safety – Compliance Audits and Training	1,000	Human Resources
Tourism Tax Analysis	250	N/A
Right of Way Fee Analysis	250	Streets and Stormwater
Follow-up – Animal Welfare Center Audit	300	Working in Neighborhoods
Special Projects		
Revenue Projections	500	Finance
Reserve for special project requests	500	TBD
On-Going Projects		
Report of Management Actions	200	City-wide
Sensitive Payments Review	400	City-wide
FY16 Risk Assessment	300	City-wide
Audit Management Software Implementation	1,000	Internal Auditing
Ethics Management and Ethics Hotline Support	200	City-wide
Annual Department Budget	100	Internal Auditing
Auditing Miscellaneous	500	TBD

Audit Plan

Fiscal Year Ending June 30, 2016

Project	Hours	Departments Included
In-Process Projects		
Reserve for in-process projects	1,200	TBD
New Projects		
Capital Projects/Construction Contracts	1,000	Engineering, Finance
Real Estate	1,000	Asset Management
Succession Planning	1,000	City-wide
Financial Indicators Analysis	250	N/A
Special Projects		
Reserve for special project requests	500	TBD
On-Going Projects		
Report of Management Actions	200	City-wide
Sensitive Payments Review	400	City-wide
FY17 Risk Assessment	300	City-wide
Ethics Management and Ethics Hotline Support	200	City-wide
Annual Department Budget	100	Internal Auditing
Auditing Miscellaneous	500	TBD