

Sensitive Payment Review FY 15 Final Report August 2016

Subject: Sensitive Payments Review for fiscal year 2015

Responsible Officers: All executive-level management

Audit Team: Cathy Criswell, City Auditor; Vicki Peters, Internal Audit Manager; Jan Fields, Auditor-in-Charge; and Catherine Moore, Assistant Staff Auditor

Scope:

Sensitive payments are transactions with a possibility for city officials, executive management, and certain employees to receive inappropriate benefit due to their position of influence. Internal Auditing performs an annual review of sensitive payments, as recommended by the United States Government Accountability Office (GAO).

Overall Risk Exposure: (Low, Moderate or High):

HIGH

Conclusion: (Satisfactory, Satisfactory-needs improvement or Unsatisfactory)

SATISFACTORY

Significant Results:

1. Internal Auditing noted no conflict of interest situations, no inappropriate payments of compensation, and no indication of misuse or misappropriation of public funds.
2. An audit finding on employee parking subsidies made in a prior year audit is still open. Internal Auditing will follow-up on this again in FY16.
3. Policies and procedures do not adequately include guidelines on giving of gifts on behalf of the City of Tulsa. See Audit Finding on following page.



Ron Maxwell, CIA, CFE
Chief Internal Auditor



Cathy Criswell, CIA, CPA
City Auditor

Audit Finding

Policies and procedures do not adequately include guidelines on giving of gifts on behalf of the City

Summary:

Purchasing Cards Policies and Procedures Sections 900 and 1000.A address gifts and gratuities paid for with purchasing cards. No other policies and procedures have been established for giving gifts on the City's behalf. The purchasing card policies address only gifts for diplomatic purposes. However, there are many other examples of when city employees are faced with a situation involving giving gifts and gratuities. Purchasing Division staff mentioned tips, gift cards and other recognition awards given to employees and volunteers. Purchasing Division also stated they are occasionally approached by other governmental entities asking for specific items to be donated to them, such as a used fire truck that is planned to be sold at auction.

The Oklahoma Constitution Article 10 Section 17 says an Oklahoma city cannot "...loan its credit to any corporation, association or individual." The understanding of Article 10 Section 17 is it prohibits the City from giving away anything that has been paid for with citizen tax dollars.

Employees do not have sufficient guidance to help them determine when they can give tips, employee awards, and other things they encounter doing City business. Employees often give gratuities out of their own pocket since reimbursement is not available to them. Because purchasing cards are often used for such transactions, the Purchasing Division staff is often asked to make a call on whether a purchase is proper. Guidance should be sufficient to allow employees to make this determination.

Without proper guidance, the risk is increased for improper gift giving, such as making bribes.

Recommendation:

Policies and procedures on giving gifts on the City's behalf should be implemented. The format that would have the broadest coverage would be an executive order. Executive orders apply to all individuals appointed by the Mayor. City Council and the Office of the City Auditor should also adopt policies for guidance of the individuals appointed by them.

The City Attorney should be asked to provide a legal opinion interpreting Oklahoma Constitution Article 10 Section 17. This would ensure these new policies meet constitutional requirements.

Response:

The City Auditor received an email from Chief of Staff Jarred Brejcha on August 8, 2016. Mr. Brejcha stated Mayor Bartlett agreed with the recommendation, and would be approaching the City Attorney to request an opinion.