Report of Management Actions on Internal Audit Recommendations

As of June 30, 2015

City of Tulsa Internal Auditing

April 2016

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On Internal Audit Recommendations
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Introduction

Internal Audit annually performs follow-up procedures to report actions taken by management on internal audit recommendations. This process accomplishes a charter duty of the City Auditor and provides an opportunity for City departments to review the results of audit work. We appreciate the cooperation of City departments involved in this effort.

Internal Audit has tracked audit results since the department was created in 1988. As of June 30, 2015 this tracking database contained 1088 recommendations. Twenty-five areas of the City have been covered by these recommendations. The chart below provides a historical summary of recommendations by department.

History of Audit Recommendations

As of June 30, 2015

Department	Findings	Declined	Completed	Open
Airport	44	3	41	0
City Council	16	0	16	0
Citywide	45	7	32	6
CDEI	5	0	5	0
Development Services	21	2	19	0
Economic Development	6	1	5	0
Equipment Management	31	1	30	0
Finance	238	28	200	10
Fire	40	0	40	0
Gilcrease Museum	23	0	23	0
Grants Administration	8	0	8	0
Human Resources	112	8	103	1
Human Rights	8	0	8	0
Information Technology	122	8	95	19
Legal	13	1	12	0
Municipal Court	38	4	34	0
Parks	47	8	39	0
Performing Arts Center	7	0	7	0
Police	134	24	110	0
Public Works	105	9	95	1
Real Estate Management	5	0	5	0
Streets & Stormwater	3	0	0	3
Emergency Management	2	0	2	0
WIN	9	1	8	0
Zoo	6	1	5	0
TOTAL	**1088**	**106**	**942**	**40**

Internal Audit annually reviews the database to identify open corrective actions management has agreed to implement. Status update inquiry forms were sent requesting information on actions taken, changes in conditions or the need for additional implementation time. Based upon the information obtained through the inquiry forms status update process:

City Managers have accepted ninety percent (90%) of Internal Audit's recommendations.

Eighty-six percent (86%) of the recommendations are completed and four (4) percent are open.

2015 Recommendation Summary
As of June 30, 2015

Declined, 10%
Open, 4%
Completed, 86%
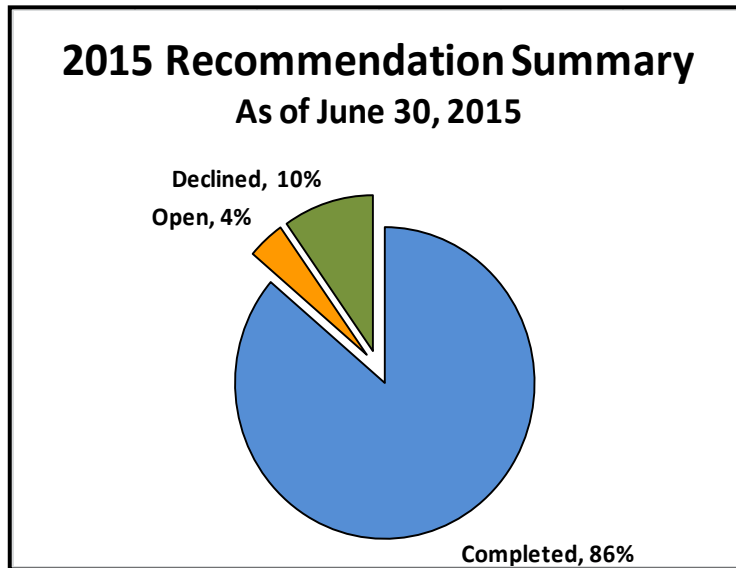
For reporting purposes, we assigned recommendations into one of the following categories:

Completed
We reviewed information provided by the audited entity and determined the agreed upon corrective action has been implemented per the report, status inquiry response or other follow-up procedures.

Open
We categorized an agreed upon corrective action as open when its implementation is in process or additional monitoring to ensure its completion is warranted.
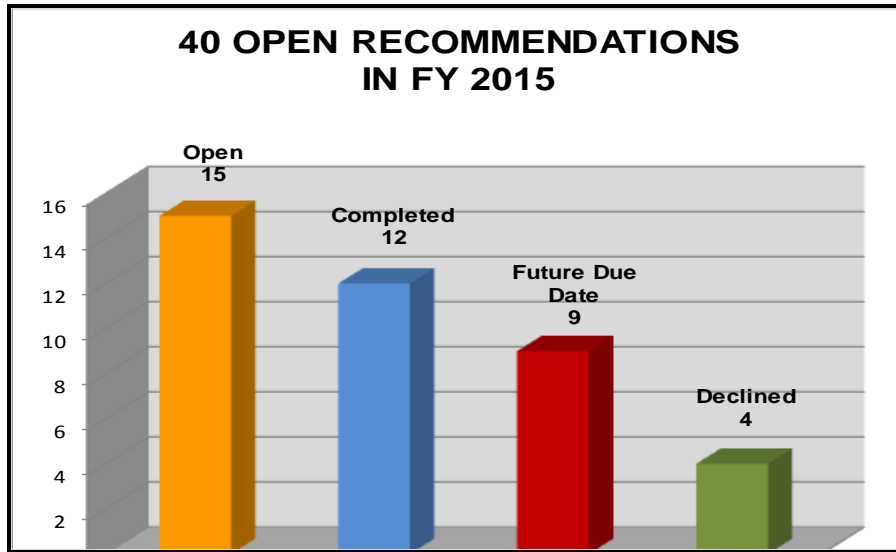
Declined
We categorized a recommendation as declined when it met one of the following conditions:
1) Departmental management does not agree with the recommendation and is not planning to implement. When management elects this option they are advised of their responsibility for accepting the identified risk that generated the recommendation.
2) The recommendation is no longer relevant based upon changed conditions.
3) Implementation is declined due to budget and/or staffing limitations or other factors beyond the control of management.

Implementation Status

As of June 30, 2015 there were 40 agreed upon open corrective actions in the database. Thirty-one (31) of these had completion dates prior to June 30, 2015. Based upon the information obtained through the inquiry forms status update process, 15 corrective actions remain open, 12 were completed and 4 were declined. There are also 9 open corrective actions that did not receive status update inquiry forms because their follow-up dates are **after** June 30, 2015.

40 OPEN RECOMMENDATIONS IN FY 2015

- Open 15
- Completed 12
- Future Due Date 9
- Declined 4

Open
We categorized an agreed upon corrective action as open when its implementation is in process; or additional monitoring to ensure its completion is warranted.

Completed
We reviewed information provided by the audited entity and determined that the agreed upon corrective action has been implemented per the report, status inquiry response or other follow-up measures.

Future Due Date
Recommendations with follow-up dates after June 30, 2015.

Declined
We categorized a recommendation as declined when it met one of the following conditions:

4) Departmental management does not agree with the recommendation and is not planning to implement. When management elects this option they are advised of their responsibility for accepting the identified risk that generated the recommendation.
5) The recommendation is no longer relevant based upon changed conditions.
6) Implementation is declined due to budget and/or staffing limitations or other factors beyond the control of management.

COMPLETED CORRECTIVE ACTIONS 2015

The table below summarizes corrective actions **completed** according to management's responses to the status update inquiry forms as of June 30, 2015.

FINDING	RECOMMENDATION	STATUS DETAIL
2006 SOFTWARE LICENSES — Information Technology		
Citywide policy on soft-ware usage is incomplete.	A comprehensive policy articulating software usage for the City of Tulsa should be written with input from all interested parties. The policy should cover all aspects of software compliance	Software Use and Standards Policy have been created and published.
2007 SEWER CLEANING – Public Works		
Lack of access to reliable information decreases effectiveness of sewer cleaning operations.	Management should ensure the following: 1. IT should determine that programs are functional prior to implementation and that City standards are followed for user access needs. 2. Designate more than one employee to perform data back up regularly. 3. Ensure that monthly frequent cleaning lists are secured off site.	A new work order system (Lucity) has been purchased and is being implemented. It has already been implemented for the lift stations. Implementation for the collection system is scheduled to be complete by July 1, 2016. Another asset management software tool (InfoMaster) has been purchased and it is anticipated to go-live by the 3rd quarter of 2016. Both of these systems will provide reliable information to improve the effectiveness of the sanitary sewer cleaning program.
2012 IT RISK ASSESSMENT — Information Technology		
IT projects have high visibility. Their success or failure reflects greatly on the capabilities of the IT department. Based on vacant positions at the time of this assessment, the PMO is understaffed which raises a concern over the group's ability to manage the projects that are currently active.	**(1)** Upgrade the tools used by the IT department to provide better management and communication of IT projects. **(2)** Implement a system that can support all of the work processes within the IT department.	IT has implemented ServiceDesk Plus which is an ITIL based service management system. This tool is currently in testing and will go live in January, 2016.

FINDING	RECOMMENDATION	STATUS DETAIL
2013 MANAGE THIRD PARTY — Information Technology		
An Information Technology Security Board (ITSB) including ITD, Security and Purchasing personnel is developing processes, policies, activities, communication plans, roles and responsibilities.	We recommend ITD management continue efforts to develop a vendor monitoring and measurement process, and that these efforts receive priority attention. We recommend more formalized project management be implemented to ensure vendor management development progress. This will clarify and monitor the project's scope, charter, completion timelines, tasks and resource expectations.	IT has created a Sharepoint site to facilitate the sharing of vendor information and additionally added vendor information to the IT Service Desk software to go live in January of 2016. While these sites are limited to the IT Department due to licensing restrictions, the information can be exported for others to review. Vendor evaluation processes including formal Risk assessment using FMEA from Six Sigma have been implemented and used in the vendor evaluation process. Formal vendor security questionnaires have been created and are currently being used when selecting a vendor.
2014 FRANCHISE TAX — Citywide		
Cable/video CPA verified annual statement of gross operating revenues not received	Assign ordinance monitoring and implementation roles and responsibilities. Consider requiring other major payors of franchise and/or occupancy fees to file CPA verified revenue statements	The Finance Department working with Streets and Stormwater requested verified annual statement of gross operating revenues from ROW occupants providing video services. The companies have been given until March 31, 2016 to comply with the request. Finance envisions the team tasked with defining roles and responsibilities will also consider requiring other payors of franchise or occupancy fees to file CPA verified revenue statements.
2014 RIGHT OF WAY TELECOMMUNICATIONOCCUPANCY FEES — Streets and Stormwater		
Documentation not available to complete annual 2013 ROW recovery rate & cost per linear foot filing required by Ordinance.	Create guidelines to document rationale, assumptions & data used to calculate ROW recovery rates	Guidelines for Calculating the Right of Way Occupancy Fee have been documented.
2014 USE TAX – Finance		
Enforcement activities focus primarily on sales tax	Finance Department staff should monitor OTC performance metrics related to percentage of taxpayers who remit use tax on their tax returns.	Treasury tracks amount and percentage of taxpayers who remit use taxes on their Oklahoma tax returns. Use taxes collected from income tax returns in tax year 2013 (most recent data available) amounted to $3.5Million. Percentage of Income Tax returns with use taxes in Oklahoma rose from 3.2% reflected on the internal audit report to 4% in tax year 2013.
Key legislation at the federal level is pending	The Treasury Division Manager should discuss with OML liaison board the message presented with regard to the Marketplace Fairness Act to be sure we are making the best case for its passage.	Treasury has actively participated and contributed to OML liaison board discussions concerning the Marketplace Fairness Act. The OML has used fact sheets and face to face discussions to message the need for Federal approval of the legislation. The OML has discussed the unfairness to local merchants at length in the media as well as with citizens, legislators and representatives.

FINDING	RECOMMENDATION	STATUS DETAIL
2014 VoIP PEN TEST — Information Technology		
Two of the 4 open findings have been completed.	The scope of this testing covered areas of City operations deemed security-sensitive and confidential per Executive Order 2004-01. In accordance with this Order, the results of our testing were communicated only to appropriate management personnel.	Completed finding results have been communicated only to appropriate personnel.
2015 VoIP SECURITY — Information Technology		
Two of the 6 open findings have been completed.	The scope of this testing covered areas of City operations deemed security-sensitive and confidential per Executive Order 2004-01. In accordance with this Order, the results of our testing were communicated only to appropriate management personnel.	Completed finding results have been communicated only to appropriate personnel.

OPEN FINDINGS – 2015

The table below summarizes corrective actions remaining **open** according to management's responses to the status update inquiry forms as of June 30, 2015.

FINDING	RECOMMENDATION	STATUS DETAIL
2012 IT RISK ASSESSMENT — Information Technology		
The City has not defined role-based system access requirements. User access is defined on a case-by-case basis. Policies and possibly processes do not address employee transfers and access provisioning and termination for contractors.	Develop policy and process for defining and managing access to systems. Compare these required levels of access with actual system access. Change access to address any discrepancies. Manage access provisioning and termination to reflect employee and contractor hiring, transfers and terminations data.	This has not been prioritized as of 12/2015.
The IT control environment lacks critical policy, procedure and guideline documentation. A formal Business Continuity Plan (BRP) does not exist.	Business and IT Management should perform a business impact analysis and develop a disaster recovery plan and a business continuity plan.	This has not been prioritized as of 12/2015.
A comprehensive review and update of IT controls has not been performed. However, the Internal Audit Department plans to conduct an IT General Controls Audit in 2012-13.	Refer to recommendations to other items in this assessment that pertain to the development and implementation of various policies and procedures.	The IT Project Governance Board has been reinstituted to provide enterprise IT governance for all IT initiatives. In 2016 the IT Steering Committee will be formed to provide a future focused direction for all IT initiatives including a 5 year strategic plan.
Financial system segregation of duties are defined by the City's Finance Dept. Segregation of duties outside of the finance systems is not defined, and therefore not documented.	(1) Business representatives should identify additional segregation duty requirements. (2) The City should develop procedures to manage system access restrictions that support defined segregation of duties requirements.	The new financial system has been selected and is scheduled to begin implementation in 2016.
2013 IT INFRASTRUCTURE – COBIT — Information Technology		
PO2.3 - The City has not developed a classification scheme.	**(1)** Develop a classification scheme. **(2)** Classify the City's data per the classification scheme.	As a part of the Open Data Initiative with What Works Cities, a data classification policy has been drafted for adoption. The ITSB reviewed the policy and will be submitting some additions for review by the Open Data Steering Committee. Once approved, the classification of data will begin. The target date for completion of this work is 12/31/2016.
2013 NEW HIRES, PROMOTIONS & TERMINATIONS — HR		
HRs' personnel access to INFOR system cannot be monitored using existing tools.	Establish monitoring tools to ensure only authorized personnel access the HR INFOR system	Will follow up when the new ERP system is implemented.

FINDING	RECOMMENDATION	STATUS DETAIL
2014 FRANCHISE TAX – Citywide		
Roles & responsibilities for monitoring & evaluating franchise ordinance provisions & potential agreement changes have not been fully established	Establish/define roles & responsibilities for periodic assessment of franchise fee levels	Finance will head an effort to put a team together comprising of Engineering Services, Streets & Stormwater, Legal and Finance Department before Dec 31, 2016, to evaluate and pursue PSO rate adjustments. The team will discuss the establishment/definition of roles for periodic assessment of other Franchise Fees
Formal roles & responsibilities for monitoring & implementation of ordinance requirements & changes not developed and specified across City.	Revenue ordinance monitoring & implementation responsibilities be evaluated and more formally documented.	Finance envisions the team tasked with defining roles and responsibilities for evaluation of franchise fees (finding#1), defining roles & responsibilities for monitoring ordinance requirements & changes. The team is to be formed before December 31, 2016.
2014 USE TAX – Finance		
Enforcement activities focus primarily on sales tax	Finance Department staff should work with OTC staff to identify specific procedures for use tax, including enforcement procedures for internet purchases. Consider establishing a quarterly meeting with OTC to promote coordination of analytic procedures.	Treasury (working with RDS and OTC) continues to identify and select businesses that owe use taxes for audits. Treasury maintains regular phone and email contact with OTC Compliance and Account Maintenance staff to coordinate enforcement activities. Meetings will be scheduled **on or before July 2016** to discuss enforcement procedures specifically related to internet purchases.
Oklahoma law on internet sales does not provide for changes in assessment rate	Treasury staff should request OTC to periodically calculate the relationship of federal adjusted gross income to use taxes paid based on actual internet purchases. OTC should be requested to provide the information to the legislature for adjusting the percentage.	Treasury will place this item on the agenda for discussion with the OTC **on or before July 2016.**
Oklahoma law on internet sales does not provide for changes in assessment rate	Treasury Division Manager should discuss updates of the use tax percentage with OML board liaison. The group could decide the need to bring this matter to the attention of Oklahoma legislators.	Treasury will discuss updating the percentage of Federal AGI subject to Oklahoma use taxes with the OML liaison board **before July 2016**.
Available data on use tax related to internet sales does not provide enough information to determine how much sales tax revenue is lost to internet sales.	Treasury Division Manager should consider discussing the benefits and burdens of requiring separate permits and reporting for internet sales with OML liaison board. This group could decide the need to bring this matter to the attention of Oklahoma legislators.	City of Tulsa will continue to participate in OML discussions concerning way to improve the analysis and collection of internet sales taxes. Treasury will ask the OML liaison board to consider the cost/benefit of requiring businesses to report internet sales under a separate permit number **before December 2016**

FINDING	RECOMMENDATION	STATUS DETAIL
2015 VoIP SECURITY—Information Technology		
Three of the 6 findings remain open.	The scope of this testing covered areas of City operations deemed security-sensitive and confidential per Executive Order 2004-01. In accordance with this Order, the results of our testing were communicated only to appropriate management personnel.	Completed finding results have been communicated only to appropriate personnel.

DECLINED FINDINGS – 2015

The table below summarizes corrective actions **declined** according to management's responses to the status update inquiry forms as of June 30, 2015.

FINDING	RECOMMENDATION	STATUS DETAIL
2014 USE TAX — Finance		
Available data on use tax related to internet sales does not provide enough information to determine how much sales tax revenue is lost to internet sales.	Finance Department staff should consider the benefits of analyzing and tracking trends using information from businesses that use separate sales tax permits for internet sales. This type of analysis will provide information about the rate of growth in internet sales made by Tulsa businesses.	Treasury has held several discussions on this topic with OTC. Few vendors have separate sales tax permits for internet sales. Most businesses report internet & brick & mortar sales under the same permit. Others who initially set up accounts because they were out of state have now opened businesses in the State and have used permits interchangeably between in store and internet sales. Some report internet sales picked up at the store under regular sales tax id. Sometimes the permit used depends on method of payment. There are also scenarios under which one company fills the internet order of another and reports it under name of company filling the order. While Treasury tracks sales from each of the permit numbers, it is difficult to draw conclusions from remittances received from separate permits.
2014 VoIP PEN TEST –Information Technology		
Two of the 4 findings were declined on status update requests.	The scope of this testing covered areas of City operations deemed security-sensitive and confidential per Executive Order 2004-01. In accordance with this Order, the results of our testing were communicated only to appropriate management personnel.	Completed finding results have been communicated only to appropriate personnel.
2015 VoIP SECURITY—Information Technology		
One of the 6 findings was declined on status update requests.	The scope of this testing covered areas of City operations deemed security-sensitive and confidential per Executive Order 2004-01. In accordance with this Order, the results of our testing were communicated only to appropriate management personnel.	Completed finding results have been communicated only to appropriate personnel.

NEW RECOMMENDATIONS — 2015

This table summarizes twenty-two (22) **new** recommendations added to the database during FY 2015.

FINDING	RECOMMENDATION	STATUS DETAIL
2014 USE TAX — Finance		
Enforcement activities focus primarily on sales tax	Finance Department staff should work with OTC staff to identify specific procedures for use tax, including enforcement procedures for internet purchases. Consider establishing a quarterly meeting with OTC to promote coordination of analytic procedures.	New finding. Follow-up in 2016 ROMA.
Enforcement activities focus primarily on sales tax	Finance Department staff should monitor OTC performance metrics related to percentage of tax payers who remit use tax on their tax returns	Declined. Treasury tracks amount and percentage of taxpayers who remit use taxes on their Oklahoma tax returns.
Oklahoma law on internet sales does not provide for changes in assessment rate.	Treasury staff should request OTC to periodically calculate the relationship of federal adjusted gross income to use taxes paid based on actual internet purchases. OTC should be requested to provide the information to the legislature for adjusting the percentage	New finding. Follow-up in 2016 ROMA.
Oklahoma law on internet sales does not provide for changes in assessment rate.	Treasury Division Managers should discuss updates of the use tax percentage with OML board liaison. The group could decide the need to bring this matter to the attention of Oklahoma legislators.	New finding. Follow-up in 2016 ROMA.
Available data on use tax related to internet sales does not provide enough information to determine how much sales tax is lost to internet sales	Finance Department staff should consider the benefits of analyzing and tracking trends using information from businesses that use separate sales tax permits for internet sales.	Declined. Treasury has held several discussions on this topic with OTC. Few vendors have separate sales tax permits for internet sales. Most businesses report internet & brick & mortar sales under the same permit. Others who initially set up accounts because they were out of state have now opened businesses in the State and have used permits interchangeably between in store and internet sales. Some report internet sales picked up at the store under regular sales tax id. Sometimes the permit used depends on method of payment. There are also scenarios under which one company fills the internet order of another and reports it under name of company filling the order. While Treasury tracks sales from each of the permit numbers, it is difficult to draw conclusions from remittances received from separate permits.

FINDING	RECOMMENDATION	STATUS DETAIL
Available data on use tax related to internet sales does not provide enough information to determine how much sales tax revenue is lost to internet sales	Treasury Division Manager should consider discussing the benefits and burdens of requiring separate permits and reporting for internet sales with OML liaison board. This group could decide the need to bring this matter to the attention of Oklahoma legislators.	New finding. Follow-up in 2017 ROMA.
Key legislation at the federal level is pending	The Treasury Division Manager should discuss with OML liaison board the message presented with regard to the Marketplace Fairness Act to be sure we are making the best case for its passage.	Complete per report response.
2015 VoIP Pen Test — Information Technology		
5 new findings were noted in this audit	The scope of this testing covered areas of City operations deemed security-sensitive and confidential per Executive Order 2004-01. In accordance with this Order, the results of our testing were communicated only to appropriate management personnel.	1—Declined per report response. ROMA follow-up as corrective action dates expire. Responses communicated only to appropriate personnel.
2015 VoIP Security—Information Technology		
7 new findings were noted in this audit	The scope of this testing covered areas of City operations deemed security-sensitive and confidential per Executive Order 2004-01. In accordance with this Order, the results of our testing were communicated only to appropriate management personnel.	ROMA follow-up as corrective action dates expire. Responses communicated only to appropriate personnel.
2015 Jail Per Diem		
Oversight—The Trustees need to be provided information with transaction level detail to be able to carry out their fiduciary duty	It may be necessary for TCCJA to hire staff, reporting to the Authority, with the skill to review and identify significant matters for their consideration	Complete. No response or follow-up necessary.
Accounting—Expenses of the jail and cost allocations should be determined on a regular basis.	The best way to determine per diem rates is to use a cost accounting system with defined rules that have been approved by TCCJA.	Complete. No response or follow-up necessary.
Outsourcing--TCCJA has the authority to contract with a private company to operate the jail.	Periodically evaluating whether jail operations would be more efficiently and effectively carried out by a contractor will provide insight to the Trustees.	Complete. No response or follow-up necessary.

DISTRIBUTION LIST

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Council Secretary
Finance Director
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Revenue Collection and Enforcement Administrator
Chief Information Officer
Voice Systems Section Head
Personnel Director
Director, Streets and Stormwater
Street Operations and Inspections Manager
Director, Water and Sewer
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