Report of Management Actions on Internal Audit Recommendations
As of June 30, 2017

City of Tulsa Internal Auditing
June 2018

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Chief Internal Auditor

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City Auditor

AUDIT TEAM:
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Catherine Moore – Audit Data Analyst

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, 2017 this tracking database contained 1105 recommendations, 208 of which are from the last 10 years. Fifteen areas of the City have been covered by these recommendations. The chart below provides a summary of the last 10 years of recommendations by department.

Summary of Audit Recommendations

Ten Years ended June 30, 2017

Department	Findings	Declined	Completed	Open
City Council	1	0	1	0
Citywide	14	1	6	7
Community Development and Education	5	0	5	0
Economic and Real Estate Development	6	1	5	0
Finance	32	1	22	9
Fire	5	0	5	0
Grants Administration	8	0	8	0
Human Resources	24	1	18	5
Human Rights	7	0	7	0
Information Technology	41	4	28	9
Park	2	1	1	0
Police	54	2	47	5
Public Works	4	1	3	0
Streets & Stormwater	3	0	3	0
Working in Neighborhoods	2	0	2	0
TOTAL	**208**	**12**	**161**	**35**

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:

Over the last 10 years, City Managers have accepted ninety percent (94%) of Internal Audit's recommendations.

Seventy-seven percent (77%) of the recommendations are completed and seventeen percent (17%) are open.

Recommendation Summary
As of June 30, 2017

Declined, 6%

Open, 17%
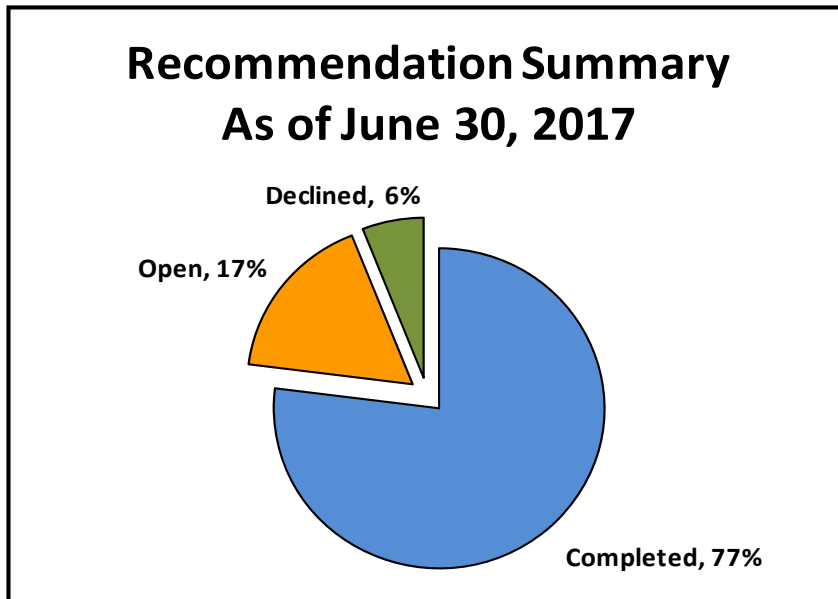
Completed, 77%

For reporting purposes, we assign 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.
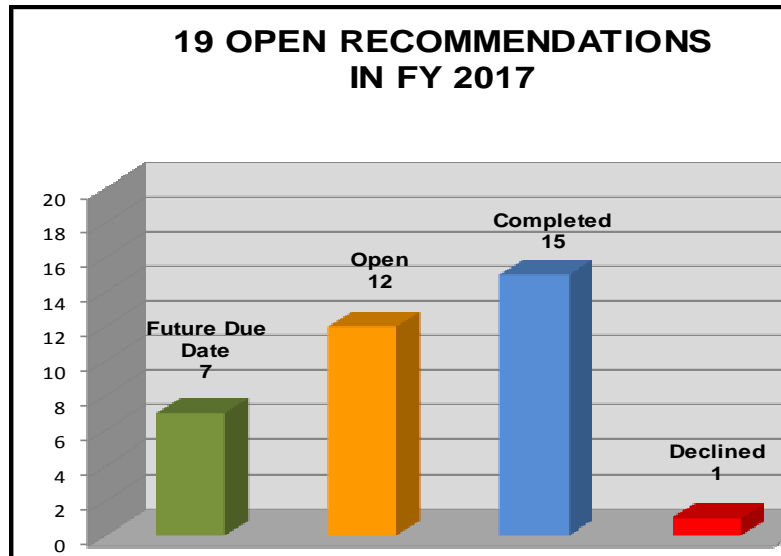
Declined
We categorized a recommendation as declined when it met one of the following conditions:
1) Departmental management does not agree with the recommendation and is not planning to implement. When management elects this option they are advised of their responsibility for accepting the identified 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, 2017 there were 35 agreed upon open corrective actions in the database. Twenty-eight (28) of these were due prior to June 30, 2017. Based upon the information obtained through the inquiry forms status update process, 12 corrective actions remain open, 15 were completed and 1 was declined. One new corrective action was both recommended and completed during 2017. There are also 7 open corrective actions that did not receive status update inquiry forms because their follow-up dates are **after** June 30, 2017.

19 OPEN RECOMMENDATIONS IN FY 2017

Future Due Date 7	
Open 12	
Completed 15	
Declined 1	

Future Due Date
Recommendations with follow-up dates after June 30, 2017.

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.

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 2017

The table below summarizes sixteen (16) corrective actions **completed** in FY 2017. Fifteen (15) were completed according to management's responses to the status update inquiry forms as of June 30, 2017; one additional finding was noted as completed in the audit report issued earlier in 2017, resulting in a total of 16 completions.

FINDING	RECOMMENDATION	STATUS DETAIL
2016 Capital Improvement Planning - Finance		
Draft policies and procedures for capital improvement planning dated September 12, 2008 are process in nature and do not address GFOA recommendations	CIP policies and procedures should be expanded to include GFOA best practices or include links to the GFOA best practices in the written procedures.	The policy has been updated to reflect the requested change.
There are no written policies which demonstrate how the CIP should be linked to the City of Tulsa's Comprehensive Plan (PLANiTULSA).	Policies and procedures should include criteria for the CIP plan to be assessed as addressing priorities of the City's Comprehensive Plan.	The policy has been updated to reflect the proposed change (see 6h on attachment). Staff also attended the GFOA Conference last year and attended sessions on the CIP and GFOA best practices. We have also received high marks regarding the CIP from the GFOA Distinguished Budget Award reviewers.

2016 Surplus Property - Finance

The Surplus Coordinator works alone at the surplus yard for a significant portion of the year. Currently, there are no "lone-worker" safety policies and procedures.	I-1) A monitoring device could be worn by the Surplus Coordinator that would notify dispatch (or a supervisor on call) if he accidentally fell and lay idle in a horizontal position for a certain period of time. I-2) Alternatively, a process could be implemented for the Surplus Coordinator to check in with dispatch or his supervisor on a fairly frequent periodic basis. If failure to check in occurs, procedures should include following up on the safety of the Surplus Coordinator. This alternative would still preclude immediate medical attention, if needed.	Agree with Finding; Disagree with Corrective Action as recommended by IA. The "lone worker" environment which is evident much of the time at the Surplus Facility is clearly a concern. A "panic button" has been provided which the Surplus Coordinator may wear around his neck. In an emergency event the employee is required to push the correct key on the device which sets off an alarm which in turn alerts the Security Division that an alarm has been triggered. Security then dispatches someone to the Surplus Facility. Depending on an electronic device for the safety of the lone worker assumes the employee is able to push the button. The call-in procedure is distracting and creates inefficiency in the work process. The only solution which provides a true improvement is to eliminate the "lone worker" environment. This can be accomplished by posting a Security Guard at the Surplus location during business hours. Asset Management will be strongly encouraged to place a Security Guard during the daytime shift at the Surplus Facility by December 31, 2016.
Handling Fees are not Charged to Outside Agencies that Participate in the City of Tulsa Surplus Auction	The Finance Department should consider charging a handling fee to the outside agencies that participate in the City of Tulsa surplus auction. The fee amount charged should be sufficient to recover the City's costs of handling and disposing of the surplus property for the agencies.	Purchasing began charging outside agencies a 10% fee beginning with the June 2017 auction. To date we have collected over $17,000 through this fee, and will continue to collect it.

2014 Use Tax - Treasury		
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.	COT brought the item up for discussion twice at OML liaison board meetings. After discussions with the OTC Director, the group determined that it would be difficult to legislate if and when a business would be required to get an internet permit. The OTC is now trending in the opposite direction. Businesses prefer and the OTC has encouraged businesses to consolidate their tax permits. The landscape has changed since this audit. 22 of the top 25 online sellers now remit taxes to the State. With recent legislation being considered at the State Capital and the upcoming decision from the US Supreme Court, it is likely we will capture more of internet sales taxes in the near future.
2013 HR--Payroll; New Hires, Promotions & Terminations - Human Resources		
HRs' personnel access to INFOR system cannot be monitored using existing tools.		MUNIS system can monitor user's personnel access.
2015 Special Project- Data Analysis MERP - Human Resources		
Comparison of 2013 and 2014 agency-submitted pension data and INFOR system pension data noted multiple differences between the two sources and identification of any differences between the agency participant data and INFOR participant data for research and resolution by Human Resources team personnel.	Research and resolution of the minor differences in contribution amounts should be conducted. This process should be coordinated with Finance management, due to the significant impact of pension liability and disclosures on the financial statements created by the implementation of GASB Statement 68.	This was corrected.

2013 IT Infrastructure - COBIT - Information Technology		
PO2.3 - Data Classification Scheme Data is not classified at the City. The City has not developed a classification scheme	**(1)** Develop a classification scheme. **(2)**Classify the City's data per the classification scheme.	The Data Classification policy has been created and executed as an executive order from the Mayor.
2015 VoIP Security - Information Technology		
Three findings were 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.	Security Sensitive and CONFIDENTIAL. Results communicated with only appropriate management personnel
2016 TPD - Range Inventory - Police		
Five findings were 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.	Security Sensitive and CONFIDENTIAL. Results communicated with only appropriate management personnel

OPEN FINDINGS – 2017

The table below summarizes twelve (12) corrective actions remaining **open** according to management's responses to the status update inquiry forms as of June 30, 2017.

FINDING	RECOMMENDATION	STATUS DETAIL
2009 Expenditure Analysis - Citywide		
Access all spend data sources	Automated extraction routines should be established to aggregate and update spend data from multiple sources on a regular basis. See Attachment A for more information.	The Enterprise Resource Planning (ERP) system went live in December 2017. This system replaces the previous financial system and provides for enhanced visibility and reporting of expenditure transactions. The system is currently being vetted for issues related to the initial implementation. The Finance department has also created a reports commission to evaluate the enhanced reporting.
Establish efficient and repeatable data cleansing (accuracy checking)	Management should decide whether to cleanse data going forward or to also cleanse historical data going back for a specified period.	
Provide information to empower buyers to become commodity managers	The City's buyers should be further developed into commodity managers who are responsible for all spend in their commodity category. These buyers should monitor spend behavior and ensure classification accuracy. There may be an opportunity to use retired commodity experts from the community as volunteers to provide commodity spend analysis and enhance staff knowledge.	
Classify spending at a detailed level	The City should set goals each year to increase the percentage of spend classified at a detailed level. A high percentage of spend classified at a detailed level will enable the City to establish optimal purchasing strategies based on timely and accurate intelligence.	
Enhance core spend data with management information (business intelligence)	Management should consider initiating a spend data management program that will summarize spending trends and allow drill down from high-level summaries into individual transaction detail. This would allow for informed spending decisions for all levels of management, as well as better monitoring of spending. Future information system planning should provide business intelligence and supplier information to provide insight for devising optimal sourcing strategies.	

Adopt a common transaction coding classification method citywide	All spend transactions should be coded using a consistent and useful classification method.	The Enterprise Resource Planning (ERP) system went live in December 2017. This system replaces the previous financial system and provides for enhanced visibility and reporting of expenditure transactions. The system is currently being vetted for issues related to the initial implementation. The Finance department has also created a reports commission to evaluate the enhanced reporting.
2014 Franchise Tax - Finance		
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	Personnel from Finance, Engineering and Streets & Stormwater, met on multiple occasions to evaluate the possibility of pursuing an increase to PSO's ROW fees. The City had the option of seeking voter approval for an increase to PSO's fees in 2017. The task of appraising the feasibility of increases was eventually passed on the Revenue Working Group, comprising of City Councilors and Mayoral staff. The Revenue Working Group decided not to pursue the increase in 2017. To my knowledge, the other audit recommendations, including the establishment of roles and responsibilities for periodic assessment of franchise fees and the formal documentation of ordinance monitoring and implementation, have not been pursued to date.

Formal roles & responsibilities for monitoring & implementation of ordinance requirements & changes not developed and specified across City.	Revenue ordinance monitoring & implementation responsibilities need to be evaluated and more formally documented.	Personnel from Finance, Engineering and Streets & Stormwater, met on multiple occasions to evaluate the possibility of pursuing an increase to PSO's ROW fees. The City had the option of seeking voter approval for an increase to PSO's fees in 2017. The task of appraising the feasibility of increases was eventually passed on the Revenue Working Group, comprising of City Councilors and Mayoral staff. The Revenue Working Group decided not to pursue the increase in 2017. To my knowledge, the other audit recommendations, including the establishment of roles and responsibilities for periodic assessment of franchise fees and the formal documentation of ordinance monitoring and implementation, have not been pursued to date.
2016 Surplus Property - Finance		
Although the locked fence around the surplus yard reduces the risk of theft, controls to properly safeguard assets of the City would be strengthened with improved control of keys.	Management is encouraged to develop improved control of keys based on results of the research completed.	We have new people in the Purchasing positions responsible for the Surplus operation, and I will revisit this finding with them and advise after the May 2018 auction.

2015 Special Project- Data Analysis MERP -Human Resources

Comparison of submitted data and reports to the spreadsheet template also noted that suggested data/data fields appeared to be provided in a number of separate reports.	Although participant data needed by GRS is provided, re-structure of report format could result in improved actuarial processing and analysis efficiency.	Due to the transition to MUNIS, reports are being reformatted from that system. They should be much improved for 2018.

2016 Special Project- Processes & Controls MERP - Human Resources

The Plan lacks clearly documented staff roles and responsibilities which led to administrative, internal control and compliance weaknesses for MERP.	1-1a. MERP Board approval of Administrator appointment. Define/clarify and assign responsibility for compliance/ administrative/ monitoring tasks, including: 1-1b. enhanced clarification of Administrator fiduciary role 1-1c. monitoring advisor, custodian, fund manager and legal firm compliance with contracts AND MERP policy 1-1d. retention of RFPs and related vendor bids 1-1e. contract approval and execution 1-1f. monitoring operational and governance changes needed due to ordinance change 1-2a. Define and assign responsibility for communication program development, including: 1-2b. responsibility for providing MERP summary info to agencies; development of hearing impaired service ideas 1-2c. Responsibility for developing and furnishing confirm information to agencies 1-2d. Responsibility for benefit statement development and issuance. 1-3a. Assign formal responsibility for periodic performance of verification and reconciliation controls. 1-3b. Assign responsibility for developing data submission standards for outside agencies. 1-3c. Establish responsibility/purpose of verification/reconciliation controls (at 3a.) as detecting errors PRIOR to actuarial submission 1-3d. Assign responsibility for establishing access to estimator tools for agency participants.	Administrator appointment agenda item scheduled for June meeting. Updating staff job descriptions for fiduciary responsibilities. Currently retaining all RFP's and bids - also maintained in Purchasing Department. All staff attended the Oklahoma Public Funds Trustee Education Conference. Legal and staff coordinate contract development, approval, and execution. Understanding Your Retirement seminar available quarterly presented by staff. Agency data is reconciled and entry is proofed for accuracy and reasonability. Utilizing templates to better clarify and control agency data collection. Currently working on internet access to the MERP benefit calculator

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Needed Plan controls and processes are not fully developed or documented.	Establish data verification processes and controls to detect and resolve data errors prior to submission to Plan actuaries. Processes and controls should include: 2-1a. Verification of census data to personnel data 2-1b. Verification of contribution data to payroll data 2-1c. Reconciliation/roll-forward of census records to previous year records 2-1d. Procedures for resolution and correction of errors. 2-1e. Develop process to confirm submitted contribution and census data with agencies. 2-1f. Develop data submission format and timeline protocols with actuaries & agencies which recognize time needs caused by GASB 68 2-2a. Create process/control to monitor changes required by such developments 2-2b. Establish RFP/bid retention process and requirements 2-2c. Create process and documentation to monitor advisory firm compliance 2-2d. Create process/control specifying responsibility for vendor contract execution 2-2e. Develop a communication program with: •communication protocol & specified formats •specified contact parties •specified communication methods and timeframes •explanatory materials for outside participant agencies •consideration/development of improved access to benefit estimator •consistently produced and formatted statements 2-2f. Develop agreements/detail defining responsibilities and processes between agencies	RFP/BID information is saved by Human Resources and Purchasing. Templates are sent to the agencies to gather and transmit employee data. Reports from payroll are used to reconcile the agency data. Investment Policy compliance is monitored quarterly with custodial statements. Investments are rebalanced quarterly as needed. Benefits calculator has replaced statements. It will be available via the internet and therefore, the agencies this year. Understanding Your Retirement quarterly seminar is provided by staff.

DECLINED RECOMMENDATION — 2017

This table summarizes the one (1) recommendation that will not be implemented due to changed conditions during FY 2017.

FINDING	RECOMMENDATION	STATUS DETAIL
2015 VoIP Security - Information Technology		
One finding will not be implemented.	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.	Will not be implemented- changed conditions

NEW RECOMMENDATIONS — 2017

This table summarizes ten (10) **new** recommendations added to the database during FY 2017.

FINDING	RECOMMENDATION	STATUS DETAIL
2017 Special Project - Employee Training - Citywide		
Employees responded to a survey conducted by the Office of the City Auditor in 2015 indicating less than half of the respondents were satisfied with employee training and it was the highest response answered with the question what would help make their work group be more efficient. HR is not staffed to address all of the City's training needs.	1. Create and communicate a city-wide strategic plan; 2. Undertake a comprehensive assessment of the skills, knowledge and abilities needed to achieve city-wide goals; 3. Dedicate greater resources to training and improve communication of existing facilities and opportunities; 4. Incorporate interdepartmental knowledge transfer training requirements; 5. Create a city-wide training governance structure that allows for input from all departments on decisions that impact city-wide training; 6. Create a Training Coordinator position in the HR Department, create Training Coordinators for each department to ensure a training plan is developed and executed, and utilize the training governance body for coordinators to work together and share resources when available; 7. Assign the PPR working group with the task of ensuring that planning and reviews incorporate training alignment into the work they are doing to improve the PPR process; and 8. Create standardized records procedures and policies.	New finding. Follow-up in 2018 ROMA.
2016 Surplus Property - Finance		
The Surplus Coordinator works alone at the surplus yard for a significant portion of the year. Currently, there are no "lone-worker" safety policies and procedures.	I-1) A monitoring device could be worn by the Surplus Coordinator that would notify dispatch (or a supervisor on call) if he accidentally fell and lay idle in a horizontal position for a certain period of time. I-2) Alternatively, a process could be implemented for the Surplus Coordinator to check in with dispatch or his supervisor on a fairly frequent periodic basis. If failure to check in occurs, procedures should include following up on the safety of the Surplus Coordinator. This alternative would still preclude immediate medical attention, if needed.	New finding and completed. Follow-up in 2018 ROMA.

2016 Surplus Property - Finance		
Although the locked fence around the surplus yard reduces the risk of theft, controls to properly safeguard assets of the City would be strengthened with improved control of keys.	Management is encouraged to develop improved control of keys based on results of the research completed.	New finding. Follow-up in 2018 ROMA.
Pre-numbered and Controlled Receiving Documents are not used for Surplus Property Received at the Surplus Yard	In developing the new ERP financial system, the Finance Department should consider pre-numbering the forms used to surplus property and accounting for the numerical sequence of the forms issued by the departments delivering property to the surplus yard.	New finding. Follow-up in 2018 ROMA.
Handling Fees are not Charged to Outside Agencies that Participate in the City of Tulsa Surplus Auction	The Finance Department should consider charging a handling fee to the outside agencies that participate in the City of Tulsa surplus auction. The fee amount charged should be sufficient to recover the City's costs of handling and disposing of the surplus property for the agencies.	New finding. Follow-up in 2018 ROMA.
2016 TPD - Range Inventory - Police		
Five findings were 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.	New finding and closed. Security Sensitive and CONFIDENTIAL. Results communicated with only appropriate management personnel

Note: Six fiscal year 2017 findings were completed before 6/30/2017 year end.

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