

***CITY AUDITOR
Matt Weller, CPA***

***ANNUAL REPORT
Fiscal Year 2022
and
INDEPENDENCE NOTIFICATION
Fiscal Year 2023***

MAYOR AND CITY COUNCIL

<i>David Holt</i>	<i>Mayor</i>
<i>Bradley Carter</i>	<i>Audit Committee, Ward 1</i>
<i>James Cooper</i>	<i>Ward 2</i>
<i>Barbara Young</i>	<i>Audit Committee, Ward 3</i>
<i>Todd Stone</i>	<i>Ward 4</i>
<i>David Greenwell</i>	<i>Audit Committee, Ward 5</i>
<i>JoBeth Hamon</i>	<i>Ward 6</i>
<i>Nikki Nice</i>	<i>Ward 7</i>
<i>Mark K. Stonecipher</i>	<i>Ward 8</i>



Office of the City Auditor Annual Report

August 30, 2022

The Mayor and City Council:

The attached Annual Report highlights Office of the City Auditor operating results and activities during fiscal year 2022.

The extent to which significant goals were achieved for the Audit Services and Ethics Assurance Programs is discussed in the Key Performance Targets and Results section of this report.

A synopsis of fiscal year 2022 audit, investigation and advisory service projects is provided in the Audit Services Program section. These projects included:

- ◆ Unit-Price Contract Investigation
- ◆ Public Safety Sales Tax
- ◆ Fire Safety Inspections
- ◆ Purchasing Card Program
- ◆ Lake Hefner Golf Course Restaurant Investigation
- ◆ 911 Fee and Tobacco Tax Collection Monitoring
- ◆ Medical Marijuana Permitting and Revenue Monitoring
- ◆ Streetcar Maintenance
- ◆ Zoo Operating and Fundraising Agreements
- ◆ Information Technology System Evaluation
- ◆ Plan Review Performance Measurement

Additionally, the Personnel Profiles section outlines my talented staffs' extensive work experience, professional certifications, advanced degrees and leadership roles in professional organizations.

Finally, areas in which the Office may not be independent to provide audit services are disclosed in the Independence Notification section of the attached report.

A handwritten signature in black ink that reads "Matt Weller".

Matt Weller
City Auditor



**Office of the City Auditor
Annual Report
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Office of the City Auditor
Key Performance Targets and Results

Fiscal Year 2022

MISSION

The mission of the Office of the City Auditor is to provide independent audit, investigative and advisory services to City Council, appointed officials, and executive managers so they can make better-informed policy and operational decisions.

AUDIT SERVICES PROGRAM

<i>Key Measures</i>	<i>FY20 Actual</i>	<i>FY21 Actual</i>	<i>FY22 Actual</i>	<i>FY23 Target</i>
1. % of City Council and other City decision makers rating audit services as “good” or “excellent”	100%	91%	100%	90%
2. % of audit recommendations accepted by management	100%	100%	96%	95%

Client satisfaction is an indicator of audit service quality. Client feedback on audit services is obtained using engagement and annual surveys. Audit clients are asked to rate their satisfaction with several audit service attributes including relevance, usefulness, timeliness, and professionalism. Audit clients continue to offer positive feedback with audit service ratings of ‘good’ or ‘excellent’ on all 13 satisfaction surveys relating to services provided during FY22.

Acceptance of audit recommendations is another indicator of service quality. In FY22, management accepted and provided estimated implementation dates for 45 of 47 recommendations included in five project reports issued during the year. This result exceeds the 83% industry benchmark published by the Association of Local Government Auditors.

ETHICS ASSURANCE PROGRAM

<i>Key Measures</i>	<i>FY20 Actual</i>	<i>FY21 Actual</i>	<i>FY22 Actual</i>	<i>FY23 Target</i>
1. % of actionable allegations assessed and assigned for investigation within seven days of reporting	95%	100%	100%	90%

The primary purpose of the Ethics Assurance Program is to help management detect and address fraud, waste, and abuse. The OKC4Ethics Hotline was established to provide employees with an anonymous means of reporting suspected instances of such activity. Addressing allegations in a timely manner is important to limiting potential loss or other negative impact from unethical behavior and is key in maintaining employee confidence in the Hotline. All 23 actionable allegations received during FY22, were assigned for investigation within the targeted timeframe.



Office of the City Auditor
Audit Services Program: Summary Report

as of June 30, 2022

AUDITS	STATUS
Public Safety Sales Tax Report – FY 2021 Expenditures complied with the Journal Entry of Judgment and the Report fairly presents revenues, expenditures, and fund balances.	Issued 12/21/21
Fire – Non-Construction Fire Safety Inspections Controls were not adequate to ensure the effectiveness and efficiency of the non-construction fire safety inspection program carried out by the Fire Prevention Services Division.	Issued 3/1/22
Fire – Construction Inspections Follow-up Management had addressed a substantial number of recommendations from our prior report; however, some recommendations had not been implemented that could increase in importance should inspection timeliness decline.	Issued 3/15/22
Citywide – Purchasing Card Program Established controls over purchasing card purchases by selected cardholders are adequate and operating effectively, except for reviews of documentation supporting cardholder purchases at Lake Hefner Golf Course.	Issued 5/3/22
Finance – State Apportioned Taxes Evaluating the adequacy and effectiveness of controls over E911 Fee and Tobacco Excise Tax collections.	Fieldwork
Citywide – Medical Marijuana Permitting and Revenue Monitoring Evaluating the adequacy and effectiveness of controls over the medical marijuana permitting process and over monitoring of related revenues.	Fieldwork
Public Transportation – Streetcar Maintenance Operations Evaluating the adequacy and effectiveness of controls over streetcar maintenance operations.	Fieldwork
Public Works - Payroll Evaluating the adequacy and effectiveness of controls over accurate, complete, and timely payroll processing.	Planning

Public Safety Sales Tax Report – FY 2022

Planning

Assessing whether expenditures complied with the Journal Entry of Judgment and whether the Report fairly presents revenues, expenditures, and fund balances.

INVESTIGATIONS AND ADVISORY SERVICES

STATUS

Federal Coronavirus Relief Assistance

Complete

Advising management and the Municipal Counselor’s Office regarding expenditure of Coronavirus Relief, Emergency Rental Assistance and American Rescue Plan Funds received through the U.S. Department of the Treasury.

10/14/21

Public Works – Unit-Price Contract Investigation

Issued

Our investigation did not substantiate alleged failure to comply with the Oklahoma Competitive Bidding Act or favored treatment of contractors during work completion. However, the extent of weaknesses in Public Works’ process for selecting contractors for work order issuances addressed in the report were such that it was not possible to conclude if work orders were issued based on demands, pressure, or bribes from contractors.

11/9/21

Lake Hefner Golf Course Restaurant Investigation

Issued

Investigation stemming from fraud discovered during our purchasing card audit. Because of the extent of weaknesses in restaurant procedures for cash register operations and controls ensuring the accuracy and completeness of cash receipt deposits addressed in the report, we could not determine if cash receipts were embezzled.

5/3/22

Information Technology System Evaluation

Ongoing

Working with management to identify and incorporate high-risk areas listed in the Information Technology Audit Plan in the scope of the Utilities Department – Risk and Resilience Assessment.

Zoo – Operating and Fundraising Agreements

Ongoing

Assisting management in reviewing terms of a new Operating Agreement between the Oklahoma Zoological Trust, the Oklahoma Zoological Society and the City and a new Fundraising Agreement between the Oklahoma Zoological Trust and the Oklahoma Zoological Society.

Public Works – Plan Review Performance Measurement

Ongoing

Evaluating controls ensuring the accuracy and completeness of plan review performance measures.



The purpose of the Ethics Assurance Program is to provide independent ethics reporting, investigative and advisory services to the City Council and management so they can quickly detect and address reported cases of suspected fraud, waste, and abuse. The Ethics Assurance Program plays an integral role in the City’s effort to maintain an ethical work environment and sustain citizen trust and confidence.

The Office of the City Auditor (OCA) manages suspected cases of fraud, waste, and abuse reported from sources including employees, management, contractors, citizens, or outside agencies. Such cases may be reported to OCA through various channels including in-person, U.S. mail, e-mail, or via the OKC 4Ethics Hotline (Hotline). All allegations, regardless of how they are received, are handled using the same assessment, investigative and follow-up protocols. This report summarizes results of allegations received and/or resolved during fiscal year 2022.

Allegation Type and Origin

There were 30 allegations reported during fiscal year 2022, of which 70% were reported through the Hotline. Table 1 summarizes the various types of allegations received during the fiscal year.

TABLE 1

	70%	30%	100%
ALLEGATION TYPE	HOTLINE	NON-HOTLINE	TOTAL
Policy/Code Violations	5	1	6
Fraud & Illegal Acts	2	4	6
Internal Control Weaknesses	3	2	5
Abuse/Misuse/Waste of Resources	2	0	2
Health & Safety Issue	1	0	1
Allegation Not Related to City Ethics	6	2	8
Inquiries	2	0	2
TOTAL	21	9	30

Allegations generally relate to operations within a City department. Table 2 lists allegations received during fiscal year 2022 by related department.

TABLE 2

DEPARTMENT	ALLEGATIONS
Police	6
Utilities	6
Finance	5
Public Works	3
Not Provided/Unknown	5
Other	5
TOTAL	30

Allegation Assignment and Disposition

Allegations may be investigated by OCA, referred to a City department (generally for policy or lower risk issues), referred to a non-City agency (if relating to matters outside City jurisdiction or requiring external law enforcement) and/or deemed non-actionable. Non-actionable allegations result from insufficient or dated information, prior corrective action, immateriality, or inappropriate use of the Hotline. If referred to a City department, OCA generally requests the department to investigate, take appropriate action and communicate results to OCA within 30 days.

We categorize resolved allegations as Substantiated (allegation was validated); Substantiated - No Violation (conditions cited were accurate but did not constitute a violation); Unsubstantiated; Department Resolution (lower risk issues requiring no further audit involvement); or Inconclusive (available evidence is not sufficient to determine the validity of the allegation).

Table 3 summarizes assignments and dispositions for allegations reported and/or resolved during fiscal year 2022.

TABLE 3	ASSIGNMENT		
	REFER	INVESTIGATE	TOTAL
Department Resolution	9	0	9
Substantiated	3	0	3
Non-Actionable	N/A	N/A	7
Substantiated – No Violation	1	0	1
Unsubstantiated	1	3	4
Inconclusive	0	2	2
Open/Ongoing Allegations	3	1	4
TOTAL	17	6	30

Results

The City's ethics policy and Hotline are intended to enhance employee awareness and reporting of suspected fraud, waste, and abuse. Allegations resolved during fiscal year 2022, resulted in the following:

- ◆ Enhanced awareness of and/or compliance with existing regulations and/or policies governing:
 - purchasing
 - contract administration
 - safeguarding City assets
 - payroll processing
 - time and attendance
 - conflict of interest
- ◆ Situation appropriate personnel-related actions, including employee counseling, reprimand, and suspension.



Office of the City Auditor Independence Notification

Fiscal Year 2023

Policies and procedures adopted by the Mayor and City Council for the Office of the City Auditor require the City Auditor to advise the Mayor and City Council of any existing or potential threats to independence in all matters relating to the performance of his responsibilities as the City Auditor.

Government Auditing Standards, issued by the U.S. Government Accountability Office, require auditors and audit organizations to maintain independence of mind and appearance so that their opinions, findings, conclusions, judgements and recommendations will be impartial and viewed as impartial by reasonable and informed third parties.

Independence impairments could result if the Office of the City Auditor is required to provide certain audit services relating to the following:

Oklahoma City Employee Retirement System

The City Auditor serves as a Trustee of the Oklahoma City Employee Retirement System (OKC Municipal Code, Sec. 40-92). The Board of Trustees perform the following:

- ◆ Approve disbursement of funds
- ◆ Formulate rules and regulations
- ◆ Invest system funds
- ◆ Obtain an annual actuarial evaluation of system liabilities
- ◆ Recommend changes in governing Ordinances to City Council

Bid Committee

The City Auditor is a member of the Bid Committee (City Charter, Article IX, §4). The City Auditor or designee must be present at all bid openings. The Bid Committee establishes policies and procedures for receiving, opening, and recording electronic bids.

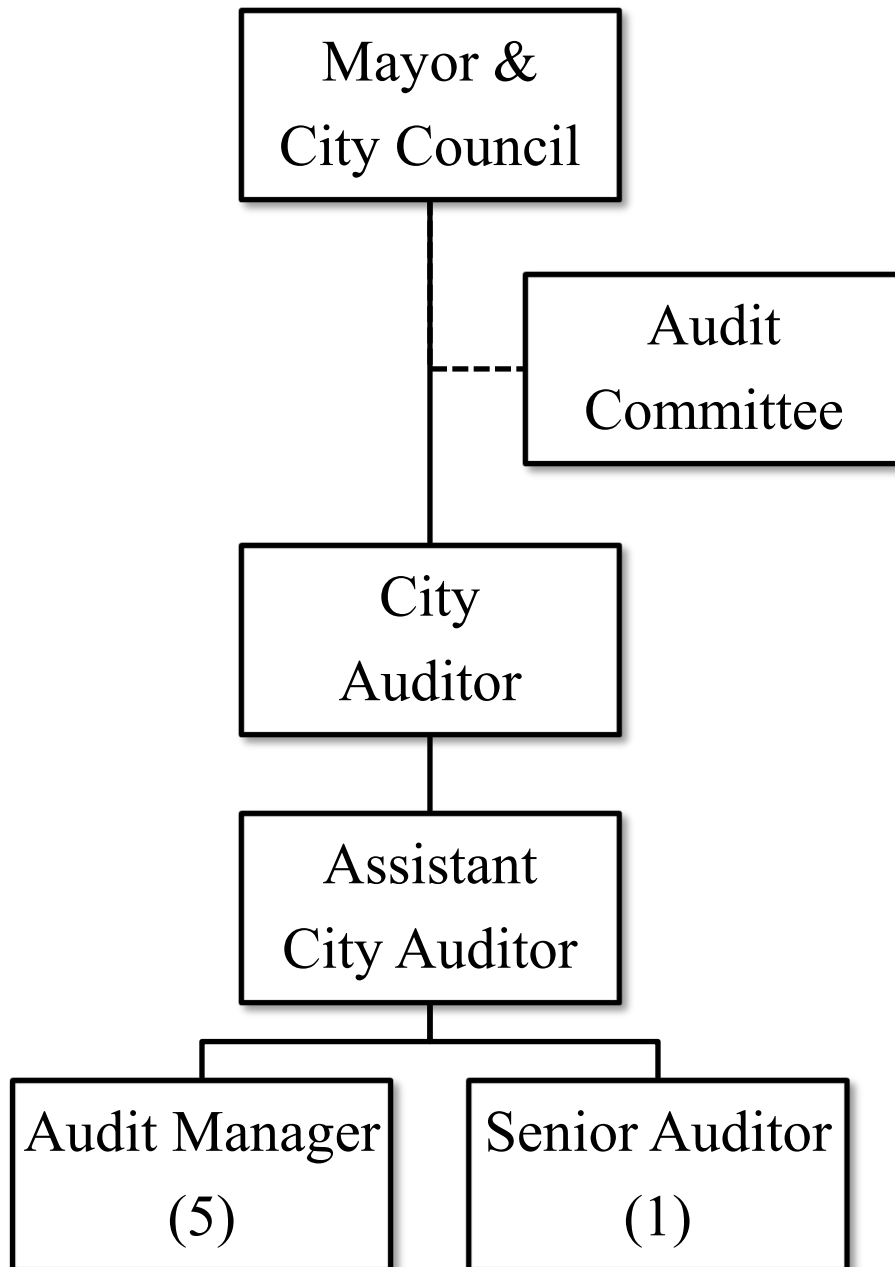
Facility Access Policy

The City Auditor approved the Public Facility Access Policy. The Policy is applied in administering access for the Mayor, Council and City Officials, as representatives of the people of Oklahoma City, to publically owned facilities during ticketed events.



Office of the City Auditor Organization Chart

As of July 1, 2022



Note: Teams of auditors conduct audit engagements. Audit teams may vary in size and staffing levels depending on many factors including the complexity of the audit, technical proficiency required and qualifications of available staff. An appropriate level of supervision is required by *Government Auditing Standards* and will vary based upon the members of the audit team and complexity of the work performed.



Office of the City Auditor Personnel Profiles

Matt Weller
CPA
City Auditor

Matt joined the Office of the City Auditor in 2000, was appointed City Auditor in 2022, and has over 27 years of auditing experience. He has previously served on the ALGA Board of Directors and on the ALGA Peer Review Committee in various capacities including Chair. Matt has also previously served as President and Treasurer of the IIA's Oklahoma City Chapter, and on the Chapter Board of Governors. Matt is also a member of the AICPA and OSCP.

Lori Rice
MBA, CIA
Assistant
City Auditor

Lori joined the Office of the City Auditor in 2009. She has 13 years of auditing experience and over 15 years of experience in accounting and financial operations management. She is certified in the Six Sigma business process improvement strategy. Lori has held several positions with the IIA's Oklahoma City Chapter, including President. She is also a member of ALGA.

Brett Rangel
MS, CIA, CRMA
Audit Manager

Brett joined the Office of the City Auditor in 1995 and has over 25 years of auditing experience. He currently serves on the ALGA Publications Committee, having previously chaired the Communications Committee and served on the Online Resources Committee. Brett has also served in numerous positions in the IIA's Oklahoma City Chapter, including Board of Governors, President, Treasurer, and Chair of several committees.

Janet McWilliams
CPA
Audit Manager

Janet joined the Office of the City Auditor in 2009. She has 13 years of auditing experience and over 24 years of non-profit accounting and management experience. She currently serves on the ALGA Awards Program Committee having previously served as Chair of ALGA's Long-Term Conference Planning Committee. Janet has held several positions for the Oklahoma Association of College and University Business Officers, including President. She is also an IIA and OSCP member.

Christy Barron
CPA
Audit Manager

Christy joined the Office of City Auditor in 2021. She has ten years of auditing experience and five years of government financial management experience. Christy previously served on the Conference Committee for the Oklahoma Municipal Clerks, Treasurers and Finance Officials Association. She is also an ALGA and IIA member.

Tim Alvarez
CICA
Senior Auditor

Tim joined the Office of the City Auditor in 1989. He has over 35 years of auditing experience and two years of corporate accounting experience. Tim is a member of the IIC and ALGA and previously served on the Board of Governors for the IIA's Oklahoma City Chapter.

Certifications and Degrees

CGAP = Certified Government Audit Professional
CGFM = Certified Government Financial Manager
CIA = Certified Internal Auditor
CICA = Certified Internal Controls Auditor
CPA = Certified Public Accountant
CRMA = Certification in Risk Mgmt. Assurance
MS = Master of Science
MBA = Master of Business Administration

Professional Organizations

ACFE = Association of Certified Fraud Examiners
AGA = Association of Government Accountants
AICPA = American Institute of Certified Public Accountants
ALGA = Association of Local Government Auditors
IIA = Institute of Internal Auditors
IIC = Institute for Internal Controls
OSCPA = Oklahoma Society of Certified Public Accountants



Office of the City Auditor Duties and Responsibilities

The duties and responsibilities of the City Auditor include but are not limited to the following:

- ◆ Determining whether management has established and complied with procedures and practices to ensure that:
 - City operations are being conducted efficiently and effectively, in a manner consistent with the intended objectives of the governing body and in compliance with applicable laws and regulations;
 - Resources including funds, contractual rights, property, and personnel are adequately safeguarded; and
 - Financial and management records and reports disclose fairly, accurately, and completely all information that is required by law, that is necessary to assess the City's financial position, and that is necessary to understand and evaluate the results of operations.
- ◆ Evaluating and reporting on the adequacy and effectiveness of the internal control structure established and utilized over the payment of municipal funds.
- ◆ Determining compliance with the Journal Entry of Judgment relating to the Public Safety Sales Tax Funds.
- ◆ Serving as a Trustee of the Oklahoma City Employee Retirement System.
- ◆ Receiving, opening, and recording electronic bids as a member of the Bid Committee.

Additionally, the Mayor and City Council has authorized the City Auditor to provide audit services to Public Trusts of which the City is the beneficiary. Resolutions requesting audit services have been adopted by the following trusts:

- Central Oklahoma Transportation and Parking Authority
- Oklahoma City Airport Trust
- Oklahoma City Environmental Assistance Trust
- Oklahoma City Municipal Facilities Authority
- Oklahoma City Public Property Authority
- Oklahoma City Riverfront Redevelopment Authority
- Oklahoma City Zoological Trust

Policies and procedures adopted by the Mayor and City Council direct that the City Auditor conduct operations in accordance with *Government Auditing Standards*, which include requirements for quality assurance. These policies also direct the City Auditor to prepare an audit plan, provide periodic progress reports to the Audit Committee, and report audit results to the Mayor and City Council jointly.