

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

***ANNUAL REPORT
Fiscal Year 2023
and
INDEPENDENCE NOTIFICATION
Fiscal Year 2024***

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 Peck</i>	<i>Audit Committee, Ward 3</i>
<i>Todd Stone</i>	<i>Audit Committee, Ward 4</i>
<i>Matt Hinkle</i>	<i>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

September 12, 2023

The Mayor and City Council:

The attached Annual Report highlights Office of the City Auditor operating results and activities during fiscal year 2023.

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 2023 audit, investigation and advisory service projects is provided in the Audit Services Program section. These projects included:

- ◆ Public Safety Sales Tax
- ◆ Medical Marijuana Permitting and Revenue Monitoring
- ◆ 911 Fee Receipts, 911 Database Charges, & Tobacco Excise Tax Receipts
- ◆ Streetcar System Asset Maintenance
- ◆ Citywide Temporary Acting Pay and Public Works Payrolls
- ◆ Special Event Permit Issuance Processes
- ◆ Citywide GO Bond Fund Restriction Compliance
- ◆ Information Technology Radio Inventories
- ◆ Plan Review Performance Measurement
- ◆ Utilities Risk and Resilience Assessment

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 2023

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>FY21 Actual</i>	<i>FY22 Actual</i>	<i>FY23 Actual</i>	<i>FY24 Target</i>
1. % of City Council and other City decision makers rating audit services as “good” or “excellent”	91%	100%	100%	90%
2. % of audit recommendations accepted by management	100%	96%	100%	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 FY23.

Acceptance of audit recommendations is another indicator of service quality. In FY23, management accepted and provided estimated implementation dates for 20 of 20 recommendations included in four reports issued during the year. This result exceeds the 95% industry benchmark published by the Association of Local Government Auditors.

ETHICS ASSURANCE PROGRAM

<i>Key Measures</i>	<i>FY21 Actual</i>	<i>FY22 Actual</i>	<i>FY23 Actual</i>	<i>FY24 Target</i>
1. % of actionable allegations assessed and assigned for investigation within seven days of reporting	100%	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 26 actionable allegations received during FY23, were assigned for investigation within the targeted timeframe.



Office of the City Auditor
Audit Services Program: Summary Report

as of June 30, 2023

AUDITS	STATUS
<p>Public Safety Sales Tax Report – FY 2022 Expenditures complied with the Journal Entry of Judgment and the Report fairly presents revenues, expenditures, and fund balances.</p>	<p>Issued 1/3/23</p>
<p>Citywide Medical Marijuana Permitting and Revenue Monitoring Controls over medical marijuana permitting, monitoring of related permitting fee receipts, and monitoring of related sales tax remittances were adequate and effective.</p>	<p>Issued 5/16/23</p>
<p>Public Transportation – Streetcar System Asset Maintenance Controls ensuring streetcar system assets were maintained by the third-party contractor were adequate and effective, except for controls ensuring adequate and effective management of operational expense reimbursements.</p>	<p>Issued 6/20/23</p>
<p>Citywide Temporary Acting Pay and Public Works Payrolls Controls ensuring the accuracy of Citywide acting pay calculations and the accuracy, completeness and compliance of Public Works’ Streets, Traffic, and Drainage Maintenance Division payrolls were adequate and effective; and previous recommendations included in our previous Parks Department payroll audit had been substantially addressed.</p>	<p>Issued 6/20/23</p>
<p>911 Fee Receipts, 911 Database Charges & Tobacco Excise Tax Receipts Evaluating procedures for monitoring the completeness of landline 911 fees received and the accuracy of 911 database maintenance billings paid by the City in light of City 911 fee receipts, and procedures for monitoring the accuracy and completeness of 911 fee and tobacco excise tax apportionments received from the Oklahoma Tax Commission.</p>	<p>Reporting</p>
<p>Public Information and Parks – Special Event Permits Evaluating the efficiency of the special event permitting process and the effectiveness of that process at ensuring compliance with related City Ordinances.</p>	<p>Reporting</p>
<p>Citywide GO Bond Fund Restrictions Evaluating the adequacy and effectiveness of controls ensuring GO Bond fund expenditures, interest allocations, and administrative charges comply with applicable Federal and State laws, and City policies.</p>	<p>Fieldwork</p>

Information Technology – Radio Inventory Follow-Up **Fieldwork**
Evaluating the status of recommendations included in our previous report relating to radio inventory procedures.

City Manager – Cultural Facility Contracts **Planning**
Evaluating the adequacy and effectiveness of controls ensuring compliance with terms of significant agreements for management/operation of City-owned cultural facilities.

Police – Property Management Unit **Planning**
Evaluating the status of recommendations included in our previous report relating to currency maintained by the Property Management Unit.

Public Safety Sales Tax Report – FY 2023 **Planning**
Assessing whether expenditures complied with the Journal Entry of Judgment and whether the Report fairly presents revenues, expenditures, and fund balances.

Citywide - Purchasing Card Program **Planning**
Assessing the adequacy and effectiveness of controls over purchases by selected cardholders.

INVESTIGATIONS AND ADVISORY SERVICES	STATUS
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<p>Zoo – Operating and Fundraising Agreements Advised 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.</p>	<p>Complete 7/5/22</p>
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<p>Public Works – Plan Review Performance Measurement Evaluated controls ensuring the accuracy and completeness of plan review performance measures.</p>	<p>Complete 10/28/22</p>
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<p>Utilities Risk and Resilience Assessment Assisting the Utilities Department and Information Technology Department in administering a contract with an outside vendor for an assessment of the security of the City’s information technology infrastructure, networked systems, and technology resources.</p>	<p>Reporting</p>
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<p>Human Resources – Employee Benefits Fraud Risk Assessment Assessing fraud risk relating to a former employee in the Employee Benefits Division of the Human Resources Department.</p>	<p>Ongoing</p>
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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 2023.

Allegation Type and Origin

There were 31 allegations reported during fiscal year 2023, of which 71% were reported through the Hotline. Table 1 summarizes the various types of allegations received during the fiscal year.

TABLE 1	71%	29%	100%
ALLEGATION TYPE	HOTLINE	NON-HOTLINE	TOTAL
Policy/Code Violations	10	5	15
Fraud & Illegal Acts	2	3	5
Internal Control Weaknesses	2	0	2
Abuse/Misuse/Waste of Resources	1	1	2
Allegation Not Related to City Ethics	7	0	7
TOTAL	22	9	31

Allegations generally relate to operations within a City department. Table 2 lists allegations received during fiscal year 2023 by related department.

TABLE 2	DEPARTMENT	ALLEGATIONS
	Utilities	8
	Development Services	7
	Public Transportation & Parking	5
	Public Works	3
	Police	3
	Not Provided/Unknown	1
	Other	4
	TOTAL	31

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 2023.

TABLE 3	ASSIGNMENT		
	REFER	INVESTIGATE	TOTAL
Department Resolution	7	0	7
Substantiated	4	1	5
Non-Actionable	N/A	N/A	5
Substantiated – No Violation	3	2	5
Unsubstantiated	5	5	10
Inconclusive	1	1	2
Open/Ongoing Allegations	0	1	1
TOTAL	20	10	35

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 2023, resulted in the following:

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



Office of the City Auditor Independence Notification

Fiscal Year 2024

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/Oklahoma City Deferred Compensation Board

The City Auditor serves as a Trustee of the Oklahoma City Employee Retirement System (OKC Municipal Code, Sec. 40-92) and of the Oklahoma City Deferred Compensation Board (OKC Municipal Code, Sec. 40-133).

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.

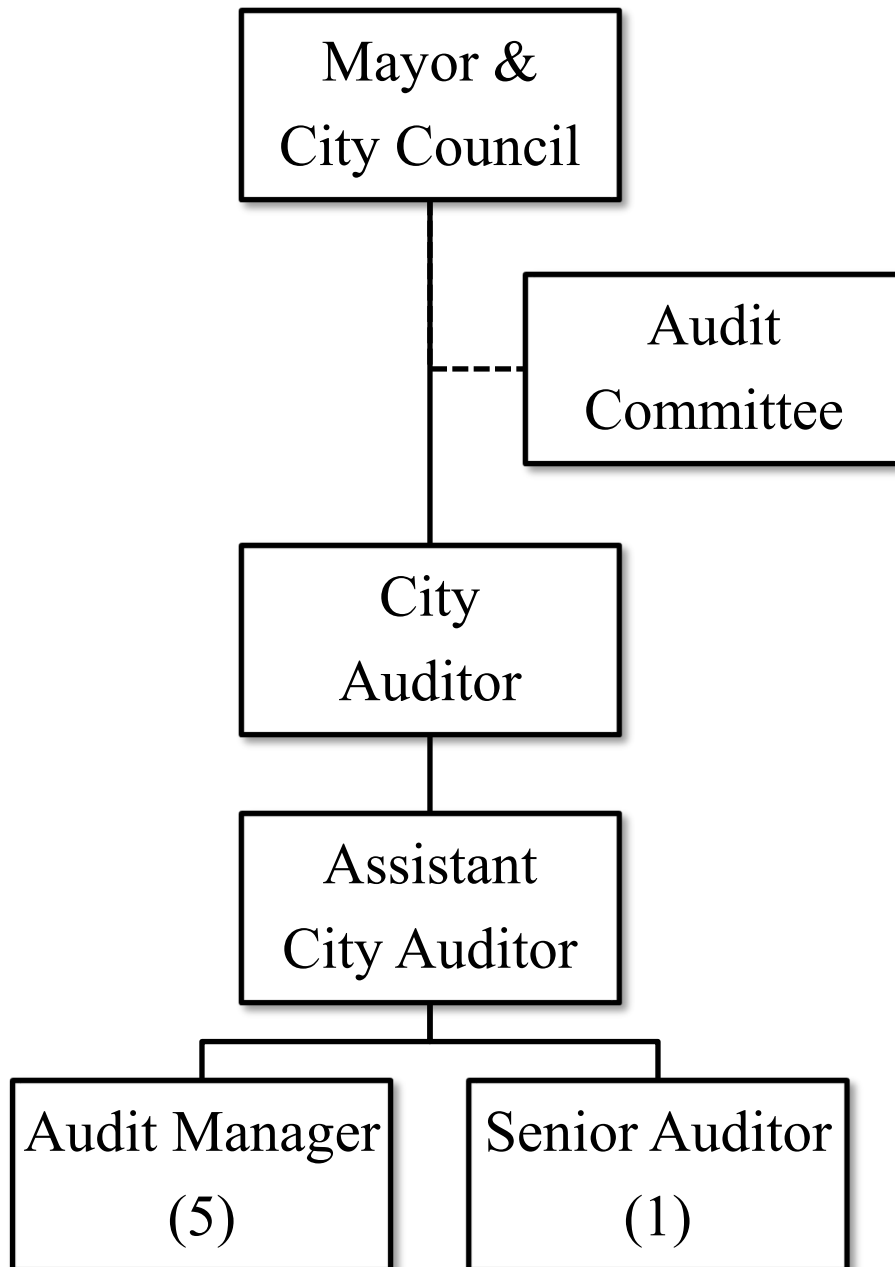
Facility Access Policy

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, 2023



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 28 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 14 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 currently serves on the Strategy Committee for ALGA and has held several positions with the IIA's Oklahoma City Chapter, including President.

Brett Rangel
MS, CIA, CRMA
Audit Manager

Brett joined the Office of the City Auditor in 1995 and has over 26 years of auditing experience. He currently serves on the ALGA Publications Committee, having previously chaired the ALGA Communications Committee and served on the ALGA 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 14 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 11 years of auditing experience and five years of government financial management experience. She currently serves on the ALGA Awards Program Committee. 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.

Toan Nguyen
MBA, CIA, CBCP
Audit Manager

Toan joined the Office of the City Auditor in 2022. He has over 15 years of auditing experience in higher education and non-profits. Toan is actively involved in the IIA's Oklahoma City Chapter where he has served in a number of officer positions, including President. He currently serves as the Technology Chair of the IIA OKC Chapter Board of Governors. In addition to his CIA, Toan holds a CBCP for his work in business continuity and disaster recovery. Toan is a member of the IIA, ALGA, and DRII.

Randall Daniel
CIA, CFE, CPA
Audit Manager

Randall joined the Office of the City Auditor in 2022. He has 24 years of auditing experience in the private sector. He has served in numerous positions with the IIA's Oklahoma City Chapter including President. Randall is also a member of the AICPA, ACFE, and ALGA.

Tim Alvarez
CICA
Senior Auditor

Tim joined the Office of the City Auditor in 1989. He has over 36 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

CBCP = Certified Business Continuity Professional
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
DRII = Disaster Recovery Institute International
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 and the Oklahoma City Deferred Compensation Board.
- ◆ 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.