

CITY AUDITOR
Jim Williamson, CPA, CIA

ANNUAL REPORT
Fiscal Year 2017
and
INDEPENDENCE NOTIFICATION
Fiscal Year 2018

MAYOR AND CITY COUNCIL

<i>Mick Cornett</i>	<i>Audit Committee, Mayor</i>
<i>James Greiner</i>	<i>Ward 1</i>
<i>Ed Shadid</i>	<i>Ward 2</i>
<i>Larry McAtee</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>Margaret S. “Meg” Salyer</i>	<i>Ward 6</i>
<i>John A. Pettis Jr.</i>	<i>Ward 7</i>
<i>Mark K. Stonecipher</i>	<i>Ward 8</i>



Office of the City Auditor Annual Report

September 26, 2017

The Mayor and City Council:

The attached Annual Report highlights Office of the City Auditor operating results and activities during fiscal year 2017.

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 the report.

A synopsis of fiscal year 2017 audit, investigation and advisory service projects is provided in the Audit Services Program section. These projects included:

- ◆ General Obligation Bond Program
- ◆ Development Services Revenue and Inspections
- ◆ City Treasurer Revenue Enforcement
- ◆ OCPD Alarm Permitting Program
- ◆ Utilities, OCPD and OCFD Payrolls
- ◆ Public Safety Sales Tax Expenditures
- ◆ Purchasing Card Program
- ◆ Information Technology Asset Inventories
- ◆ Court Administration Fees
- ◆ Personnel Health Benefits Eligibility

Additionally, the Personnel Profiles section outlines our talented personnel's 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.



Jim Williamson
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 2017

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>FY15 Actual</i>	<i>FY16 Actual</i>	<i>FY17 Actual</i>	<i>FY17 Target</i>
1. % of City Council and other City decision makers rating audit services as “good” or “excellent”	100%	100%	85%	90%
2. % of audit recommendations accepted by management	97%	98%	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 a number of audit service attributes including relevance, usefulness, timeliness and professionalism. Audit clients continue to provide positive feedback with audit service ratings of “good” or “excellent” on 11 of 13 satisfaction surveys relating to services provided during FY17.

Acceptance of audit recommendations is another indicator of service quality. In FY17, management accepted and provided estimated implementation dates for all 61 recommendations included in five project reports issued during the year. These results exceed the 92% industry benchmark published by the Association of Local Government Auditors.

ETHICS ASSURANCE PROGRAM

<i>Key Measures</i>	<i>FY15 Actual</i>	<i>FY16 Actual</i>	<i>FY17 Actual</i>	<i>FY17 Target</i>
1. % of employees that are aware of the Hotline	N/A	N/A	N/A	100%
2. % of allegations appropriately directed to the Hotline	77%	87%	94%	95%

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 a means of reporting suspected instances of such activity. Employee awareness and appropriate use¹ are indicators of whether employees have been adequately educated regarding the Hotline. Employees have not been surveyed regarding Hotline awareness since FY13 due to administrative difficulties in the City’s annual employee survey process.

Of 18 allegations received, 17 were appropriately directed to the Hotline during FY17. Ongoing employee education efforts include worksite posters and brochures, presentations to new City employees and mid-managers as well as marketing the Hotline via the City’s employee newsletter and intranet website.

¹ An appropriate use of the Hotline results in allegations relating to fraud, waste, abuse, significant policy violations and/or meaningful operational deficiencies.



Office of the City Auditor
Audit Services Program: Summary Report

As of June 30, 2017

AUDITS	STATUS
<p>Payroll Processing OCPD and OCFD have made significant progress in addressing previous audit recommendations.</p>	<p>Report Issued 8/16/16</p>
<p>Citywide – Purchasing Card Program Controls over purchases by selected cardholders were adequate and operating effectively; and recommendations included in our previous audit report have been substantially addressed.</p>	<p>Report Issued 8/30/16</p>
<p>Development Services – Revenue and Inspections Previous recommendations to strengthen revenue collection and gain operational efficiencies through consolidating inspections have been adequately addressed except for managing the daily elevator inspection process and carrying out certain periodic oversight activities.</p>	<p>Report Issued 10/25/16</p>
<p>Public Works – GO Bond Program Continued improvement in Program performance has been realized; however, contract award targets should be adjusted for fluctuations in available funding and reporting to the Bond Oversight Committee should be enhanced to ensure long-term Program success is sustained.</p>	<p>Report Issued 12/6/16</p>
<p>Utilities Payroll Controls were adequate and operating effectively to ensure Line Maintenance Division payrolls were materially accurate, complete, valid and in compliance with applicable payroll-related regulations.</p>	<p>Report Issued 12/6/16</p>
<p>Public Safety Sales Tax – FY 2016 Expenditures complied with the Journal Entry of Judgment and the annual Public Safety Sales Tax Report fairly presents revenues, expenditures and fund balances.</p>	<p>Report Issued 12/22/16</p>
<p>City Treasurer – Revenue Enforcement Sales and use tax monitoring procedures are identifying unpaid taxes. We could not determine the adequacy of those procedures due to a lack of documentation.</p>	<p>Report Issued 3/28/17</p>
<p>Police Department – Alarm Permitting Program Previous recommendations to improve financial accountability over collections have been substantially addressed, except for the completeness of permitting and outstanding invoice collections. Previous recommendations to improve Program compliance, administration, and efficiency are still under consideration.</p>	<p>Report Issued 4/11/17</p>

Information Technology – Asset Inventory Evaluating controls over technology assets. Evaluating the status of recommendations included in our report relating to non-capitalized asset inventories.	Fieldwork
Personnel – Benefits Evaluating controls over participant eligibility for health benefits.	Fieldwork
Court Administration – Court Fees Verifying compliance with statutory regulations governing expenditure of court fees.	Fieldwork
Citywide Purchasing Performing procedures designed to detect fraudulent purchasing activity.	Fieldwork

INVESTIGATIONS AND ADVISORY SERVICES	STATUS
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Court - Records Management System Risk Assessment Assessing risks relating to implementation of the Municipal Court Records System in light of information contained in the State Auditor and Inspector’s April 2013 report on their special audit of this project.	Complete 9/5/16
MAPS for KIDS Assisting management in reviewing financial reports submitted by suburban school districts.	Complete 12/8/16
Police – Alarm Permit Outsourcing Assessment Assisting management in assessing outsourcing alternatives for the Alarm Permitting Program.	Complete 2/23/17
Hotel Tax Event Sponsorship Assessing risks relating to event sponsorship reimbursements to the Convention and Visitors Bureau.	Complete 6/15/17
Finance – Business Improvement District Accounting Process Advising management regarding procedures used in accounting for and reporting on Business Improvement District assessment revenues, expenditures and fund balances.	Complete 6/30/17
Personnel Policy Review Committee Advising the Personnel Department in updating the City’s personnel policies.	Complete 7/18/17
Police - Records Management System Risk Assessment Assessing risks relating to implementation of the Police Records Management System in light of information contained in the State Auditor and Inspector’s April 2013 report on their special audit of this project.	Ongoing
Fee Study Assisting the Finance Department in determining whether selected service/permit fees appropriately recover related costs.	Ongoing



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) provides advisory services to the following Boards and Committees:

- ◆ **Ethics Committee** – The City Auditor provides advisory services to this ad hoc committee established by management to address possible violations of the City’s ethics policy.
- ◆ **Oklahoma City Employee Retirement System** – The City Auditor serves on the Board of Trustees, as specified by City Ordinance.
- ◆ **Bid Committee** – The City Auditor is a member of the Bid Committee, as specified by the City Charter. The Bid Committee establishes policies and procedures for receiving, opening, and recording electronic bids.

OCA also manages suspected cases of fraud, waste, and abuse reported by 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 2016.

Allegation Type and Origin

There were 27 allegations reported during fiscal year 2017, of which 67% were reported through the Hotline. Table 1 summarizes the various types of allegations received during the fiscal year.

TABLE 1	67%	33%	100%
ALLEGATION TYPE	HOTLINE	NON-HOTLINE	TOTAL
Policy/Code Violations	8	2	10
Fraud & Illegal Acts	3	3	6
Abuse/Misuse/Waste of Resources	2	2	4
Internal Control Weaknesses	0	1	1
Inappropriate Allegations	1	1	2
Inquiries	4	0	4
TOTAL	18	9	27

Allegations generally relate to operations within a City department. Table 2 lists allegations received during fiscal year 2017 by related department.

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 2017.

TABLE 2

DEPARTMENT	ALLEGATIONS ¹
Public Works	9
Development Services	5
Utilities	5
Information Technology	3
Other	5
TOTAL	27

¹Includes allegations relating to multiple depts.

TABLE 3

DISPOSITION	ASSIGNMENT		
	REFER	INVESTIGATE	TOTAL
Unsubstantiated	6	3	9
Department Resolution	9	0	9
Non-Actionable	n/a	n/a	6
Substantiated	5	0	5
Substantiated – No Violation	1	0	1
Inconclusive	1	1	2
Open/Ongoing Allegations	0	0	0
TOTAL	22	4	32

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 2017, resulted in the following:

- ◆ Enhanced awareness of and/or compliance with existing regulations and/or policies governing:
 - ◆ fixed asset capitalization
 - ◆ construction permitting and inspections
 - ◆ time and attendance
 - ◆ purchasing
- ◆ Situation appropriate personnel-related actions, including employee counseling, reprimand, suspension, demotion and transfer.



Office of the City Auditor Independence Notification

Fiscal Year 2018

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 performs the following:

- ◆ Approves disbursement of funds
- ◆ Formulates rules and regulations
- ◆ Establishes policies and procedures
- ◆ Delegates investment authority to investment manager

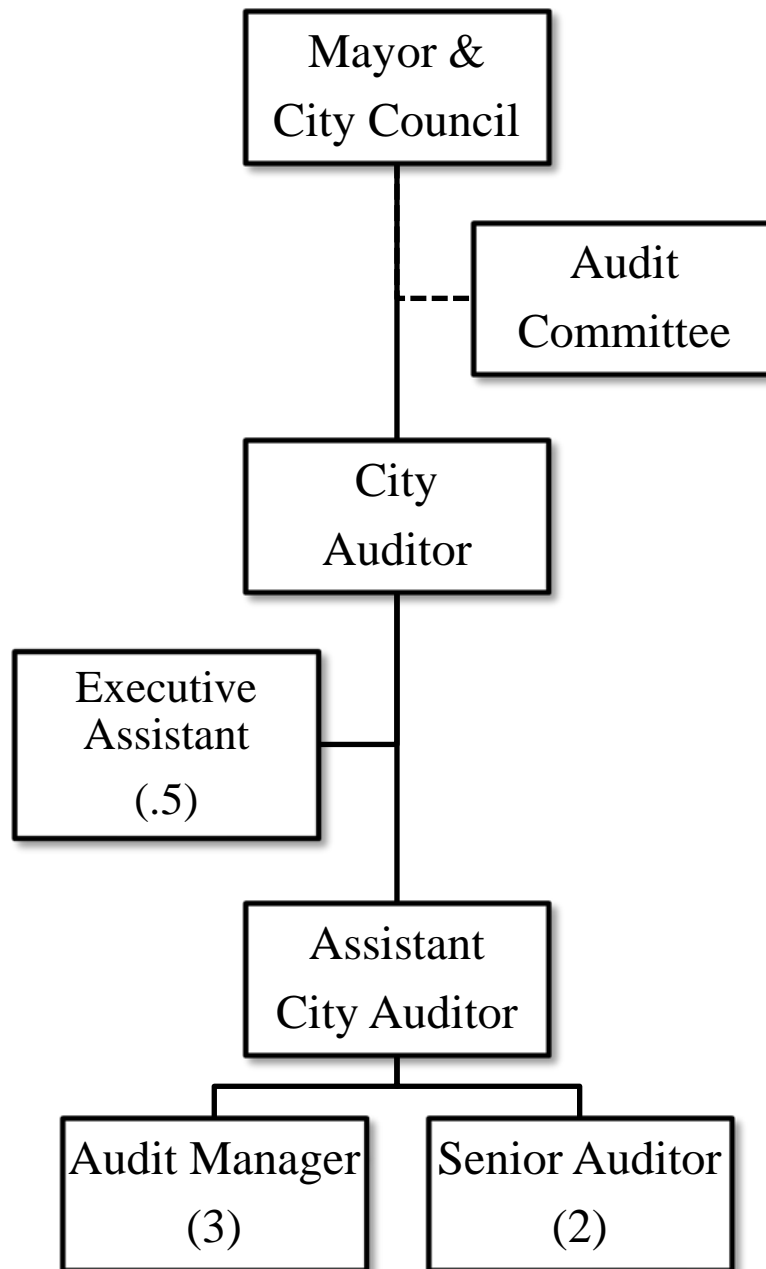
Bid Committee

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.



Office of the City Auditor Organization Chart

As of July 1, 2017



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

Jim Williamson
CPA, CIA,
CGAP, CGFM
City Auditor

Jim joined the Office of the City Auditor in 1988, was appointed City Auditor in 2008, and has over 33 years of auditing experience. Jim has held several positions with ALGA including President and Peer Review Committee Chair as well as several positions with the IIA's Oklahoma City Chapter including President. He serves as Past-Chair on the Peer Review Oversight Committee for the Oklahoma Accountancy Board and on the Executive Committee for the ACFE's Oklahoma City Chapter. Jim is also an AICPA, OSCP, and AGA member.

Matt Weller
CPA
Assistant City Auditor

Matt joined the Office of the City Auditor in 2000 and has over 23 years of auditing experience. He currently serves on the ALGA Board of Directors after previously serving on the ALGA Peer Review Committee in various capacities including Chair. Matt has previously served as President, Treasurer, and on the Board of Governors for the IIA's Oklahoma City Chapter. Matt is also a member of the AICPA and OSCP.

Brett Rangel
MS, CIA, CRMA
Audit Manager

Brett joined the Office of the City Auditor in 1995 and has over 20 years of auditing experience. He has served in several positions with ALGA, including Communications Committee Chair. Brett has also served in several positions in the IIA's Oklahoma City Chapter, including President, Board of Governors, and several Committee Chair positions.

Janet McWilliams
CPA
Audit Manager

Janet joined the Office of the City Auditor in 2009 after over 24 years of non-profit accounting and management experience. She currently serves as Past-Chair on the ALGA 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.

Lori Rice
MBA
Audit Manager

Lori joined the Office of the City Auditor in 2009 after previously gaining over 15 years of experience in accounting and financial operations management in the private sector. She is certified in the Six Sigma business management strategy. Lori currently serves on the Board of Governors of the IIA's Oklahoma City Chapter, and has formerly served as President, Secretary, and Treasurer.

Tim Alvarez
CICA
Senior Auditor

Tim joined the Office of the City Auditor in 1989. He has over 31 years of auditing experience and two years of corporate accounting experience. Tim currently serves as the Associate Trustee of the IIA's Oklahoma City Chapter and previously served on the Board of Governors. He is also a member of the IIC.

Pamela Martindale
MBA
Senior Auditor

Pamela joined the Office of the City Auditor in 2008. She has over 13 years of auditing experience. Pamela currently serves as Webmaster, Survey Chair and is on the Board of Governors for the IIA's Oklahoma City Chapter after previously serving as President, 1st Vice President, and Secretary.

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.