

**CITY AUDITOR**  
***Jim Williamson, CPA, CIA***

**ANNUAL REPORT**  
***Fiscal Year 2018***  
***and***  
**INDEPENDENCE NOTIFICATION**  
***Fiscal Year 2019***

**MAYOR AND CITY COUNCIL**

<b><i>David Holt</i></b>	<b><i>Audit Committee, Mayor</i></b>
<b><i>James Greiner</i></b>	<b><i>Ward 1</i></b>
<b><i>Ed Shadid</i></b>	<b><i>Ward 2</i></b>
<b><i>Larry McAtee</i></b>	<b><i>Audit Committee, Ward 3</i></b>
<b><i>Todd Stone</i></b>	<b><i>Ward 4</i></b>
<b><i>David Greenwell</i></b>	<b><i>Audit Committee, Ward 5</i></b>
<b><i>Margaret S. “Meg” Salyer</i></b>	<b><i>Ward 6</i></b>
<b><i>Lee E. Cooper Jr.</i></b>	<b><i>Ward 7</i></b>
<b><i>Mark K. Stonecipher</i></b>	<b><i>Ward 8</i></b>



## Office of the City Auditor Annual Report

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September 11, 2018

The Mayor and City Council:

The attached Annual Report highlights Office of the City Auditor operating results and activities during fiscal year 2018.


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 2018 audit, investigation and advisory service projects is provided in the Audit Services Program section. These projects included:

- ◆ Court Administration Fees
- ◆ Personnel Health Benefits Eligibility
- ◆ Parks Department Payrolls
- ◆ Public Safety Sales Tax Expenditures
- ◆ Citywide Purchasing Fraud Tests
- ◆ Information Technology Asset Inventories
- ◆ Utilities Bulk Water Sales
- ◆ Electronic Parking Meter Revenues
- ◆ Parking Garage Operating Contract
- ◆ Street Construction Project Administration
- ◆ Police Weapon Inventories
- ◆ Code Enforcement Inspections
- ◆ Ethics Policy Update

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 2018**

**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>FY16 Actual</i>	<i>FY17 Actual</i>	<i>FY18 Actual</i>	<i>FY18 Target</i>
1. % of City Council and other City decision makers rating audit services as “good” or “excellent”	100%	85%	100%	90%
2. % of audit recommendations accepted by management	98%	100%	99%	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 provide positive feedback with audit service ratings of “good” or “excellent” on all 16 satisfaction surveys relating to services provided during FY18.

Acceptance of audit recommendations is another indicator of service quality. In FY18, management accepted and provided estimated implementation dates for 64 of 65 recommendations included in five project reports issued during the year. This result exceeds the 92% industry benchmark published by the Association of Local Government Auditors.

**ETHICS ASSURANCE PROGRAM**

<i>Key Measures</i>	<i>FY16 Actual</i>	<i>FY17 Actual</i>	<i>FY18 Actual</i>	<i>FY18 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	87%	94%	69%	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 an anonymous means of reporting suspected instances of such activity. Employee awareness and appropriate use<sup>1</sup> 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 36 allegations received, 25 were appropriately directed to the Hotline during FY18. 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.

<sup>1</sup> 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, 2018

AUDITS	STATUS
<p><b>Court Administration – Court Fees</b> Court Fee administration materially complied with statutory requirements.</p>	<p><b>Report Issued</b> <b>10/10/17</b></p>
<p><b>Information Technology – Asset Inventory</b> Controls over technology asset and cellular equipment inventories are not adequate. Recommendations included in the report on our Review of Selected Non-Capitalized Asset Inventories have been implemented.</p>	<p><b>Report Issued</b> <b>10/24/17</b></p>
<p><b>Citywide Purchasing – Fraud Testing</b> Results of our tests disclosed no instances of fraudulent expenditures. Our audit was not designed to identify all potentially fraudulent expenditures and therefore, fraudulent expenditures may have occurred which have not been identified.</p>	<p><b>Report Issued</b> <b>12/19/17</b></p>
<p><b>Personnel – Benefits</b> Controls over participant eligibility for City major medical insurance benefits were adequate and operating effectively.</p>	<p><b>Report Issued</b> <b>12/19/17</b></p>
<p><b>Public Safety Sales Tax Report – FY 2017</b> Expenditures complied with the Journal Entry of Judgment and the report fairly presents revenues, expenditures and fund balances.</p>	<p><b>Report Issued</b> <b>12/19/17</b></p>
<p><b>Utilities – Bulk Sales</b> Wholesale water revenues were materially accurate, complete and consistent with applicable contracts and Ordinances.</p>	<p><b>Report Issued</b> <b>1/30/18</b></p>
<p><b>Transportation &amp; Parking – Meter Revenue</b> Controls over parking meter revenue were adequate and operating effectively, except for controls ensuring revenue source documents are completely and timely reconciled to PeopleSoft.</p>	<p><b>Report Issued</b> <b>5/8/18</b></p>
<p><b>Transportation &amp; Parking – Garage Operating Contract Follow-up</b> Previous recommendations to improve financial controls and contractual oversight have been substantially addressed, except for obtaining reliable parking system information for use in verifying the contractor’s monthly operating report.</p>	<p><b>Report Scheduled for Issuance</b> <b>7/3/18</b></p>

AUDITS, continued	STATUS
<p><b>Public Works – Street Construction Management Follow-up</b>            Previous recommendations have been partially implemented. Continuing opportunities for improvement include determining the reasonableness of authorized construction timeframes, applying liquidated damages for delayed projects, and performing daily inspections and managing construction timelines for unit price contracts.</p>	<p><b>Pending Management Response</b></p>
<p><b>Airports – Parking Garage Revenue</b>            Evaluate the adequacy and effectiveness of controls over parking garage revenue and administration of the parking management contract.</p>	<p><b>Report Draft</b></p>
<p><b>Parks – Contractor Equipment Maintenance</b>            Evaluating contractor compliance with equipment maintenance requirements at Myriad Gardens and Boathouse District.</p>	<p><b>Fieldwork</b></p>
<p><b>Parks – Payroll</b>            Evaluating the adequacy and effectiveness of controls over accurate, complete and timely processing of payroll.</p>	<p><b>Fieldwork</b></p>
<p><b>Police – Weapons Inventory</b>            Evaluating the adequacy and effectiveness of controls over weapon and ammunition inventories.</p>	<p><b>Planning</b></p>
<p><b>Development Services – Code Enforcement Inspections</b>            Assessing the timeliness and efficiency of the Code Enforcement Program.</p>	<p><b>Planning</b></p>
INVESTIGATIONS AND ADVISORY SERVICES	STATUS
<p><b>Personnel Policy Review Committee</b>            Advised the Ethics Committee in updating the City’s Personnel Policies.</p>	<p><b>Complete</b>  <b>7/18/17</b></p>
<p><b>Police - Records Management System Risk Assessment</b>            Assessed risks relating to the Police Records Management System considering information contained in the State Auditor’s April 2013 special audit report.</p>	<p><b>Complete</b>  <b>9/1/17</b></p>
<p><b>Paving Allegations</b>            Investigated allegations relating to administration of certain street construction contracts.</p>	<p><b>Complete</b>  <b>4/25/18</b></p>

INVESTIGATIONS AND ADVISORY SERVICES, continued	STATUS
<p><b>Ethics Committee</b>            Advised the Ethics Committee in updating the City’s Ethics Policy for consistency with the Code of Conduct included in the Personnel Policies.</p>	<p><b>Complete</b>  <b>6/5/18</b></p>
<p><b>Petty Cash Risk Assessment</b>            Assessed risks relating to issuance, maintenance and expenditures of petty cash funds.</p>	<p><b>Complete</b>  <b>6/9/18</b></p>
<p><b>Vendor Contract Risk Assessment</b>            Assessed risk of potential overpayments relating to certain food vendor contracts.</p>	<p><b>Ongoing</b></p>
<p><b>Parking Enforcement</b>            Consulting with management regarding efficiency and validity of citation issuances relating to enforcement of the pay-by-plate parking meter system.</p>	<p><b>Ongoing</b></p>
<p><b>Development Center Refund Process</b>            Assisting management in implementing prior audit recommendations relating to contractor prepaid account refunds.</p>	<p><b>Ongoing</b></p>
<p><b>Fee Study</b>            Assisting the Finance Department in determining whether selected service/permit fees appropriately recover related costs.</p>	<p><b>Suspended</b></p>



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 by source 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 2018.

***Allegation Type and Origin***

There were 55 allegations reported during fiscal year 2018, of which 65% were reported through the Hotline. Table 1 summarizes the various types of allegations received during the fiscal year.

TABLE 1	65%	35%	100%
ALLEGATION TYPE	HOTLINE	NON-HOTLINE	TOTAL
Policy/Code Violations	10	6	16
Fraud & Illegal Acts	6	10	16
Abuse/Misuse/Waste of Resources	4	0	4
Internal Control Weaknesses	1	3	4
Health & Safety Issue	3	0	3
Inappropriate Allegations	11	0	11
Inquiries	1	0	1
<b>TOTAL</b>	<b>36</b>	<b>19</b>	<b>55</b>

Allegations generally relate to operations within a City department. Table 2 lists allegations received during fiscal year 2018 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.

**TABLE 2**

DEPARTMENT	ALLEGATIONS <sup>1</sup>
Utilities	11
Police	10
Parks & Recreation	9
Development Services	5
Public Works	5
City Manager’s Office	3
Other	13
<b>TOTAL</b>	<b>56</b>

<sup>1</sup>Includes allegations relating to multiple depts.



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 2018.

DISPOSITION	ASSIGNMENT		
	REFER	INVESTIGATE	TOTAL
Non-Actionable	N/A	N/A	19
Department Resolution	16	0	16
Unsubstantiated	5	7	12
Substantiated – No Violation	1	2	3
Substantiated	1	1	2
Inconclusive	0	4	4
Open/Ongoing Allegations	0	0	0
<b>TOTAL</b>	<b>23</b>	<b>14</b>	<b>56</b>

**Results**

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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 2018, resulted in the following:

- ◆ Enhanced awareness of and/or compliance with existing regulations and/or policies governing:
  - sales and cash receipts
  - inventories
  - secondary employment
  - surplus property



## *Office of the City Auditor Independence Notification*

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*Fiscal Year 2019*

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

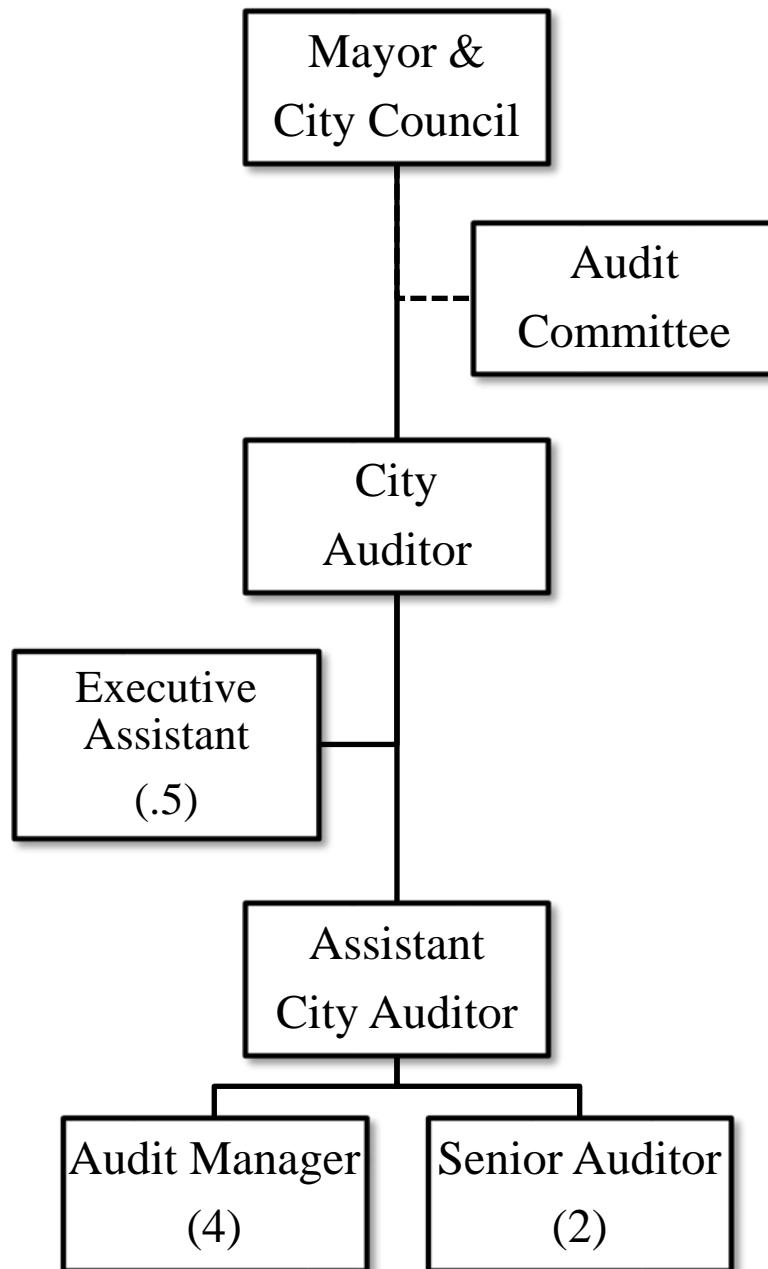
### *Bid Committee*

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.



Office of the City Auditor  
Organization Chart

As of July 1, 2018



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

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***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 34 years of auditing experience. Jim has held several positions with ALGA including President as well as several positions in the IIA's Oklahoma City Chapter including President. He currently serves on the ALGA Peer Review Committee, the Oklahoma Accountancy Board's Peer Review Oversight Committee, and on the Board of Directors 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. Matt has served on the ALGA Board of Directors and on the ALGA Peer Review Committee in various capacities including Chair. He has 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 21 years of auditing experience. He currently serves on the ALGA Publications Committee having previously served on the Online Resources and Communications Committees. Brett has held numerous positions in the IIA's Oklahoma City Chapter including President, Board of Governors, and Chairman of several committees.

***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 an Advisor to ALGA's Long-Term Conference Planning Committee and has contributed as a team member on two ALGA peer reviews. 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 32 years of auditing experience and two years of corporate accounting experience. Tim currently serves as the Associate Trustee for 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 14 years of auditing experience. Pamela currently serves as Webmaster and is on the Board of Governors for the IIA's Oklahoma City Chapter and has formerly served as President, 1<sup>st</sup> 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

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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.