

CITY AUDITOR
Jim Williamson, CPA, CIA

ANNUAL REPORT
Fiscal Year 2019
and
INDEPENDENCE NOTIFICATION
Fiscal Year 2020

MAYOR AND CITY COUNCIL

David Holt	Mayor
James Greiner	Audit Committee, Ward 1
James Cooper	Ward 2
Larry McAtee	Audit Committee, Ward 3
Todd Stone	Ward 4
David Greenwell	Audit Committee, Ward 5
JoBeth Hamon	Ward 6
Nikki Nice	Ward 7
Mark K. Stonecipher	Ward 8



Office of the City Auditor Annual Report

September 10, 2019

The Mayor and City Council:

The attached Annual Report highlights Office of the City Auditor operating results and activities during fiscal year 2019.

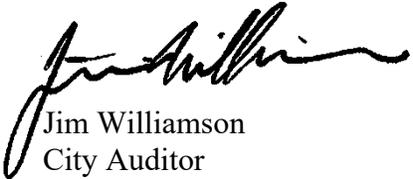
The extent to which significant goals were achieved for the Audit Services and Ethics Assurance Programs is discussed in the Key Performance Targets and Results section of this report.

A synopsis of fiscal year 2019 audit, investigation and advisory service projects is provided in the Audit Services Program section. These projects included:

- ◆ Parking Garage Operating Contract
- ◆ Street Construction Project Administration
- ◆ Airport Parking Garage Revenue
- ◆ Public Safety Sales Tax Expenditures
- ◆ Parks Contractor Equipment Maintenance
- ◆ Code Enforcement Abatements
- ◆ Code Enforcement Citations
- ◆ Police Weapon Inventory
- ◆ Radio Inventory
- ◆ Parking Enforcement
- ◆ Police Property Room Cash

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.



Jim Williamson
City Auditor



**Office of the City Auditor
Annual Report
Table of Contents**

	<u><i>Page</i></u>
<i>Key Performance Targets and Results</i>	<i>1</i>
<i>Audit Services Program Summary Report</i>	<i>2</i>
<i>Ethics Assurance Program Summary Report</i>	<i>4</i>
<i>Independence Notification</i>	<i>6</i>
<i>Organization Chart</i>	<i>7</i>
<i>Personnel Profiles</i>	<i>8</i>
<i>Duties and Responsibilities</i>	<i>10</i>



Office of the City Auditor
Key Performance Targets and Results

Fiscal Year 2019

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>FY17 Actual</i>	<i>FY18 Actual</i>	<i>FY19 Actual</i>	<i>FY20 Target</i>
1. % of City Council and other City decision makers rating audit services as “good” or “excellent”	85%	100%	100%	90%
2. % of audit recommendations accepted by management	100%	99%	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 18 satisfaction surveys relating to services provided during FY19.

Acceptance of audit recommendations is another indicator of service quality. In FY19, management accepted and provided estimated implementation dates for all 51 recommendations included in seven 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>FY17 Actual</i>	<i>FY18 Actual</i>	<i>FY19 Actual</i>	<i>FY20 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	94%	69%	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 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 32 allegations received, 22 were appropriately directed to the Hotline during FY19. Ongoing employee marketing and education efforts include worksite posters and brochures, intranet website, postcards directly mailed to employees, and presentations to new City employees and mid-managers.

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, 2019

AUDITS	STATUS
<p>Transportation & Parking – Garage Operating Contract Follow-up 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>Issued 7/3/18</p>
<p>Public Works – Street Construction Management Follow-up 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>Issued 8/28/18</p>
<p>Airports – Parking Garage Revenue Controls were adequate to ensure the accuracy of recorded revenues collected and deposited but were not adequate to ensure the completeness of those revenues.</p>	<p>Issued 8/28/18</p>
<p>Public Safety Sales Tax Report – FY 2018 Expenditures complied with the Journal Entry of Judgment and the Report fairly presents revenues, expenditures and fund balances.</p>	<p>Issued 12/18/18</p>
<p>Citywide Payroll Processing Follow-up Unresolved recommendations to improve controls over leave reporting and accrued balances included in our previous follow-up audit report remain partially implemented.</p>	<p>Issued 2/26/19</p>
<p>Parks – Contractor Equipment Maintenance Basic maintenance procedures are performed for Myriad Gardens and Whitewater Facility equipment; however, performance of more advanced procedures could not be confirmed.</p>	<p>Issued 3/12/19</p>
<p>Development Services – Code Enforcement – Abated Cases Abated cases were resolved timely and assessed accurately; however, controls should be improved to ensure performance levels are maintained.</p>	<p>Issued 4/23/19</p>
<p>Citywide – Purchasing Card Program Controls over purchases by selected cardholders are adequate and operating effectively, except for reviews of documentation supporting cardholder purchases at James Stewart Golf Course.</p>	<p>Issued 4/23/19</p>

Police – Weapons Inventory Firearm and ammunition inventories were accurate and complete; however, additional controls are needed to ensure inventory accountability and improve efficiency.	Report Draft
Information Technology – Radio Inventory and Follow-up Evaluating the adequacy and effectiveness of controls over radio inventories and assessing the status of recommendations included in our previous report relating to the City’s radio system upgrade.	Fieldwork
Development Services – Code Enforcement – Citation Cases Assessing the timeliness and efficiency of the Code Enforcement Program for property maintenance cases.	Fieldwork
Parks – Payroll Evaluating the adequacy and effectiveness of controls over accurate, complete and timely payroll processing.	Suspended

INVESTIGATIONS AND ADVISORY SERVICES	STATUS
---------------------------------------------	---------------

Development Center Refund Process Assisted management in implementing prior audit recommendations relating to contractor prepaid account refunds.	Complete 7/3/18
Vendor Contract Risk Assessment Assessed risk of potential overpayments relating to certain food vendor contracts.	Complete 7/16/18
Parking Enforcement Consulted with management regarding efficiency and validity of citation issuances relating to enforcement of the pay-by-plate parking meter system.	Complete 10/9/18
Police – Investigation Investigated alleged unfair labor practices, retaliation and harassment.	Complete 11/27/18
Public Works – Investigation Investigated allegations that pothole complaints received through the Action Center were prematurely closed.	Complete 1/14/19
Utilities – Investigation Investigated alleged conflict of interest relating to capital improvement contract.	Complete 1/29/19
Police – Property Room Assisting management in verifying Property Room cash inventory and dispositions.	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) 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 2019.

Allegation Type and Origin

There were 55 allegations reported during fiscal year 2019, of which 58% were reported through the Hotline. Table 1 summarizes the various types of allegations received during the fiscal year.

TABLE 1	58%	42%	100%
ALLEGATION TYPE	HOTLINE	NON-HOTLINE	TOTAL
Fraud & Illegal Acts	4	12	16
Policy/Code Violations	10	5	15
Abuse/Misuse/Waste of Resources	5	4	9
Internal Control Weaknesses	0	1	1
Health & Safety Issue	0	1	1
Allegation Not Related to City Ethics	10	0	10
Inquiries	3	0	3
TOTAL	32	23	55

Allegations generally relate to operations within a City department. Table 2 lists allegations received during fiscal year 2019 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
Police	10
Utilities	10
Public Works	9
Development Services	4
Information Technology	3
Other	9
Not Provided/Unknown	10
TOTAL	55

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 2019.

DISPOSITION	ASSIGNMENT		
	REFER	INVESTIGATE	TOTAL
Non-Actionable	N/A	N/A	17
Department Resolution	16	0	16
Unsubstantiated	7	8	15
Substantiated – No Violation	1	3	4
Substantiated	1	1	2
Inconclusive	0	1	1
Open/Ongoing Allegations	0	1	1
TOTAL	25	14	56

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 2019, resulted in the following:

- ◆ Enhanced awareness of and/or compliance with existing regulations and/or policies governing:
 - sales and cash receipts
 - purchasing
 - conflict of interest
 - acceptance of gifts

- ◆ Situation appropriate personnel-related actions, including employee counseling and reprimand.



Office of the City Auditor Independence Notification

Fiscal Year 2020

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

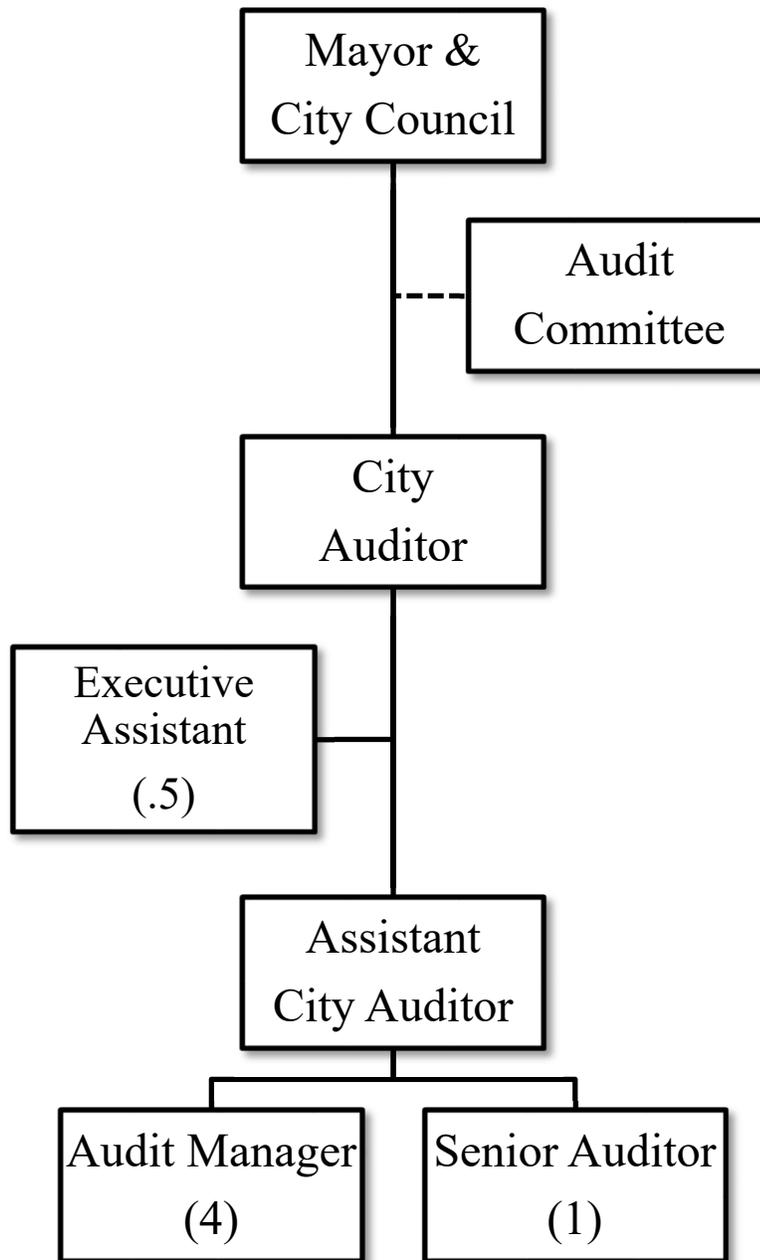
Bid Committee

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, 2019



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 currently serves on the ALGA Peer Review Committee. Jim is a member of the ACFE's Oklahoma City Chapter Board and has held 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. 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 24 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, 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 22 years of auditing experience. He currently serves on the ALGA Publications Committee having previously served on the Online Resources and Communications Committees. Brett has also served in numerous 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. She has 10 years of auditing experience and over 24 years of non-profit accounting and management experience. She previously served as Chair of ALGA's Long-Term Conference Planning Committee. Janet has held several positions, including President, for the Oklahoma Association of College and University Business Officers. She is also an IIA and OSCP member.

Lori Rice
MBA
Audit Manager

Lori joined the Office of the City Auditor in 2009. She has 10 years of auditing experience and over 15 years of experience in accounting and financial operations management. She is certified in the Six Sigma business improvement 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. She is also a member of ALGA.

Regina Story
MPA
Audit Manager

Regina joined the Office of the City Auditor in 2018 and has over 11 years of public sector finance experience across state and local governments. Prior to this experience, she worked in financial services for over seven years where she obtained her brokerage and financial advisor licenses. Regina is a member of the IIA and ALGA.

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 of the IIA's Oklahoma City Chapter and previously served on the Board of Governors. He is also a member of the IIC.

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
MPA = Master of Public 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.