



Report of Management Actions on Internal Audit Recommendations

As of June 30, 2016

City of Tulsa Internal Auditing
April 2016



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A handwritten signature in blue ink that reads "Cathy Criswell".

**Cathy Criswell, CPA, CIA
City Auditor**

AUDIT TEAM:
Mary Ann Vassar, CPA, CRMA – Internal Auditing Manager
Catherine Moore – Audit Data Analyst

Introduction

Internal Audit annually performs follow-up procedures to report actions taken by management on internal audit recommendations. This process accomplishes a charter duty of the City Auditor and provides an opportunity for City departments to review the results of audit work. We appreciate the cooperation of City departments involved in this effort.

Internal Audit has tracked audit results since the department was created in 1988. As of June 30, 2016 this tracking database contained 1095 recommendations. Twenty-five areas of the City have been covered by these recommendations. The chart below provides a historical summary of recommendations by department.

History of Audit Recommendations

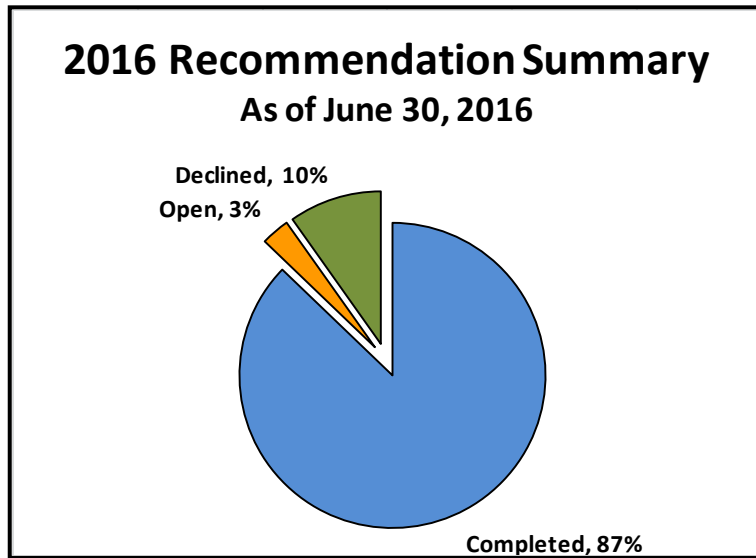
As of June 30, 2016

Department	Findings	Declined	Completed	Open
Airport	44	3	41	0
City Council	16	0	16	0
Citywide	45	7	32	6
CDEI	5	0	5	0
Development Services	21	2	19	0
Economic Development	6	1	5	0
Equipment Management	31	1	30	0
Finance	241	29	203	9
Fire	40	0	40	0
Gilcrease Museum	23	0	23	0
Grants Administration	8	0	8	0
Human Resources	116	8	103	5
Human Rights	8	0	8	0
Information Technology	122	11	102	9
Legal	13	1	12	0
Municipal Court	38	4	34	0
Parks	47	8	39	0
Performing Arts Center	7	0	7	0
Police	134	24	110	0
Public Works	105	9	96	0
Real Estate Management	5	0	5	0
Streets & Stormwater	3	0	1	2
Emergency Management	2	0	2	0
WIN	9	1	8	0
Zoo	6	1	5	0
TOTAL	1095	110	954	31

Internal Audit annually reviews the database to identify open corrective actions management has agreed to implement. Status update inquiry forms were sent requesting information on actions taken, changes in conditions or the need for additional implementation time. Based upon the information obtained through the inquiry forms status update process:

City Managers have accepted ninety percent (90%) of Internal Audit’s recommendations.

Eighty-seven percent (87%) of the recommendations are completed and three percent (3%) are open.



For reporting purposes, we assigned recommendations into one of the following categories:



Completed

We reviewed information provided by the audited entity and determined the agreed upon corrective action has been implemented per the report, status inquiry response or other follow-up procedures.



Open

We categorized an agreed upon corrective action as open when its implementation is in process or additional monitoring to ensure its completion is warranted.



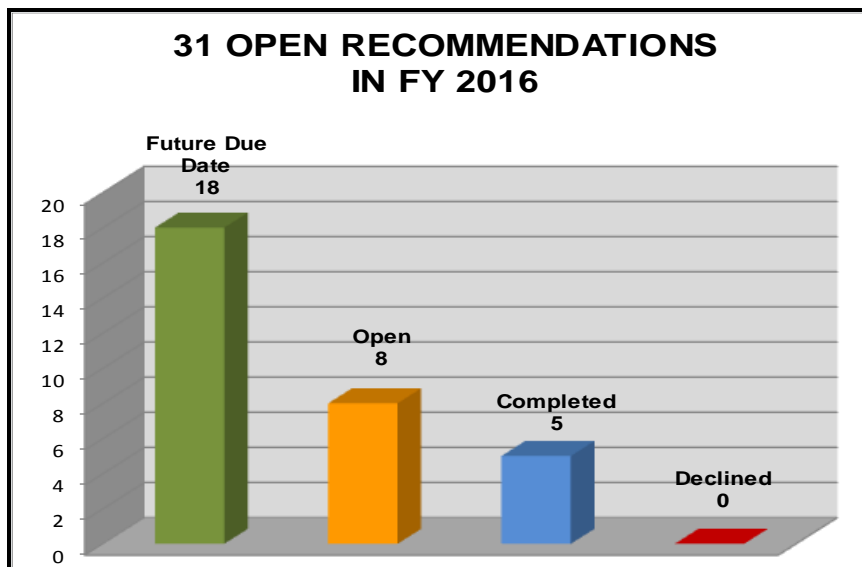
Declined

We categorized a recommendation as declined when it met one of the following conditions:

- 1) Departmental management does not agree with the recommendation and is not planning to implement. When management elects this option they are advised of their responsibility for accepting the identified risk that generated the recommendation.
- 2) The recommendation is no longer relevant based upon changed conditions.
- 3) Implementation is declined due to budget and/or staffing limitations or other factors beyond the control of management.

Implementation Status

As of June 30, 2016 there were 31 agreed upon open corrective actions in the database. Thirteen (13) of these had completion dates prior to June 30, 2016. Based upon the information obtained through the inquiry forms status update process, 8 corrective actions remain open, 5 were completed and 0 were declined. There are also 18 open corrective actions that did not receive status update inquiry forms because their follow-up dates are **after** June 30, 2016.



Future Due Date

Recommendations with follow-up dates after June 30, 2016.



Open

We categorized an agreed upon corrective action as open when its implementation is in process; or additional monitoring to ensure its completion is warranted.



Completed

We reviewed information provided by the audited entity and determined that the agreed upon corrective action has been implemented per the report, status inquiry response or other follow-up measures.



Declined

We categorized a recommendation as declined when it met one of the following conditions:

- 4) Departmental management does not agree with the recommendation and is not planning to implement. When management elects this option they are advised of their responsibility for accepting the identified risk that generated the recommendation.
- 5) The recommendation is no longer relevant based upon changed conditions.
- 6) Implementation is declined due to budget and/or staffing limitations or other factors beyond the control of management.

COMPLETED CORRECTIVE ACTIONS 2016

The table below summarizes corrective actions **completed** according to management's responses to the status update inquiry forms as of June 30, 2016.

FINDING	RECOMMENDATION	STATUS DETAIL
2014 Right of way Telecommunication Occupancy Fees - Streets & Stormwater/Finance		
Roles, responsibilities & tasks vested with the ROW Administrator cannot be fully performed because of lack of information when organization restructure occurs	Consider formally assigning ROW recovery documentation responsibility and periodic confirmation of costs, allocation and linear footage used in ROW recovery	The written guideline was distributed to the Director and Street Maintenance operation Manager in 2014 so that more than one person had the information necessary to produce a new calculation.
ROW ordinance provisions contain references to eliminated departments & personnel	Update ordinance to reflect current City structure & clarify roles, responsibilities for ROW monitoring & compliance	A draft was written and sent to Legal and Finance for review in 2014 /2015
2014 Use Tax - Finance		
Enforcement activities focus primarily on sales tax	Finance Department staff should work with OTC staff to identify specific procedures for use tax, including enforcement procedures for internet purchases. Consider establishing a quarterly meeting with OTC to promote coordination of analytic procedures.	Treasury staff established quarterly meetings with OTC Compliance Division in early 2016. The issue of enforcement procedures on internet sales and purchases has been discussed multiple times, including the groups last meeting in November 2016. OTC recently developed an online shopping program to verify that correct rates are being charged on online sales by retail locations. Findings emanating from the program resulted in the OTC working with developers of the tax software to ensure that rates are accurately programmed. Treasury staff will continue to work with the OTC to develop procedures to analyze and enforce reporting of internet purchases.

FINDING	RECOMMENDATION	STATUS DETAIL
2014 Use Tax - Finance		
<p>Oklahoma law on internet sales does not provide for changes in assessment rate</p>	<p>Treasury staff should request OTC to periodically calculate the relationship of federal adjusted gross income to use taxes paid based on actual internet purchases. OTC should be requested to provide the information to the legislature for adjusting the percentage.</p>	<p>In response to request from COT, OTC has calculated the relationship of Federal AGI to use taxes paid on individual income tax returns. The computations and change in assessment rate are expected to be part of the OML liaison board's discussion with the OTC Director in March.</p>
<p>Oklahoma law on internet sales does not provide for changes in assessment rate</p>	<p>Treasury Division Manager should discuss updates of the use tax percentage with OML board liaison. The group could decide the need to bring this matter to the attention of Oklahoma legislators.</p>	<p>The issue was discussed twice in 2016 at OML liaison board meetings. The last discussion was in December. The issue is expected to be placed on the agenda for discussion with the OTC Director, in March, 2017.</p>

OPEN FINDINGS – 2016

The table below summarizes corrective actions remaining **open** according to management’s responses to the status update inquiry forms as of June 30, 2016.

FINDING	RECOMMENDATION	STATUS DETAIL
2013 IT Infrastructure - Information Technology		
<p>The City has not defined role-based system access requirements. User access is defined on a case-by-case basis. Also, access control for many applications is administered by an application development group. Terminating access upon employee termination or transfer is labor intensive, has inherent delays and potential incompleteness. Policies, and possibly processes, do not address employee transfers and access provisioning and termination for contractors.</p>	<p>(1) Develop policy and process for defining and managing access to these systems.</p> <p>(2) With the primary business owner(s), define who should have access, and at what level (admin, edit, view-only) to each of these systems. Compare these required levels of access with actual system access. Change access to address any discrepancies</p> <p>(3) Manage access provisioning and termination to reflect employee and contractor hiring, transfers and terminations to departments using or supporting these systems that contain sensitive data.</p>	<p>ITD is reviewing all legacy systems for replacement, with security risk a consideration in the assignment of priority for replacement. ITD Resource availability has limited a full assessment of legacy systems and prioritizing the replacement. Unless additional resources are added to IT, this will not be a priority at this time. While HR is now sending regular notifications to IT regarding terminations and transfers, the process is still flawed and systems are still vulnerable. The new HR System as a part of ERP will resolve this issue not only for IT, but also Security for building security. Completed, IT implemented an approval process for granting access to anything requiring the Manager and Director’s Approval. All new applications are required to have AD integration. Design and policy work has begun for the implementation of multi-factor authentication through AD as well. Change Management policy is reviewed and updated regularly. Resource limitations have prevented much improvement on Patch Management, Deployment and configuration control. New systems have been identified and will be implemented in 2017 to address these concerns utilizing the limited resources available in ITD. IT Operations is working to create a release management process in 2017.</p>

FINDING	RECOMMENDATION	STATUS DETAIL
2013 IT Infrastructure - Information Technology		
<p>The IT control environment lacks critical policy, procedure and guideline documentation. A formal Business Continuity Plan (BRP) does not exist.</p>	<p>Business and IT Management should perform a business impact analysis and develop a disaster recovery plan and a business continuity plan.</p>	<p>This effort lost funding support from general funded departments leaving a partial Business Continuity solution. ITD has moved the remaining BCDR solution for TMUA from CityPlex to MidCon in OKC to provide for more geographical separation. Applications are currently being configured and procedures are being written. The estimated completion of documentation and testing will be December 2017. ITD has reorganized since this commitment and the current CIO and Directors will be reviewing this to determine if it is appropriate to following this framework or establish a more streamline framework and BCDR plan. It should be noted that ITD will only focus on BCDR of the data center. Each department is responsible for their BCDR plan for their operations.</p>
<p>A comprehensive review and update of IT controls has not been performed. However, the Internal Audit Department plans to conduct an IT General Controls Audit in 2012-13. Anecdotal evidence indicates that some of the policies and procedures that are in place do not accurately reflect current processes and practices. Many of the existing policies do not have supporting implementing procedures.</p>	<p>Refer to recommendations to other items in this assessment that pertain to the development and implementation of various policies and procedures.</p>	<p>IT has implemented many of the organizational and IT Governance recommendations from the PCG study. The CIO and Directors are currently working to streamline departmental policy while ITSB is working to define and streamline end user policies. The expected completion is December 2017.</p>

FINDING	RECOMMENDATION	STATUS DETAIL
2013 IT Infrastructure - Information Technology		
<p>Financial system segregation of duties are defined by the City's Finance Department and are manually implemented by the Finance Department and the applications development group that supports the finance systems. Segregation of duties outside of the finance systems is not defined, and therefore not documented.</p>	<p>(1) Business representatives should identify additional segregation of duty requirements.</p> <p>(2) The City should develop procedures to manage system access restrictions that support defined segregation of duties requirements.</p>	<p>The new ERP system is currently being implemented. These items will be completed when the system goes fully into production and the old systems are decommissioned.</p>
2015 VoIP Security - Information Technology		
<p>The four findings that were open remain open.</p>	<p>The scope of this testing covered areas of City operations deemed security-sensitive and confidential per Executive Order 2004-01. In accordance with this Order, the results of our testing were communicated only to appropriate management personnel.</p>	<p>These findings will continue to be monitored and the results will be communicated only to appropriate personnel.</p>

NEW RECOMMENDATIONS — 2016

This table summarizes seven (7) **new** recommendations added to the database during FY 2016.

FINDING	RECOMMENDATION	STATUS DETAIL
2016 Capital Improvement Planning- Finance		
Draft policies and procedures for capital improvement planning dated September 12, 2008 are process in nature and do not address GFOA recommendations	CIP policies and procedures should be expanded to include GFOA best practices or include links to the GFOA best practices in the written procedures.	New finding. Follow-up in 2017 ROMA.
There are no written policies which demonstrate how the CIP should be linked to the City of Tulsa's Comprehensive Plan (PLANITULSA).	Policies and procedures should include criteria for the CIP plan to be assessed as addressing priorities of the City's Comprehensive Plan.	New finding. Follow-up in 2017 ROMA.
2016 Vendor to Employee Data Comparison- Finance		
Employee reimbursements are paid using General Accounts Payable codes. Within the vendor master file there is no way to differentiate between employee reimbursements and employees acting as vendors.	Management should consider establishing unique identifiers for employee reimbursements as it has for employee travel.	New finding. Follow-up in 2018 ROMA.

FINDING	RECOMMENDATION	STATUS DETAIL
2015 Special Project- Data Analysis MERP - Human Resources		
<p>Comparison of 2013 and 2014 agency-submitted pension data and INFOR system pension data noted multiple differences for research and resolution by Human Resources team personnel.</p>	<p>Research and resolution of the minor differences in contribution amounts should be conducted. This process should be coordinated with Finance management, due to the significant impact of pension liability and disclosures on the financial statements created by the implementation of GASB Statement 68.</p>	<p>New finding. Follow-up in 2017 ROMA.</p>
<p>Comparison of submitted data and reports to the spreadsheet template also noted that suggested data/data fields appeared to be provided in a number of separate reports.</p>	<p>Although participant data needed by GRS is provided, re-structure of report format could result in improved actuarial processing and analysis efficiency. Moreover, GRS has requested a re-structure of report formatting.</p>	<p>New finding. Follow-up in 2017 ROMA.</p>

FINDING	RECOMMENDATION	STATUS DETAIL
2016 Special Project- Processes & Controls MERP -Human Resources		
<p>The Plan lacks clearly documented staff roles and responsibilities which led to administrative, internal control and compliance weaknesses for MERP.</p>	<p>Clearly define administrative oversight responsibilities with: 1-1a. MERP Board approve Administrator appointment.</p> <p>Define/clarify and assign responsibility for compliance/ administrative/ monitoring tasks, including:</p> <p>1-1b. Enhanced clarification of Administrator fiduciary role</p> <p>1-1c. Monitoring advisor, custodian, fund manager and legal firm compliance with contracts AND MERP policy</p> <p>1-1d. Retention of RFPs and related vendor bids</p> <p>1-1e. Contract approval and execution</p> <p>1-1f. monitoring operational and governance changes needed due to ordinance change</p> <p>1-2a. Define and assign responsibility for communication program development, including:</p> <p>1-2b. Responsibility for providing MERP summary info to agencies; development of hearing impaired service ideas</p> <p>1-2c. Responsibility for developing and furnishing confirm information to agencies</p> <p>1-2d. Responsibility for benefit statement development and issuance.</p> <p>1-3a. Assign formal responsibility for periodic performance of verification and reconciliation controls.</p> <p>1-3b. Assign responsibility for developing data submission standards for outside agencies.</p> <p>1-3c. Establish responsibility/purpose of verification/reconciliation controls (at 3a.) as detecting errors PRIOR to actuarial submission</p> <p>1-3d. Assign responsibility for establishing access to estimator tools for agency participants.</p>	<p>New finding. Follow-up in 2017 ROMA.</p>

FINDING	RECOMMENDATION	STATUS DETAIL
2016 Special Project- Processes & Controls MERP -Human Resources		
<p>Needed Plan controls and processes are not fully developed or documented.</p>	<p>Establish data verification processes and controls to detect and resolve data errors prior to submission to Plan actuaries. Processes and controls should include:</p> <p>2-1a. Verification of census data to personnel data</p> <p>2-1b. Verification of contribution data to payroll data</p> <p>2-1c. Reconciliation/roll-forward of census records to previous year records</p> <p>2-1d. Procedures for resolution and correction of errors.</p> <p>2-1e. Develop process to confirm submitted contribution and census data with agencies.</p> <p>2-1f. Develop data submission format and timeline protocols with actuaries & agencies which recognize time needs caused by GASB 68</p> <p>2-2a. Create process/control to monitor changes required by such developments</p> <p>2-2b. Establish RFP/bid retention process and requirements</p> <p>2-2c. Create process and documentation to monitor advisory firm compliance</p> <p>2-2d. Create process/control specifying responsibility for vendor contract execution</p> <p>2-2e. Develop a communication program with:</p> <ul style="list-style-type: none"> •communication protocol & specified formats •specified contact parties •specified communication methods and timeframes •explanatory materials for outside participant agencies •consideration/development of improved access to benefit estimator •consistently produced and formatted statements <p>2-2f. Develop agreements/detail defining responsibilities and processes between agencies</p>	<p>New finding. Follow-up in 2017 ROMA.</p>

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