



Report of Management Actions on Internal Audit Recommendations

As of June 30, 2021

**City of Tulsa
Internal Auditing**

Introduction

Internal Auditing annually follows up with the manager responsible for taking action on our recommendations. This process accomplishes our charter duty to report on recommendation status. The follow-up process involves identifying all open recommendations and either emailing a status request form or meeting with the responsible party. We update our records to reflect the status information provided.

For reporting purposes, we use the following categories for action status:

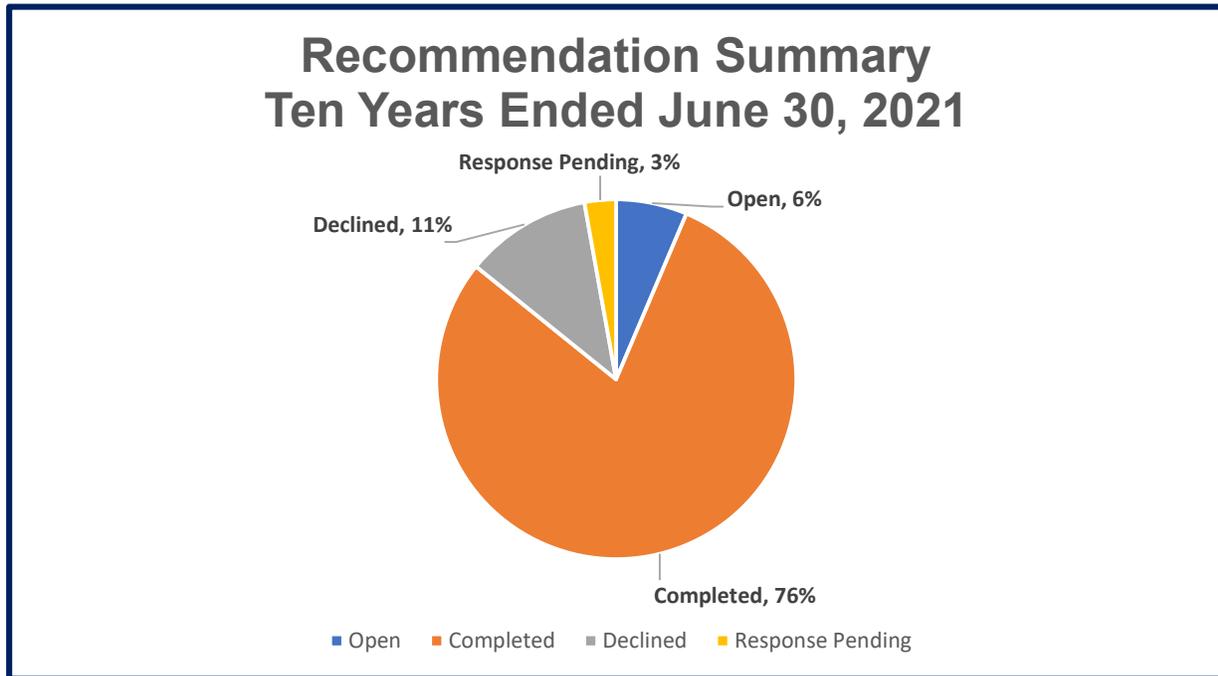
- Open – Management has agreed to take corrective action, but it is either pending or partially complete.
- Completed – Management completed corrective action.
- Declined - Declined recommendations are categorized as follows:
 - ▶ Management does not agree with the recommendation and is not planning any action. When management elects this option, we advise them of the type and level of risk associated with not acting.
 - ▶ Implementation is declined due to budget and/or staffing limitations or other factors beyond the control of management.
 - ▶ The recommendation is no longer relevant due to changes in conditions after the audit was completed.
- Response Pending – Management response was not obtained during the audit. Due date to follow-up on corrective action is set for one year following the audit report date.

Summary of Audit Recommendations by Department

Ten Years ended June 30, 2021

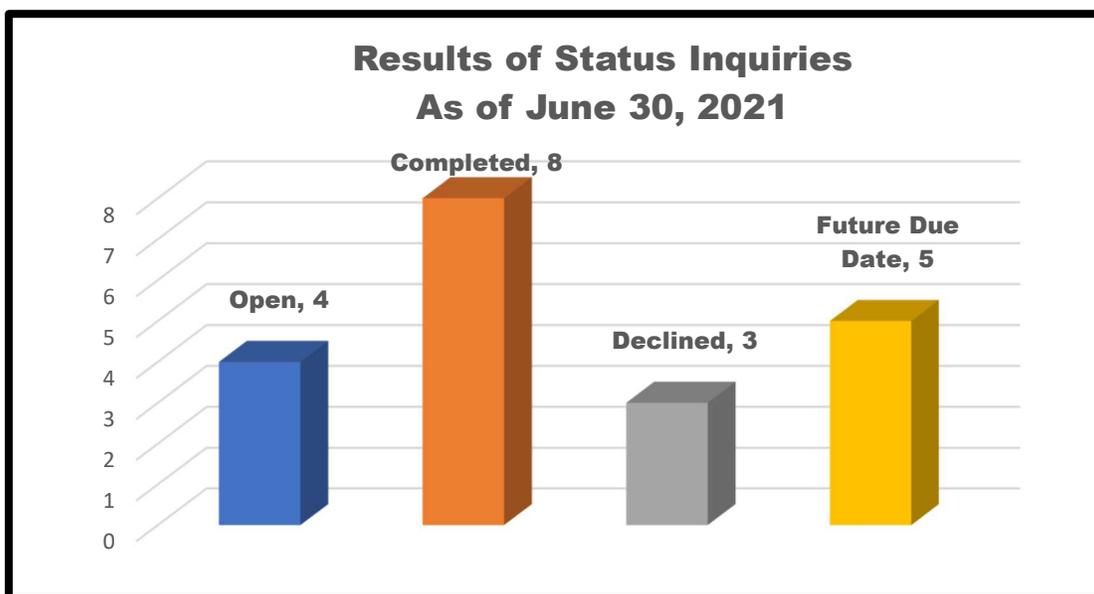
Department	Findings	Open	Completed	Declined	Response Pending
City-wide	9		7	2	
Finance	37	7	27	3	4
Human Resources	14	1	11	2	
Human Rights	7		7		
Information Technology	36	1	30	5	
Mayor	3		3		
Parks & Recreation	7		6	1	
Police	12		10	2	
Streets and Stormwater	3		3		
Working in Neighborhoods	9		8	1	
	<u>137</u>	<u>9</u>	<u>112</u>	<u>16</u>	<u>4</u>

Over the last 10 years, city managers have accepted 88% of Internal Auditing's recommendations. Our goal for management acceptance is 90%.



Implementation Status

As of June 30, 2021, there were 20 open corrective actions in our database. Our analysis of responses about corrective action indicated the following status.



The table below summarizes the information we received about the status of open findings.

2009 - Expenditure Analysis City-Wide 4 Completed		
Finding	Recommendation	Status
Access all spend data sources.	Automated extraction routines should be established to aggregate and update spend data from multiple sources on a regular basis.	Our new financial system, MUNIS, was implemented in December 2017. The data from the old system was reviewed and then only what was necessary to complete FY 18 financial analysis and reporting was loaded into MUNIS. Given that, the data in MUNIS is less than 3 years old and likely much less in need of cleansing than the data in our old system.
Classify spending at a detailed level.	The City should set goals each year to increase the percentage of spend classified at a detailed level. A high percentage of spend classified at a detailed level will enable the City to establish optimal purchasing strategies based on timely and accurate intelligence.	While our new financial system, MUNIS, implemented in December 2017, has greater reporting capabilities on spend data than our old system, INFOR, the general classification system used for expenditures remains the NIGP Commodity Codes (at a 5-digit level). That being said, MUNIS also reports based on "Org-Object" account coding that is useful for spend analysis. The General Ledger code system was reviewed and updated during implementation of MUNIS.

<p>Enhance core spend data with management information (business intelligence).</p>	<p>Management should consider initiating a spend data management program that will summarize spending trends and allow drill down from high-level summaries into individual transaction detail. This would allow for informed spending decisions for all levels of management, as well as better monitoring of spending. Future information system planning should provide business intelligence and supplier information to provide insight for devising optimal sourcing strategies.</p>	<p>With the implementation of our new MUNIS financial system in December 2017, our data analysis and reporting capabilities have changed dramatically since this audit was performed. In addition to that, initiatives for Data Classification, Data Governance, and Data Management have been undertaken, through our Office of Performance, Strategy, and Innovation. Given all these changes this audit finding should be re-evaluated based on the current situation.</p>
<p>Adopt a common transaction coding classification method citywide.</p>	<p>All spend transactions should be coded using a consistent and useful classification method.</p>	<p>While our new financial system, MUNIS, implemented in December 2017, has greater reporting capabilities on spend data than our old system, INFOR, the general classification system used for expenditures remains the NIGP Commodity Codes (at a 5-digit level). That being said, MUNIS also reports based on “Org-Object” account coding that is useful for spend analysis. The General Ledger code system was reviewed and updated during implementation of MUNIS.</p>

**2012 – Franchise Tax
Finance Department
1 Completed**

Finding	Recommendation	Status
Formal roles and responsibilities for monitoring and implementation of franchise ordinance requirements and changes not developed and specified across City	Establish roles and responsibilities for periodic assessment of franchise fee levels.	The Mayor's Office and City Council have established a process for monitoring franchise fee levels. City Council is currently considering ordinance revisions.

**2012 - Information Technology Infrastructure
Information Technology Department
1 Future Due Date**

Finding	Recommendation	Status
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.	(1) Develop policy and process for defining and managing access to these systems. (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 (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.	While many of the agreed actions are part of continued improvement efforts as upgrades and new products are brought on-board. Many systems utilize Active Directory for authentication services. There are new efforts underway to move Munis to AD Authentication. Processes for transferred and terminated employees have been completed between HR and IT but are currently being improved utilizing automation using Munis data. It is expected this should be completed over the next year. Our target completion for this is Dec 31, 2021.

2017 - Special Project Pay & Staffing

Human Resources

3 Completed / 2 Declined / 1 Pending Response

Finding	Recommendation	Status
<p>All our employees earn enough wage to cover one person's basic living expenses; but not all earn enough to cover expenses for two or more people. Most employees earn reasonable pay to cover 50% of basic living expenses for an average sized family. Many employees earn less than reasonable pay to cover 100% of basic living expenses for an average sized family.</p>	<p>Consider establishing a minimum pay standard after determining what percentage of responsibility an employees' pay should cover for other family members' basic living expenses.</p>	<p>This recommendation is difficult to achieve in an environment where pay is set for most employees through collective bargaining. We have made positive steps in recent years to increase entry level pay by close 10% for many employees. But pay policy is determined by many factors. We do annual review of market salaries for comparison and present to the Mayor and budget team along with pay increase recommendations. They make the final decisions on salary adjustments subject to the final budget approval by the City Council.</p>

<ul style="list-style-type: none"> • 59% of our positions have higher compensation than the surveyed government average; 96% of our positions have higher retirement payouts. • Most positions compared to similar positions at Broken Arrow have lower total compensation but higher retirement payouts. • Most positions compared to similar positions at Oklahoma City have lower total compensation and lower retirement payouts. • Construction Inspector I, Neighborhood Inspector II and Office Administrator II have lower total compensation than every surveyed government • Most positions compared to all industries (including private) have lower compensation and lower retirement payouts than the industry average 	<p>Consider raising compensation for positions that are consistently paid below all other surveyed governments; and creating action plans to meet or exceed total compensation provided by Broken Arrow and Oklahoma City.</p>	<p>We annually review market salary and make recommendations for increases based on that data. Those recommendations are then reviewed by the Mayor and Budget Team. If approved they become part of the annual budget subject to approval by the City Council. Pay adjustments made in FY21 and FY22 were based on market recommendations.</p>
<p>When predicted turnover is considered, the cost for providing a 2% increase is equal to the cost of withholding increases</p>	<p>Consider continuing dedication to consistent annual raises of at least 2% and rejecting salary freezes as a method for cost savings in future budgets.</p>	<p>HR provides annual salary increase recommendations to the Mayor and budget team that balances SPI increases and adjustments to pay charts. Please note most of our pay charts are part of collective bargaining agreements with Unions and we can't just change them without negotiations and ratification/approval process.</p>

<ul style="list-style-type: none"> • 95% of directors surveyed believe their departments are not appropriately staffed. (Excludes police and fire) • There is no city-wide standard or method for establishing appropriate staffing 	<p>Consider creating standard criteria for establishing optimal staffing in nonsworn departments.</p>	<p>Declined - Staffing levels are set by the Mayor’s budget process. This action item is outside of HR controls. Department Heads are tasked annually with requesting appropriate staffing for their work objectives.</p>
<p>At the time of this audit, two programs within the Performing Arts Center were identified as being non-core and not aligned with AIM objectives.</p>	<p>Consider evaluating department divisions at a service level to determine whether any services within department programs are non-core or not aligned with priorities established in the strategic plan</p>	<p>This finding is no longer relevant due to changed conditions. Performing Arts Center management now reports to the PAC board rather than to the Mayor.</p>
<p>90% of our core programs are within 1 full time employee/10,000 citizens of the average staffing levels for our comparison cities.</p>	<p>Consider conducting analysis of vacancy rates per non-sworn departments. This should include the amount of time budgeted positions are held open before filling and the amount of time exited positions are held vacant prior to hiring replacements.</p>	<p>Although we regularly review turnover data, we lost access to much of the information due to the Cyber Attack in May 2021 and have not yet seen all data access restored.</p> <p>Follow-up will be included in FY22 Report of Management Actions.</p>

**2017 - Employee Training
City-Wide
1 Declined**

Finding	Recommendation	Status
<p>Employees responded to a survey conducted by the Office of the City Auditor in 2015 indicating less than half of the respondents were satisfied with employee training and it was the highest response answered with the question what would help make their work group be more efficient. HR is not staffed to address all City's training needs.</p>	<ol style="list-style-type: none"> 1. Create and communicate a city-wide strategic plan; 2. Undertake a comprehensive assessment of the skills, knowledge and abilities needed to achieve city-wide goals; 3. Dedicate greater resources to training and improve communication of existing facilities and opportunities; 4. Incorporate interdepartmental knowledge transfer training requirements; 5. Create a city-wide training governance structure that allows for input from all departments on decisions that impact city-wide training; 6. Create a Training Coordinator position in the HR Department, create Training Coordinators for each department to ensure a training plan is developed and executed, and utilize the training governance body for coordinators to work together and share resources when available; 7. Assign the PPR working group with the task of ensuring that planning and reviews incorporate training alignment into the work they are doing to improve the PPR process; and 8. Create standardized records procedures and policies. 	<p>This finding is no longer relevant due to changed conditions. No one remaining on Training Task Force.</p>

**2018 - Results-Driven Contracting
Engineering Services & Finance Department
2 Open/Pending Responses**

Finding	Recommendation	Status
<p>One of the three example contracts did not include evidence of a requirement for vendor performance review. The three example contracts did not provide evidence of a mechanism to compare the performance of similar contractors to determine which are most effective. The three example contracts did not provide evidence of proactive sharing of data, documents, and information about contracts, procurement, and/or vendor performance to increase bid competitiveness and strengthen procurement transparency and accountability.</p>	<p>1)Engineering and Finance should implement contractor performance evaluations, such as scorecards or dashboards, that would compare contractors across a consistent set of metrics on an ongoing and periodic basis.</p> <p>2)Each Department should maintain a database for tracking contractor information and performance data, which should be shared city-wide to support decisions on contractor retention and selection.</p> <p>3)Engineering Services should provide an electronic means to capture contractor performance notes, which are currently handwritten.</p> <p>4)Purchasing and Engineering Services should identify a method to gather data related to subcontractor credentials and performance history.</p>	<p style="text-align: center;">Corrective action pending. Follow-up will be included in FY22 Report of Management Actions.</p>
<p>No evidence was provided to show active management of contracts using performance data to troubleshoot challenges and achieve desired outcomes, by engaging with contractors at least monthly during the contract period. No evidence was provided to show proactive sharing of data, documents, and information about contracts, procurement, and/or vendor performance to increase bid competitiveness and strengthen procurement transparency and accountability.</p>		

**2019 Purchasing
Finance/Purchasing Department
2 Open/Pending Responses**

Finding	Recommendation	Status
<p>MUNIS system users must manually select three-way matching when entering requisitions. The goal of three-way matching is to identify any differences in three important documents in the purchasing process: purchase order, invoice and receiving documents indicating acceptance of an item or service. Matching these three documents allows the City of Tulsa to prevent overspending or paying for something that was not received. If the user forgets to select three-way match, comparison of the three documents does not occur. The manual nature of this control and the volume of requisitions increase the risk of errors.</p>	<p>In our sample of requisitions, there were 58 instances where three-way match was applicable, but the user did not select this option. We recommend evaluating whether the system can be modified for three-way match to be the default, and only requiring a manual change if three-way match is not required.</p>	<p style="text-align: center;">Corrective action pending. Follow-up will be included in FY22 Report of Management Actions.</p>

<p>MUNIS purchase card transactions do not reduce blanket purchase order balance. A blanket purchase order (BPO) is used when multiple purchases will be made from a single supplier. Using BPOs saves purchasing staff time because they write only one purchase order for multiple transactions instead of writing a separate purchase order each time there is a need for a product. City employees buy from the supplier using a p-card or asking the supplier to invoice the City. Keeping a running balance on each BPO allows employees to make sure they do not spend more than has been authorized.</p> <p>The financial system deducts all purchases that are invoiced and paid by accounts payable staff from the BPO balance; however, the financial system is not programmed to deduct purchases made using a p-card. Department personnel are keeping records outside the financial system to track available BPO balance. This increases risk of employee error and overspending.</p>	<p>We recommend the Finance Department create a report that each department can use to track BPO transactions and balances whether the payment is through invoice or p-card.</p>	
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**2020 Accounts Payable
Finance/Accounts Payable Department
2 Future Due Dates**

Finding	Recommendation	Status
<p>The City’s financial system cannot directly communicate payments to the bank; therefore, a manual process has been adopted. Information is transferred two times in this manual process. No detailed reconciliation at the transaction level is completed.</p>	<p>A reconciliation should be performed to ensure accounting records and bank records match. A reconciliation helps ensure any differences between accounting and bank records can be detected and corrections made.</p>	
<p>In comparing employee bank accounts to vendor bank accounts, we found a match. We examined transactions with this vendor and found purchases had been made from an employee-owned business. All these purchases were made using purchasing cards. None of the purchases were made by the employee who owns the business. It appears employees who made the purchases were not aware this was an employee-owned business.</p> <p>Section 1000.1 of the Purchasing Cards Policies and Procedures manual states, “A cardholder is prohibited from using the p-card to make a purchase from any city employee for any purpose.” Allowing employees to purchase goods and services from an employee-owned company may result in improper purchases and higher costs.</p>	<p>Purchasing should adopt a data analytic designed to identify when employee bank accounts match a vendor bank account and review any transactions with the employee-owned business.</p>	<p style="text-align: center;">Follow-up on these findings is deferred until 10/30/21.</p>

2021 - Quarterly Risk Report
Finance/Purchasing Department
1 Future Due Date

Finding	Recommendation	Status
No errors or improper transactions were noted in our review of 182 risk flags in the Vendor Maintenance module.	A review of the vendor list should be performed to ensure that duplicate vendors with different designations (e.g. financial/non-financial) are not maintained in the system. Duplicate vendors increase the risk of improper transactions.	Follow-up on these findings is deferred until 04/15/21.