



Sensitive Payments Audit Summary

Why OCA did this project:

Sensitive Payments are transactions that carry the possibility for city officials, executive management, and certain employees to receive inappropriate benefit due to their position of influence.

Project Scope:

Examine internal controls and test transactions for activities pertaining to travel, official entertainment, unvouchered expenditures, contracting and consulting, speaking honoraria, ethics and conflicts of interest rules, and executive perquisites for fiscal years 2021 – 2023.

How OCA did this project:

Following the U.S. Government Accountability Office (GAO) “Guide for Evaluating and Testing Controls Over Sensitive Payments,” we conducted the following procedures:

- Determined the adequacy of internal controls over sensitive payments.
- Assessed compliance with applicable laws, ordinances, policies and procedures regarding sensitive payments.
- Verified that executive expenses are properly authorized and approved.
- Verified that executive expenses are accurately and promptly recorded and reported.
- Evaluated corrective action taken on prior year sensitive payment findings.

Significant Results:

Overall, internal controls for Sensitive Payments are effective. Some improvements are needed to reduce the risk of fraud and prevent errors and irregularities in executive travel and reimbursements.

Key observations:

- Multiple travel expense claims were non-compliant with City of Tulsa Personnel Policies and Procedures and/or City Ordinances.
- Internal Controls are not sufficient for approval of travel for department directors.
- Travel expense policies and procedures and training materials need updates.

Sensitive Payments Review

Fiscal Years 2021-2023

Audit Objective:

Review transactions that carry the possibility for city officials, upper-level management, and certain employees to receive inappropriate benefit due to their position of influence.

Methodology and Results:

Travel:

We reviewed transactions by department heads and city councilors during the period January 1, 2021 to May 23, 2023. Using data analytics, we reviewed MUNIS Employee Self Service (ESS) activity for compliance issues, errors, and other risk-related indicators.

The data analytic review produced multiple opportunities for improving processes, compliance, and efficiencies in ESS workflow configurations. (See Observations 1 through 5).

Official Entertainment Funds

Through inquiry and observation, we confirmed the City of Tulsa does not have official entertainment funds.

Unvouchered Expenditures

Through inquiry and observation, we confirmed the City of Tulsa does not support unvouchered expenditures.

Contracting and Consulting

We verified the City has proper procedures in place for providing written disclosures of conflicts of interest, and surveyed thirty-five (35) city officials to assess who in authoritative positions have conflicts of interest and whether proper procedures are followed when they occur. Twenty-eight (28) of thirty-five (35) city officials responded to the survey.

All of the respondents stated they did not have personal or financial interests in any individuals or businesses that provide goods or services to the City of Tulsa. (See Appendix for summary of survey results).

Speaking Honoraria, Gifts and Donations

We selected a sample of non-travel related donations received during fiscal years 2021-2023 and reviewed them to determine compliance with City of Tulsa Policies and Procedures, Executive Orders and Ordinances. (See Observation 4 & 5 for findings)

regarding travel donations.) No exceptions were noted in our review of non-travel related gifts and donations, and there were no speaking honoraria during the scope period.

Ethics and Conflicts of Interest Rules

We surveyed thirty-five (35) city officials to assess ethical tone at the top and evaluate controls related to ethics and conflicts of interest rules. Twenty-eight (28) of thirty-five (35) city officials responded to the survey. (See Appendix for summary of survey results.)

Survey results indicate that internal controls related to ethics and conflicts of interest are adequate and provide reasonable assurance there is an ethical tone at the top and employees are aware of what constitutes ethics violations and conflicts of interest.

Executive Perquisites

Executive perquisites are benefits provided to executives above and beyond benefits provided to all other employees. Through inquiry and observation, we confirmed the City of Tulsa does not provide executive perquisites.

Follow-up on Prior Observations

We evaluated recommendations from previous Sensitive Payments Reviews to determine whether corrective action was completed. Three prior Sensitive Payments Review observations required follow-up.

- **Recommendation 1:** Update Ethics guidance and respective onboarding attestations.
Status: Human Resources is currently implementing the recommendation.
- **Recommendation 2:** Update and centralize travel related policies and guidance.
Status: Due to turnover in the Finance Department, this recommendation was not implemented.
- **Recommendation 3:** Provide additional procedural guidance for executive travel and reimbursements emphasizing the importance of the review and approval process.
Status: Due to turnover in the Finance Department, this recommendation was not implemented.

There continues to be a need for updated travel policies and procedural guidance. See Observations 1 – 5.

Observations:

Observation 1:

Travel expense claims with incorrect dates were submitted and approved without proper review.

Expense reports with erroneous system default entry dates of 12/31/1899 were submitted and approved. Approval of these claims indicates that they were not properly reviewed for accuracy despite being certified as accurate by the employee and Department Head or Mayoral Designee. When an employee completes a claim with dates that are incorrect or blank it is difficult to determine whether that employee submitted final expenses for approval within two weeks of trip completion, in accordance with City of Tulsa Personnel Policies and Procedures (Section 807.63).

Recommendation:

Provide training on how to input and properly review travel claims. Adjust ESS to either automatically enter date of entry for expense claim or to not allow entry of dates that are before the date the expense form is completed.

Response:

The Enterprise Systems Manager (ESM) agrees with these recommendations and will make suggested changes within ESS, as feasible based on current functionality, and provide training for end users as recommended. The issue causing the incorrect date to be auto entered into the expense claim has been identified as a software defect, and a fix has been requested by ESS software provider.

Observation 2:

Several travel expense claims did not comply with City of Tulsa Personnel Policies and Procedures.

- One claim contained a final expense that was submitted three weeks prior to trip completion. An estimate for expenses was not submitted prior to travel. This violates City of Tulsa Personnel Policies and Procedures (COT PPPM) Section 807.63, which states final expenses should be submitted within two weeks of trip completion.
- One claim requested, and was granted, a cash advance for Ground Transportation. This violates COT PPPM: 807.74 which states proper receipts are required for reimbursing expenses for parking, tolls, and shuttles.
- One claim requested, and was granted, mileage that exceeded the cost of available airfare. This violates COT PPPM: 807.75 which states personal vehicle expenses will be reimbursed up to the maximum of the cost of the least expensive and available airfare flying to and from the destination.

Recommendation:

Provide training to employees on how to input travel claims and training for travel coordinators on travel policies. Place specific instructions and definitions in an ESS Resources drop down menu. If possible, change ESS set up to prevent policy violations.

Response:

The ESM Manager agrees with these findings, and will make suggested changes within ESS, as feasible based on current functionality, and provide training communication to end users as recommended.

Observation 3:

Five departments do not have a Mayoral Designee approver in their Munis workflow approvals.

We found instances where department heads submitted and approved travel expense claims without Mayoral designee approval. This resulted from a missing step in the Department Heads ESS approval workflow for Mayoral Designee approval. Executive Order 2021-05 states that travel authorizations for department heads “shall be submitted for approval to their supervisor as designated by the Mayor”. Lack of oversight over travel claims provides an opportunity for fraud.

Recommendation:

Add a Mayoral Designee approval step to the Munis approval workflow for department heads.

Response:

ESM Manager agreed with this recommendation and completed corrective action during this audit.

Observation 4:

Donations by government agencies are not consistently processed and presented to the Mayor for approval.

We found one instance where a Fire Department employee traveled to a government agency sponsored training. City of Tulsa paid for the employee’s travel expenses. The government agency then donated travel expenses directly to the City employee, who after receiving the donation, reimbursed the City. This reimbursement was not classified as a donation to accounts payable and was not approved by the Mayor. When interviewing the department and accounts payable personnel, it was discovered that this was not an uncommon practice. The government agency that provides the travel donation classifies the donation as a “stipend” and the employee was following this agency’s procedures for receiving payment for cost of travel to the training.

City Ordinance mandates that all travel expense donations made by governmental agencies shall be approved by the Mayor or his designee, and all donations shall be documented and accounted for as provided by law. There is a lack of transparency when travel donations by government agencies are made directly to employees and/or are not approved by the Mayor. Furthermore, allowing government agencies to make direct payments to City employees allows for the possibility of kickbacks and other fraud.

Recommendation:

Revise Fire Department procedures for accepting travel donations from government agencies, including discontinuing the allowance of direct payments to City employees.

Response:

The Fire Chief agrees with the recommendation and will take the following corrective action: 1. Discuss the process with the government agency to evaluate a direct payment process, 2. Follow the established approval process to ensure compliance and, 3. Issue a department Administrative Order to formalize the process.

Observation 5:

The current City of Tulsa Personnel Policy and Procedures Manual does not fully reflect the requirements of City Ordinance.

Tulsa City Ordinances Title 12 Chapter 5 Section 505 Donation of Travel Expenses states: *“All travel expense donations shall be approved by the City Council except those made by governmental entities or agencies, **which shall be approved by the Mayor or his designee**. Approved travel expense donations shall be documented and accounted for as provided by law.”*

City of Tulsa Personnel Policy and Procedures Section 807.51 states *“City ordinances stipulate that all travel expense donations shall be approved by City Council. Travel expense donations mean any travel-related expense paid in whole or in part by any person, firm, or corporation other than the City of Tulsa (**Government agencies excluded**) and shall include all contribution, proceeds or honoraria received in connection with travel for official City business or professional development.”*

As currently written, PPPM: 807.51 omits the requirement for Mayoral approval of travel donations made by government agencies, as required by City Ordinance. This omission creates the risk that City employees may unknowingly violate City Ordinance by not getting proper approvals for travel donations from government agencies.

Recommendation:

Revise PPPM: 807.51 to include the requirement for approval by Mayor or his designee for all travel expense donations made by government agencies.

Response:

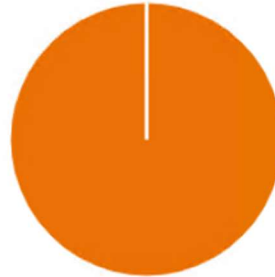
The Human Resources Director agrees with the recommendation and will work with the Finance Director to determine if the revised policy should remain within the Personnel Policies and Procedures Manual or be moved to an updated travel policy within Finance.

Appendix

Contracting and Consulting | Ethics and Conflict of Interest Rules Survey Results

1. Are there any individuals or businesses in which you have a financial or personal interest that provide goods or services to the City.

● Yes	0
● No	28



2. Have you filed a written disclosure of this financial or personal interest with the City Clerk?

Yes	0
No	0

3. Employees are informed about what constitutes a conflict of interest.

● Agree	14
● Somewhat Agree	10
● Neither Agree nor Disagree	3
● Somewhat Disagree	0
● Disagree	1



4. Employees are informed about what constitutes an ethics violation.

● Agree	13
● Somewhat Agree	9
● Neither Agree nor Disagree	4
● Somewhat Disagree	1
● Disagree	1



5. City management sets a good example of ethical conduct.

● Agree	25
● Somewhat Agree	2
● Neither Agree nor Disagree	1
● Somewhat Disagree	0
● Disagree	0



6. Employees can report unethical behavior without fear of retaliation.

● Agree	21
● Somewhat Agree	4
● Neither Agree nor Disagree	3
● Somewhat Disagree	0
● Disagree	0

