City of Tulsa
Office of the City Auditor

2007 Annual Report
2008 Audit Program
The people elect an auditor to keep an independent watch over city operations and the resources they have provided to the government. Citizens want accountability from the city government that resources are safeguarded and efficiently and effectively applied to the intended purposes. The mission of the City Auditor is to provide accountability of city government.

**Goals**

To achieve this mission, the City Auditor’s Office will strive to:
- Recommend adequate controls and safeguarding of assets
- Assess compliance with regulations, statutes, ordinances and established practices
- Assist management in improving operations and reducing risk of loss or waste
- Review sensitive areas and report irregularities and dereliction of duties

**Methodologies**

The City Auditor’s Office follows the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors in performing audits and managing the Internal Auditing Department. To achieve the goals of our mission, we:
- Perform internal audits as part of an annual plan including evaluation of internal controls and compliance with regulations, statutes, ordinances, and established practices
- Perform internal control reviews
- Review systems development activities
- Perform special projects
- Perform control self-assessments
- Provide consultation services
A Message from the City Auditor

Internal Auditing adheres to the *International Standards for the Professional Practice of Internal Auditing* which includes a requirement to monitor and evaluate the effectiveness of the City’s risk management process. We have encouraged management to establish a risk management policy for our city government as have the external auditors.

A risk management process identifies, assesses, and addresses risks that threaten achievement of the City’s objectives. The City identifies root causes of unwanted outcomes. Once causes are identified, City-wide risk mitigation strategies are applied. The City will benefit by having an efficient, proactive approach to managing risk before a negative event occurs.

As a first step, during 2007, management made significant progress by establishing strategic objectives. The Mayor defined three areas: economic vitality, public safety and education. Managers then defined nine community level results statements and 25 population indicators to track progress. The Mayor’s staff plans to monitor actual performance on the population indicators and department outcome measures throughout the year.

While Internal Auditing conducts an annual risk assessment process for audit planning purposes, the authority to establish an enterprise-wide risk management policy lies with the executive branch. The next step in implementing enterprise-wide risk assessment will be to develop a risk portfolio. We look forward to working with the Mayor and City Council to reduce risk for our community and support accomplishment of objectives within Tulsa City government.
Audit Staff

The Office of the City Auditor consists of the elected City Auditor and the Internal Auditing Department. Internal Auditing’s staff consists of eleven professionals.

<table>
<thead>
<tr>
<th>Jim Bella, CISA</th>
<th>Ike McNutt, CPA, CIA, CGAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDP Auditor</td>
<td>Senior Auditor</td>
</tr>
<tr>
<td>BS, Industrial Management</td>
<td>BA, Liberal Arts</td>
</tr>
<tr>
<td>Master, Business Administration</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kelly Brader</th>
<th>Nathan Pickard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Auditor</td>
<td>Staff Auditor II</td>
</tr>
<tr>
<td>BS, Business Management</td>
<td>BS, Business Administration</td>
</tr>
<tr>
<td>Master, Business Administration</td>
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<table>
<thead>
<tr>
<th>Cathy Criswell, CPA, CIA</th>
<th>Rick Rose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Manager</td>
<td>Assistant Staff Auditor</td>
</tr>
<tr>
<td>BS, Business Administration</td>
<td>BS, Business and Management</td>
</tr>
<tr>
<td>BS, Business Administration</td>
<td>BS, Business Information Systems</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Steve Jackson, CPA</th>
<th>Steve Wagner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Manager</td>
<td>Senior Auditor</td>
</tr>
<tr>
<td>BS, Accounting</td>
<td>BS, Administration</td>
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</table>

<table>
<thead>
<tr>
<th>Ron Maxwell, CIA, CFE</th>
<th>Phil Wood, CIA, CFA</th>
</tr>
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<tbody>
<tr>
<td>Chief Internal Auditor</td>
<td>City Auditor</td>
</tr>
<tr>
<td>BS, Business Administration</td>
<td>BA, History</td>
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</table>

<table>
<thead>
<tr>
<th>Tina McIntosh</th>
<th>Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff Auditor I</td>
<td>Staff Auditor</td>
</tr>
<tr>
<td>BS, Business</td>
<td></td>
</tr>
<tr>
<td>MS, Management</td>
<td></td>
</tr>
</tbody>
</table>

Professional Certification

Professional certification is strongly encouraged for all audit staff. Six of our staff hold professional certification. Certifications include four Certified Internal Auditors, three Certified Public Accountants, a Certified Fraud Examiner, a Chartered Financial Analyst, a Certified Information Systems Auditor, and a Certified Government Audit Professional. One staff member is a Certified Internal Auditor candidate, and another is a Certified Public Accountant candidate.
Internal Auditing completed seven audits, one follow-up review and one special project during the period. Audit reports contained a total of 45 suggestions for improvement of City operations. The chart on the left shows the status of corrective action at the time the audit reports were issued. Management agreed to implement all of the suggested improvements, resulting in an overall recommendation acceptance rate of 100% for the year. Management had completed corrective action on five recommendations at the time of report issuance and was in the process of making corrections for one recommendation. Corrective action was pending for 39 recommendations.
Audit Abstracts

Software Licenses
The City of Tulsa has recently consolidated the information technology functions from several different areas into one department. With the awareness that different technology groups functioned in different ways, Internal Auditing took the opportunity to analyze and evaluate controls for procurement, inventory, documentation and disposal of software licenses in the seven divisions of the newly consolidated function. The audit included five findings addressing improvement of citywide and departmental procedures, designating responsibilities, and changing budgeting processes.

Council Budget Process
This project reviewed the process through which the Tulsa City Council receives budget information, reviews, and approves the budget. We noted the Council staff has developed a process that helps focus budget priorities on community needs. Improvement suggestions included defining budget process procedures, evaluating additional sources for citizen input, and improving coordination of the budget process between Council and Mayor.

Hiring and Promotion Process
This audit evaluated the City’s processes for hiring and promoting employees. We found that the Employment Division has established policies and procedures understood by staff, and that management emphasizes consistency in hiring and promotions. We recommended improved controls for developing personnel policies and procedures and a more clear definition of the Civil Service Commission’s duties. We noted the City has inadequate funding for thorough background checks and continuing professional education and no formal risk assessment process.

Grants-Workforce Development/Community Service
The City’s Finance Department performs financial accounting and reporting for grants received from federal and state agencies. We found that drawdowns for grants were not submitted and recorded consistently and timely, and there was no manual of policies and procedures. Since completion of fieldwork by Internal Auditing, management implemented several recommended improvements, including timelier accounting, cross-training employees in grant duties, and improved communications between Grants Accounting and the Treasury Division.
Help Desk Evaluation
The observations in this audit report are directed toward development of a streamlined process for resolving information technology issues. The City was moving from maintaining several help desks in various forms and several types of software. Streamlining began with management’s decision to consolidate information technology into one department. We recommended management continue this process by using an Information Technology Infrastructure Library framework to drive the consolidation. We also reported a framework would help ensure a more balanced workload and better management information.

Enterprise Risk Management
During 2007, management made significant strides in establishing strategic direction. The Mayor defined three strategic areas: economic vitality, public safety and education. Community leaders and scholars presented information on these topics and they were the focus of discussions with managers from every department and agency included in the City’s budget process. The Mayor’s staff led participants through a structured thought process to help them develop both quality and quantity performance measures that focus on customer service. Internal Auditing recommended management take the next step in implementing enterprise-wide risk assessment. This step focuses on developing an enterprise-wide risk portfolio, including all the risk events faced by the City of Tulsa, a measurement of their significance, and a risk response plan.

Visit www.cityauditorphilwood.com for more information on these and other projects.
Highlights of the Year

Auditing Smarter

Internal Auditing has intensified its use of data extraction and analysis to improve audit results. Data extraction allows quick analysis of massive amounts of information. For example, we downloaded all the expenditure transactions on the City’s accounting system for five fiscal years. This includes over 70,000 lines of data. We can search this data in just seconds to answer questions about how the City spends funds. In addition to Internal Auditing’s analysis, we began instructing other City employees on data extraction and analysis.

Supporting Ethics

An ordinance passed in 2005 created a code of ethics for employees, elected officials, and appointed officials. Internal Auditing has established a working relationship with the Ethics Advisory Committee. We continue to assess citywide ethics each year and make improvement recommendations. In addition, the Office of the City Auditor continues to fund and support an ethics hotline which receives calls regarding ethics issues from employees, citizens, and vendors.

Earning Accolades

Internal Audit Manager Cathy Criswell received the 2007 Auditor of the Year award from the Tulsa Chapter Institute of Internal Auditors (IIA). The IIA gives this award each year to the member who stands out as having made quality contributions through initiative and attitude. Cathy has been a member of the IIA for 19 years and supports the organization in several ways, including writing the monthly newsletter, arranging local educational offerings, and leading seminars.

Moving up

After almost three years of working on four floors, Internal Auditing staff moved to the sixth floor of City Hall. Our staff was happy to be together once again.


**Risk Identification**

Internal Auditing asked department directors, and other executive-level leaders at the City of Tulsa to share their thoughts on the most significant risks. Following are the risk areas most often mentioned:

<table>
<thead>
<tr>
<th>High Risk Area</th>
<th># times cited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Move to One Technology Center</td>
<td>9</td>
</tr>
<tr>
<td>Revenue/Resources/Funding decisions</td>
<td>6</td>
</tr>
<tr>
<td>Employee pay</td>
<td>6</td>
</tr>
<tr>
<td>Employee turnover</td>
<td>4</td>
</tr>
<tr>
<td>Security/Asset protection</td>
<td>4</td>
</tr>
<tr>
<td>Technology/Information needs</td>
<td>4</td>
</tr>
</tbody>
</table>

Following are highlights from managers’ comments regarding these risks:

**Move to One Technology Center**
Managers cited several risk factors related to the upcoming move. Primary concerns included the move’s impact on city employees and customers. Also mentioned were risks related to building security and the financial impact of the move.

**Revenue/Resources/Funding Decisions**
The city continues to operate on the edge with sales tax representing the primary income source. There is a mismatch of resources available and services provided by the City. The most likely means of continuing City services will be to identify additional means of funding.

**Employee Pay**
City employee pay has not kept pace with the market for many positions. This affects the City’s ability to recruit and retain employees.

**Employee Turnover**
Turnover at the top level of management has increased risk. Managers are also experiencing turnover in other employee positions, especially skilled and professional jobs.

**Security/Asset Protection**
Managers expressed concern about protecting city facilities, assets, and customers from loss and injury.

**Technology/Information Needs**
The City’s computer systems are outdated. Obtaining the information necessary to make management decisions is cumbersome.
Process for Selecting Audit Projects

The Office of the City Auditor is responsible for discharging the duties set forth in Article IV of the City of Tulsa 1989 Amended Charter, as follows:

- Examine the accounts of all offices, divisions, departments, boards, authorities, commissions, and agencies of the City of Tulsa
- Make appraisals, comments, and recommendations on the systems and procedures for keeping and maintaining the financial records, accounts, and inventories
- Report results to the Mayor and Council

Internal Auditing develops and executes an annual audit program to carry out these duties. The program is designed to allocate limited audit resources to the most beneficial purposes.

To help maintain confidence and trust in the professionalism and integrity of our audit work, the City Auditor’s Office follows the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. The Standards specify that selection of audit projects for application of limited audit resources should be based on a sound risk assessment.

**Focus Process** - Internal Auditing has developed a risk assessment model to help ensure a systematic, thorough and objective approach for prioritizing selection of projects for the Internal Audit Plan. Entitled FOCUS (representing Factors Operating to Create Ultimate Success), the risk model considers six factors. Each of these risk factors has defined evaluation criteria.

<table>
<thead>
<tr>
<th></th>
<th>Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Size</td>
<td>What is the dollar value of the assets, budget or revenues of the activity?</td>
</tr>
<tr>
<td>2</td>
<td>Security</td>
<td>How safe are the assets from conversion to private use?</td>
</tr>
<tr>
<td>3</td>
<td>Trust</td>
<td>How much impact does the activity have on customers – the citizens of Tulsa</td>
</tr>
<tr>
<td>4</td>
<td>Simplicity</td>
<td>How complicated is the activity?</td>
</tr>
<tr>
<td>5</td>
<td>Stability</td>
<td>Has there been significant change in operations?</td>
</tr>
<tr>
<td>6</td>
<td>Responsibility</td>
<td>Are employees competent, committed, and ethical? Are there established objectives, clearly defined procedures, good information and communication, and management monitoring?</td>
</tr>
</tbody>
</table>
Considering these factors and weighing them in respect to more than 150 potential projects, we create our audit plan. Each year, we publish the plan and distribute it to the mayor and council. Accomplishment of the audit plan is funded through the Internal Auditing Department’s budget approved by the City Council.

**Allocation of audit resources** - Internal Auditing estimated the number of staff hours available in the fiscal year. These hours are allocated first to complete the audit projects in process and the ongoing audit functions carried out each year. Hours were reserved to respond to requests from management and elected officials for unplanned special projects. The remaining time was available for allocation to new audit projects.

**Selection of new audit projects** – The remaining hours available for new projects allowed the addition of four projects. Selection of the new audit projects was based primarily on FOCUS evaluations. Other factors affecting project selection included previous audit date, audit coverage in particular departments, management requests and auditor judgment.
Each internal audit begins by defining the specific scope and objectives. The scope establishes the project boundaries, setting what the audit will and will not include. The objectives state what the audit will accomplish. Once these are determined, the audit continues through three phases.

- **Planning** – Auditors ask questions, examine documents and make observations of the process being audited. This helps auditors gain an understanding of how the work is currently being done. Auditors write an audit program defining the steps that will be taken to evaluate the effectiveness of the process being audited. Auditors and managers in the audited area discuss the audit program to allow managers the opportunity to make suggestions about what is to be evaluated during the audit.

- **Fieldwork** – The audit team completes the work detailed in the audit program. The work focuses on what could go wrong in the audited process and whether there are procedures to prevent breakdowns. If no preventive measures are in place, auditors develop recommendations with the help of department personnel. If procedures are in place, auditors test them to make sure they are functioning properly.

- **Reporting** – As the audit progresses, auditors write Corrective Action Plans (CAP) that report the results of fieldwork and include recommendations for correcting problems auditors observe. These are first issued in draft form and discussed with department managers to allow them to have input. After a final CAP is agreed upon, department managers provide a written response describing what action they will take. At the end of the audit, a report is written summarizing the audit results.

**Following up** – Internal Auditing follows up with managers to monitor the progress of corrective action. Each year, inquiry forms are sent on every pending item. Managers provide information on whether corrective action has been completed, is progressing, or will not be completed due to changed conditions. The responses to the inquiry forms are summarized and reported in the annual Report of Management Actions.
# Audit Program

**Fiscal Year Ending June 30, 2008**

<table>
<thead>
<tr>
<th>PROJECT NAME</th>
<th>ESTIMATED HOURS TO COMPLETE</th>
<th>ESTIMATED START DATE</th>
<th>ESTIMATED REPORT DATE</th>
<th>DEPARTMENTS INCLUDED</th>
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<tbody>
<tr>
<td><strong>IN-PROCESS PROJECTS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sewer Cleaning – Control Assessment</td>
<td>100</td>
<td>In Process</td>
<td>9/20/07</td>
<td>Public Works</td>
</tr>
<tr>
<td>Purchasing Card Review</td>
<td>100</td>
<td>In Process</td>
<td>10/31/07</td>
<td>Citywide</td>
</tr>
<tr>
<td>Expenditure Analysis</td>
<td>100</td>
<td>In Process</td>
<td>11/30/07</td>
<td>Citywide</td>
</tr>
<tr>
<td>Financial Systems Support</td>
<td>400</td>
<td>In Process</td>
<td>11/30/07</td>
<td>Information Tech</td>
</tr>
<tr>
<td>Grants Administration</td>
<td>800</td>
<td>In Process</td>
<td>12/31/07</td>
<td>Citywide</td>
</tr>
<tr>
<td>Financial Systems – Internal</td>
<td>600</td>
<td>In Process</td>
<td>1/31/08</td>
<td>Citywide</td>
</tr>
<tr>
<td>Real Estate Inventory Management</td>
<td>1,200</td>
<td>In Process</td>
<td>9/30/08</td>
<td>Citywide</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,550</strong></td>
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<td><strong>AUDITS:</strong></td>
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<td></td>
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<tr>
<td>Chamber of Commerce Contract Compliance</td>
<td>500</td>
<td>12/1/07</td>
<td>4/30/08</td>
<td>Finance</td>
</tr>
<tr>
<td>Budget Computer Applications</td>
<td>300</td>
<td>1/1/08</td>
<td>7/31/08</td>
<td>Finance</td>
</tr>
<tr>
<td>Insurance</td>
<td>1,000</td>
<td>1/1/08</td>
<td>7/31/08</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Human Rights – Administration</td>
<td>500</td>
<td>3/1/08</td>
<td>9/30/08</td>
<td>Human Rights</td>
</tr>
<tr>
<td>Human Rights – Compliance Monitoring &amp; Investigation</td>
<td>500</td>
<td>3/1/08</td>
<td>11/30/08</td>
<td>Human Rights</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,800</strong></td>
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<td><strong>CONTROL ASSESSMENTS:</strong></td>
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<td></td>
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<tr>
<td>Safety Training</td>
<td>200</td>
<td>3/1/08</td>
<td>7/31/08</td>
<td>Human Resources</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,800</strong></td>
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<td><strong>ONGOING PROJECTS:</strong></td>
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<tr>
<td>Report of Management Actions</td>
<td>200</td>
<td>8/1/07</td>
<td>11/30/07</td>
<td>Citywide</td>
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<tr>
<td>Sensitive Payments</td>
<td>500</td>
<td>7/1/07</td>
<td>2/28/08</td>
<td>Citywide</td>
</tr>
<tr>
<td>External Quality Assurance Review</td>
<td>500</td>
<td>8/1/07</td>
<td>4/30/08</td>
<td>Internal Auditing</td>
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<tr>
<td>Department Budget Preparation</td>
<td>200</td>
<td>11/1/07</td>
<td>6/30/08</td>
<td>Internal</td>
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<tr>
<td>Annual Planning/Risk Assessment</td>
<td>300</td>
<td>5/1/08</td>
<td>FY2009</td>
<td>Citywide</td>
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<tr>
<td>Continuous Monitoring</td>
<td>500</td>
<td>Ongoing</td>
<td>N/A</td>
<td>Various</td>
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<td>Hotline/Ethics Support</td>
<td>200</td>
<td>Ongoing</td>
<td>N/A</td>
<td>Various</td>
</tr>
<tr>
<td>Enterprise Risk Management</td>
<td>100</td>
<td>Ongoing</td>
<td>N/A</td>
<td>Various</td>
</tr>
<tr>
<td>Auditing Miscellaneous</td>
<td>500</td>
<td>Ongoing</td>
<td>N/A</td>
<td>Various</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,000</strong></td>
<td></td>
<td></td>
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<td><strong>SPECIAL PROJECTS:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Projects – Special Requests</td>
<td>500</td>
<td>As requested</td>
<td>As requested</td>
<td>As requested</td>
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<tr>
<td>External Auditor Support</td>
<td>100</td>
<td>As requested</td>
<td>As requested</td>
<td>As requested</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>600</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>TOTAL HOURS</strong></td>
<td><strong>10,150</strong></td>
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</table>
Projects in process as of June 30, 2007

Sewer Cleaning Control Assessment

Scope
Evaluate the internal control framework of the sewer cleaning process

Objectives
- Evaluate and conclude on each component of the internal control framework and the internal control framework as a whole
- Provide improvement suggestions, as appropriate

Note: This project was completed on 9/20/07

Special Project – Tulsa Police Department - Office of Integrity and Compliance

Scope
Review administration and expenditures of the Detective Division demand deposit account and purchase card

Objectives
- Consult with and assist the Police Department in a financial audit and inspection of the Detective Division budget, internal controls, funds, and expenditures
- Provide improvement suggestions, as appropriate

Note: This project was completed on 10/4/07

Purchasing Card Review

Scope
Evaluate selected internal control procedures for compliance with the City of Tulsa Purchasing Card Program

Objectives
- Determine if purchases of goods and services using the Purchasing Card method are made in accordance with established criteria
- Ensure purchases made with purchasing cards are properly authorized, approved, supported, recorded, and are made for City business-related purposes
**Audit Project Descriptions**

**Expenditure Analysis**

*Scope*
This project will involve a comprehensive analysis of citywide expenditures

*Objectives*
- Working with executive management, identify spend categories with potential for significant cost savings
- Using downloaded financial data, identify Top 10 spend by general ledger account number, Top 10 spend by vendor, Top 10 spend by market (commodity), Top 10 spend growth categories
- Based on these analyses, identify potential cost savings opportunities
- Review current capabilities for continuous expenditure analysis
- Identify gaps in ongoing spend analysis capabilities and make recommendations

**Financial Systems Support**

*Scope*
Review information technology procedures related to financial systems support

*Objectives*
- Evaluate procedures for ensuring continuous service delivery
- Determine whether financial systems are secure
- Evaluate problem and incident resolution

**Grants Administration**

*Scope*
Review procedures related to acquiring, accounting and reporting for grants

*Objectives*
- Review compliance with laws, regulations, policies and procedures for acquiring, accounting and reporting for grants
- Determine whether accounting for grant receipts and expenditures is accurate, complete, and timely
- Determine whether grant reports are accurate, complete, and timely
Audit Project Descriptions

Financial Reporting - Internal

Scope
Evaluate the process for providing internal financial information to City management

Objectives
- Review accuracy, timeliness, reliability, completeness, and usefulness of internal financial reports
- Evaluate user satisfaction with the internal financial reporting process

Real Estate Inventory Management

Scope
Review procedures related to acquiring, managing, and accounting for real estate

Objectives
- Review compliance with laws, regulations, policies and procedures for acquiring, managing and accounting for real estate
- Determine whether real estate is managed effectively and efficiently
- Determine whether real estate records are complete and accurate

Planned Projects

Chamber of Commerce Contract Compliance

Scope
Review compliance with the contract between the City of Tulsa and the Metropolitan Tulsa Chamber of Commerce

Objectives
- Determine whether both parties comply with contract terms
- Determine if payments to the Chamber are in accordance with contract terms
- Evaluate ongoing contract compliance monitoring
Audit Project Descriptions

Insurance

Scope
Review procedures related to acquiring, managing, and accounting for insurance

Objectives
- Review the accuracy and validity of insurance claims and premiums
- Review administration of insurance for compliance with laws, regulations, policies, and contracts

Human Rights - Administration

Scope
Evaluate the process for overall administration of the Human Rights Department.

Objectives
- Determine if procedures are sufficient to properly coordinate Human Rights Department functions
- Assess the methods used for protecting confidential information

Human Rights – Compliance Monitoring & Investigation

Scope
Assess the procedures used by Human Rights for monitoring contract and purchasing compliance and for investigating related complaints.

Objectives
- Review the process for identifying and prioritizing compliance and investigation assignments
- Determine whether procedures will ensure all monitoring and investigation duties are completed
- Evaluate procedures that ensure issues identified in monitoring and investigation assignments are appropriately resolved
Control Assessments

The control assessment process uses a high-level approach based on the tools in the *Internal Control - Integrated Framework* publication. The focus of these assessments is on the five critical components necessary for good internal control. When all five components are in place the organization has a better chance of meeting its operating objectives. The five components are the control environment, risk assessment, control procedures, information/communication, and monitoring. Control assessment methodology involves interviewing personnel in the area being reviewed and examining relevant documentation. This process allows us to complete a limited scope evaluation in a shorter time than a full scope audit requires.

The process scheduled to be evaluated using this method during FY07-08 includes:

- Safety Training

Ongoing Projects

*Report of Management Actions on Internal Audit Recommendations*

Internal Auditing annually distributes inquiries on all audit findings with pending corrective action. The objective is to determine the current status of corrective action management agreed to implement in their responses to audit recommendations.
Audit Project Descriptions

Sensitive Payments Review

Scope
Review the internal control structure and examine transactions related to executive compensation and perquisites, travel, official entertainment, unvouched expenditures, conflicts of interest, speaking honoraria and gifts.

Objectives
- Evaluate the adequacy of the system of internal controls over sensitive payments
- Review transactions for compliance with applicable statutes, laws, regulations, ordinances, policies and procedures
- Determine whether executive expenses are properly authorized and approved
- Determine whether executive expenses are accurately and promptly recorded and reported

Quality Assurance Review

Scope
Assessment of the quality of Internal Auditing Department work.

Objectives
- Identify the degree of departmental compliance with the Institute of Internal Auditing’s International Standards for the Professional Practice of Internal Auditing
- Ensure that audit operations are in compliance with organizational and departmental policies and procedures
- Provide insights into the level of audit effectiveness and efficiency
- Provide recommendations for improving the internal audit function
Audit Project Descriptions

Annual Planning/Risk Assessment
Annual planning involves meeting with managers in various departments and divisions to set audit priorities. An audit plan is developed using the methodology described on page 8 of this report.

Continuous Monitoring
Internal Auditing will continue a joint project with the Finance and Information Technology Departments to address sales tax monitoring. In addition, Internal Auditing will assist in identifying other measurement metrics. As metrics are identified, audit software will be used to establish continuing monitoring capabilities to enable management to monitor performance.

Hotline/Ethics Support
The ethics hotline is provided to employees, vendors, and customers to report ethics issues. Internal Auditing staff reads each hotline report and ensures all reports are provided to the appropriate appointing authority for follow-up.

Enterprise Risk Management
Risk management is a key responsibility of an organization’s management. To achieve its business objectives, management should ensure that sound risk management processes are in place and functioning. Internal auditing will examine, evaluate, report and recommend improvements on the adequacy and effectiveness of management’s risk processes.

Auditing Miscellaneous
An amount of time is allocated for performing other duties and fulfilling miscellaneous requests that do not meet the criteria for classification as an audit or special project.
Audit Project Descriptions

Special Projects

Special Projects-Special Requests
A block of time is reserved to meet requests by elected officials and/or department management for special projects. Project requests resulting from the survey form on the last page of this report will also be taken from this pool of hours. The scope of such projects will be based on the specifications of the request.

External Auditor Support
Internal Auditing will provide assistance to the external auditors for completion of the examination of the City of Tulsa financial statements. The specific scope of the work will be determined during planning with the external auditors.
**Feedback form**

**TO:** Anyone interested in internal audits of the City of Tulsa  
**FROM:** Phil Wood, City Auditor  
**RETURN TO:** Phil Wood, City Auditor – Room 1133, City Hall

I welcome your comments and suggestions about auditing. This form is provided for your use in providing feedback to help us do a better job. The first section asks for your suggestions for activities that would benefit from an audit. The second section requests comments or suggestions concerning the conduct of my office.

**SUGGESTIONS FOR AUDIT(S)**


**COMMENTS ON THE CONDUCT OF THE AUDITOR’S OFFICE**


______________________________  
Signature (optional)

**Some things the Auditor’s Office considers in deciding what to audit:**  
*Importance - Risks - Protection of Assets - Organization - Objectives – Quality of Information - Standards and Regulations - Economy - Efficiency - Effectiveness - Controls*

**Some things the Auditor’s Office considers in evaluating the conduct of the office:**  
*Professional Care - Attitude - Communication - Usefulness - Significance - Knowledge - Human Relations - Cooperation - Productivity - Follow-up - Qualifications - Honesty - Independence*