

# Report #1903

## Consolidated Audit Follow-up Report



April 9, 2019

City of Tallahassee  
Office of the City Auditor

Joseph K Maleszewski, City Auditor  
MBA, CIA, CGAP CISA, CIG, CIGA, CIGI, CCEP



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# Audit Follow-up

## Action Plan Steps Due on or Before September 30, 2018

### EXECUTIVE SUMMARY

#### WHAT WE DID

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The purpose of this audit was to provide an update as to the status of management's progress in addressing action plan steps from previous audit reports and our conclusions as to management's success in completing those steps or addressing the risks underlying the action plan steps. This is a regular reoccurring audit included as part of our annual audit plan. The scope of our audit included a review of the status of action plan steps from our prior audits due on or before September 30, 2018.

#### WHAT WE CONCLUDED

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Our audit testing showed that, for the most part, management has been successful in completing the action plan steps as initially planned, is appropriately addressing the associated risks through alternate actions, is making reasonable progress toward completion of the steps, or has accepted the underlying risk. However, we did identify a limited number of action plan steps where additional attention from management is needed to help ensure those steps are completed or the associated risks are otherwise mitigated. Specifically, we noted that of the 197 action plan steps due for completion on or before September 30, 2018, 121 had been completed, 17 had been resolved through alternative actions or management's acceptance of the underlying risk, 49 were in progress, and 10 needed additional attention from management to ensure the step was completed or otherwise resolved.

The 10 action plan steps that we identified as needing additional attention from management were associated with three separate audits, Backup and Disaster Recovery (eight steps), Public Works – Selected Procurement Practices (one step), and Selected Airport Leases (one step). The eight steps attributable to the Backup and Disaster Recovery audit were primarily related to amending City procedures for backing up data and developing a policy or procedure related to disaster recovery plans. The one step associated with the audit of Public Works – Selected Procurement Practices was related to tracking concrete usage; and the one step from the Audit of Selected Airport Leases involved the development and adoption of a policy for leasing real property at the Airport.

#### FOLLOW-UP SUMMARY

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We have included in this report an exhibit for each audit report (Exhibits 1 – 14) issued by the City Auditor's Office for which one or more action plan steps have not yet been completed. In each of the attached exhibits, the results of our audit follow-up testing are detailed, along with a description of the action plan step, and a summary of the applicable original audit report. Table 1 that follows shows the progress management has made in completing their action plans for each audit included in this follow-up audit report and Illustration 1 provides a graphical representation of the same information.

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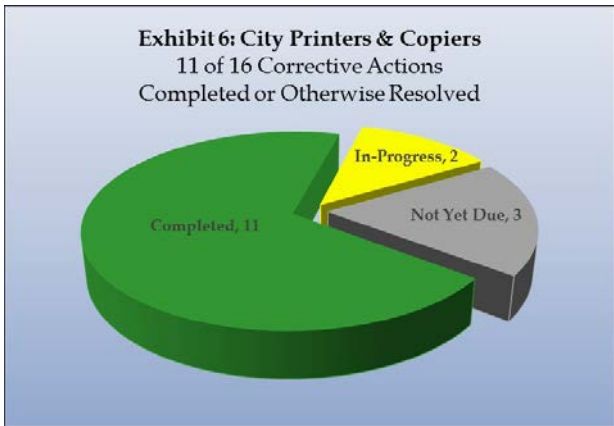
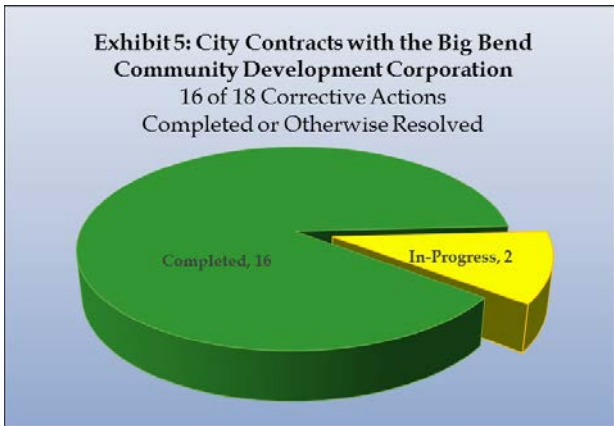
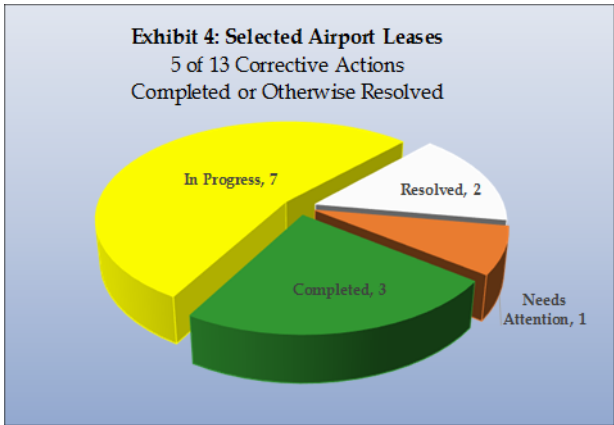
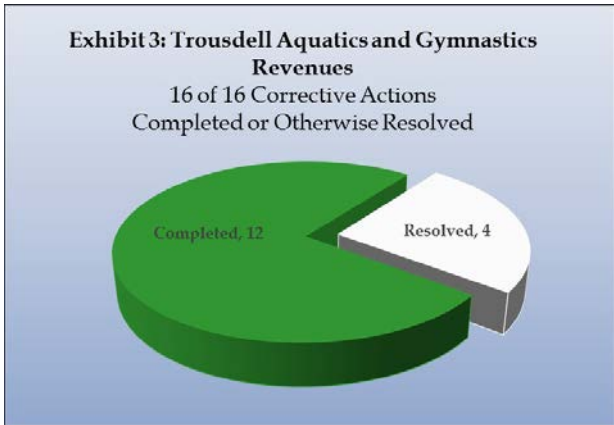
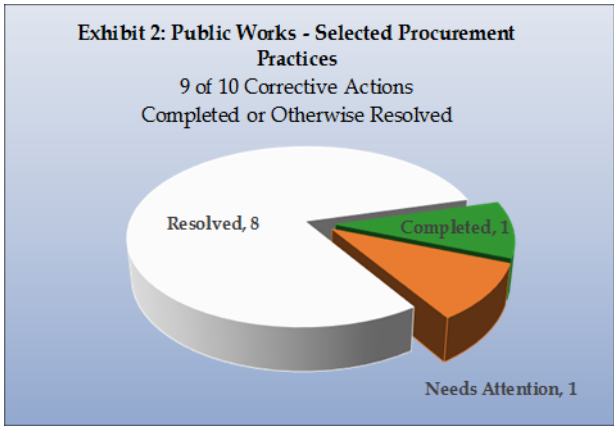
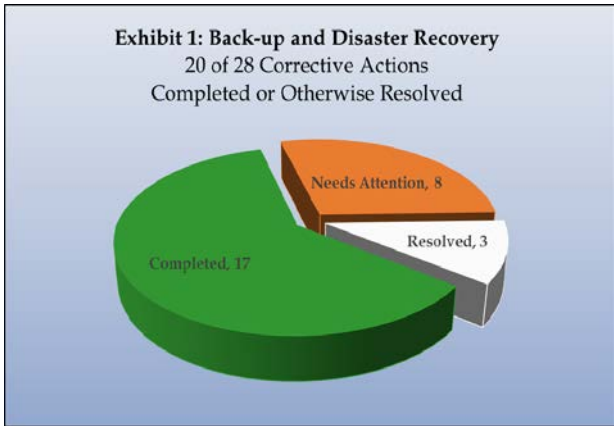
## SUMMARY STATUS OF AUDIT FOLLOW-UPS

In general, management has been successful in completing its action plan steps in a timely manner. However, for a limited number of action plan steps we have concluded that additional attention from management is needed to ensure the steps are completed or the underlying risks are adequately mitigated. Below, in both tabular (Table 1) and graphical formats (Illustration 1), is a summary of the audits we followed up on and our conclusion as to the status of the associated action plan steps.

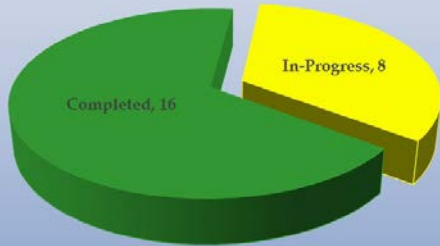
**Table 1**  
**Status of Action Plan Steps by Audit**

Audit	Completed	Resolved	In-Progress	Needs Attention	Not Yet Due
Back-up & Disaster Recovery Process	17	3	0	8	0
Public Works – Selected Procurement Practices	1	8	0	1	0
Trousdell Aquatics and Gymnastics Center Revenues	12	4	0	0	0
Selected Airport Leases	3	2	7	1	0
City Contracts with Big Bend CDC	16	0	2	0	0
City Printers and Copiers	11	0	2	0	3
Cloud Migration and PeopleSoft Upgrade	16	0	8	0	0
Growth Management Revenues	8	0	4	0	0
StarMetro Fare Box Collections and Petty Cash Funds	12	0	2	0	0
City Agreements with Cascades Holdings	15	0	1	0	0
StarMetro Paratransit Services	5	0	10	0	0
Right-of-Way Maintenance	2	0	2	0	1
Potential Conflict of Interest Regarding Acquisition of Engineering Services	1	0	3	0	0
CIS Utility Adjustments	2	0	8	0	0
Total	121	17	49	10	4

**Illustration 1**  
**Status of Action Plan Steps by Audit**



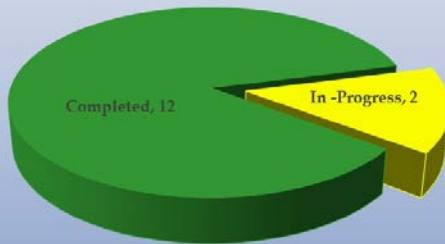
**Exhibit 7: PeopleSoft Cloud Migration and Upgrade**  
 16 of 24 Corrective Actions Completed or Otherwise Resolved



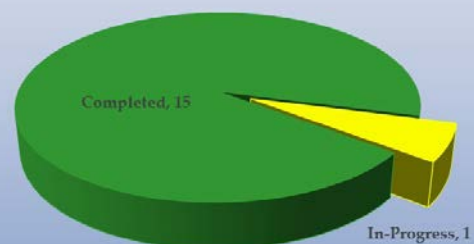
**Exhibit 8: Growth Management Revenues**  
 8 of 12 Corrective Actions Completed or Otherwise Resolved



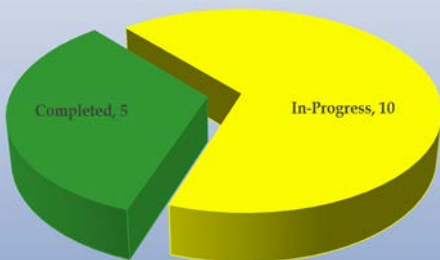
**Exhibit 9: StarMetro General Transit Fare Box and Petty Cash Funds**  
 12 of 14 Corrective Actions Completed or Otherwise Resolved



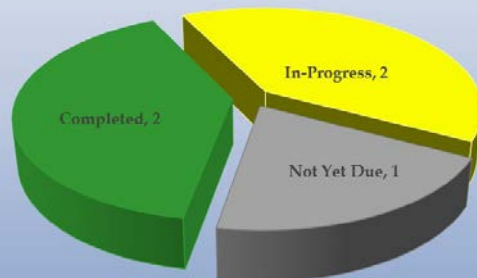
**Exhibit 10: City Agreements with Cascades Holdings**  
 15 of 16 Corrective Actions Completed or Otherwise Resolved



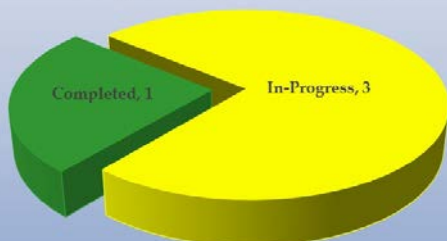
**Exhibit 11: StarMetro Paratransit Services**  
 5 of 15 Corrective Actions Completed or Otherwise Resolved



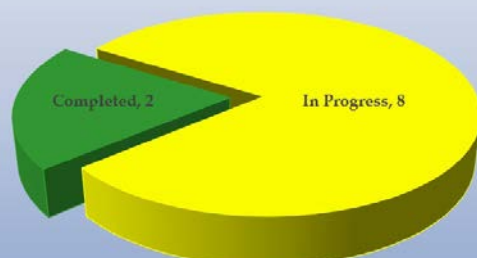
**Exhibit 12: Right-of-Way Maintenance**  
 2 of 5 Corrective Actions Completed or Otherwise Resolved



**Exhibit 13: Potential Conflict of Interest Regarding Acquisition of Engineering Services**  
 1 of 4 Corrective Actions Completed or Otherwise Resolved








**Exhibit 14: CIS Utility Adjustments**  
 2 of 10 Corrective Actions Completed or Otherwise Resolved



## EXHIBITS DETAILING STATUS OF ACTION PLAN STEPS

The exhibits included within this report show each action plan step developed by management in response to the risks and associated recommendations in our audit reports and a detailed description of our conclusion as to management’s progress toward completion of the action plan step.

Included with our assessment of each action plan step within the exhibits, is a symbol that graphically illustrates our overall conclusion as to management’s progress toward completing the step. The legend below shows those symbols and provides a brief description of their meanings.


Legend of Symbols	
Symbol	Description
	<b>Completed:</b> The action plan step was successfully completed as planned in this or a prior follow-up period.
	<b>Resolved:</b> The risk(s) intended to be addressed by the action plan step was successfully mitigated through alternative management actions in this or a prior follow-up period; or management has reevaluated the risk(s) associated with the action plan step and elected to accept the risk(s).
	<b>In Progress:</b> Efforts to complete the action plan step are underway and management’s actions to address the action plan step will be reviewed as part of a future follow-up audit.
	<b>Needs Attention:</b> The action plan step requires the attention of City management to ensure the step is completed or the associated risk is otherwise addressed.
	<b>Not Yet Due:</b> The action plan step is not yet due for completion.

## EXHIBIT 1: Audit of City’s Backup and Disaster Recovery Planning Processes



**Summary from Original Report #1515 (Issued September 1, 2015):** Overall, we concluded the City’s data is being backed up appropriately and, for the most part, in accordance with best practices. We concluded that, in general, there are plans and preparations for disaster recovery for most IT systems. For appropriate areas, we made recommendations to further enhance the City’s IT backup and disaster recovery processes.





The information technology (IT) resources of the City and its departments include servers (computers), operating systems, applications, and large amounts of unique, irreplaceable data. These resources support and facilitate the daily operations of the City, and their loss would significantly impair the City’s ability to serve its citizens. One of the means commonly used to protect IT resources from loss is to periodically backup (i.e., create and save copies of) IT operating systems, applications, and data. To ensure the continuing ability to operate with IT resources, it is also common practice to have in place IT disaster recovery plans that describe the processes to be followed in order to resume IT operations after a significant interruption in IT system services. Based on our audit, we concluded the City’s data is being backed up appropriately and, for the most part, in accordance with best practices. Additionally, we concluded that, overall, there are plans and preparations for disaster recovery (in accordance with best practices) for most systems. For appropriate areas, we made recommendations to further enhance and improve the City’s IT backup and disaster recovery processes.





A total of 28 action plan steps were established by management in response to audit recommendations. As of September 30, 2018, all of the steps were due for completion. Of those 28 steps, eight were not completed and needed further attention of management, 17 were completed in this or a prior period, and three were resolved with no further action required.







Action Plan Steps	Status as of September 30, 2018	
<i>Responsible Department: Technology &amp; Innovation (Formerly ISS)</i>		
<b>A: Objective: Improve the policies and/or procedures governing the backup and disaster recovery planning processes.</b>		
1. APP 809 will be revised to more closely reflect current City backup processes.	<p><b>Needs Attention.</b> A draft of the revision of APP 809 has been developed and submitted to management for review and approval.</p> <p>This step was not completed within the normal two-year follow-up period. Therefore, due to the significant length of time the action plan step has remained incomplete, we have concluded additional attention from management is needed to ensure APP 809 is revised as provided for in the action plan step.</p>	








Action Plan Steps	Status as of September 30, 2018
<p>2. APP 809 will be revised to incorporate best practices that currently are not addressed in that policy. Those best practices include:</p> <ul style="list-style-type: none"> <li>a. Identifying the backup types and frequencies to be used by the City; and provide specific criteria as to when the use of the identified backup types and frequencies should be used.</li> <li>b. Acknowledging and defining Technology and Innovations' (T&amp;I's) role in the backup process, to include its role in determining what, when, and how backups should occur.</li> <li>c. Requiring periodic tests of the integrity of the results of the backup process.</li> <li>d. Requiring the periodic conduct of system recovery or restoration tests with the backed up files.</li> <li>e. Defining all key terms, including those that may be ambiguous.</li> <li>f. Requiring that backed up data be stored in a safe, prudent, and physically secure manner.</li> <li>g. Require the review of the backup process to ensure backups are completed successfully.</li> <li>h. Establishing appropriate retention periods for backed up data.</li> </ul>	<p><b>Needs Attention.</b> A draft of the revision of APP 809 has been developed and submitted to management for review and approval.</p>  <p>This step was not completed within the normal two-year follow-up period. Therefore, due to the significant length of time the action plan step has remained incomplete, we have concluded additional attention from management is needed to ensure APP 809 is revised as provided for in the action plan step.</p>
<p>3. A comprehensive policy or procedure will be developed requiring disaster recovery plans be developed for City IT systems.</p>	<p><b>Needs Attention.</b> Management stated the requirement for disaster recovery plans for all City IT systems is incorporated into the draft of the revision of APP 809 that has been submitted to management for review and approval.</p>  <p>This step was not completed within the normal two-year follow-up period. Therefore, due to the significant length of time the action plan step has remained incomplete, we have concluded additional attention from management is needed to ensure APP 809 is revised as provided for in the action plan step.</p>

Action Plan Steps	Status as of September 30, 2018
<p>4. The disaster recovery planning policy/procedures developed pursuant to the previous step will incorporate best practices as identified in the audit.</p>	<p><b>Needs Attention.</b> As noted in the preceding action plan step (A.3), management stated the requirement for disaster recovery plans for all City IT systems is incorporated into the draft of the revision of APP 809. Management also reported the policy revision includes best practices related to disaster recovery planning. The draft has been submitted to management for review and approval.</p> <p>This step was not completed within the normal two-year follow-up period. Therefore, due to the significant length of time the action plan step has remained incomplete, we have concluded additional attention from management is needed to ensure the action plan step is completed.</p> 
<p><b>B: Objective: Follow best practices as to backing up IT systems and data.</b></p>	
<p>1. Periodic random tests of the integrity of the backup data will be conducted and documented.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p> 
<p>2. Periodic system recovery or restoration tests with the backed-up files will be conducted. The results of such tests will be documented.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p> 
<p><b>C: Objective: Improve the data backup processes used by T&amp;I.</b></p>	
<p>1. The monitoring of the backup processes for both physical and virtual servers will be enhanced to require formal documented reviews as to:</p> <ol style="list-style-type: none"> <li>The specific backups attempted.</li> <li>Those backups successfully completed.</li> <li>For backups that did not complete successfully; the underlying reasons, associated risks, and/or justification that the efforts were nonetheless proper and adequate with no further action required.</li> </ol>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p> 




Action Plan Steps	Status as of September 30, 2018	
<p>2. An evaluation of the backup storage capacity will be conducted periodically to determine if current capacity is adequate to backup City data in accordance with retention periods as provided by best practices (e.g., three weeks).</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p>	
<p>3. Based on the results of the evaluation in the preceding action plan step, one of the two following actions will be taken.</p> <p>a. In the event backup storage capacity is not sufficient to allow for adequate retention periods as addressed in the previous action plan step, additional capacity will be acquired or City management will be informed as to the capacity deficiency, the retention periods possible with current capacity, and the risks related to reduced retention periods.</p> <p>b. In the event backup storage capacity is sufficient, backup retention period for virtual servers will be revised such that at least three weeks of data is retained using a multi-generational approach.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p>	
<p><b>D: Objective: Improve T&amp;I's disaster recovery (DR) plan.</b></p>		
<p>1. A hard copy of the DR plan will be distributed to key staff (as identified in the plan) to help ensure the plan will be immediately available when needed. Those key staff will also be informed as to the specific location of the electronic version of the plan.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p>	
<p>2. A business impact analysis will be completed to help ensure T&amp;I's disaster recovery plan identifies and addresses the City's most critical systems/applications and the restoration of the systems/applications is appropriately prioritized.</p>	<p><b>Needs Attention.</b> Management reported a business impact analysis is included within a draft disaster recovery plan. At such time as APP 809 is approved and implemented (see action plan steps A.1-A.4) we will review the disaster recovery plan and associated business impact analysis for compliance with the revised APP 809.</p> <p>This step was not completed within the normal two-year follow-up period. As such, we have concluded additional attention from</p>	

Action Plan Steps	Status as of September 30, 2018
	management is needed to ensure the business impact analysis is completed as provided for in the action plan step.
3. The DR plan will be revised to incorporate supporting documentation that may be needed during restoration of IT systems, or refer to specific locations where such supporting materials can be found. Examples of supporting documentation includes; software manuals, checklists, configuration details, etc.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p> 
4. The DR plan will be revised to more clearly identify key computer hardware and infrastructure components that may be needed during restoration necessary because of significant IT service interruptions.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p> 
5. Pre-approval for emergency purchases of necessary IT related items will be obtained to facilitate restoration of critical IT systems. Pre-approval will be limited such that it is only valid during emergencies as declared by the appropriate City official (e.g., the Mayor or City Manager).	<p><b>Resolved.</b> After further review and consideration, it was determined existing provisions for emergency purchases included in the City's Purchasing Policy were adequate to obtain necessary items to restore IT operations in the event of an emergency. Accordingly, this step is considered resolved.</p> 
6. The critical applications identified in the current T&I DR plan will be reviewed and updated as applicable based on the business impact analysis (see Action Plan Step D.2 above).	<p><b>Needs Attention.</b> The completion of this step is dependent on the completion of step D.2 above.</p> <p>This step was not completed within the normal two-year follow-up period. As such, we have concluded additional attention from management is needed to ensure the business impact analysis is completed as provided for in the action plan step.</p> 
7. The DR plan will be reviewed and brought up to date to help ensure the plan is current in respect to IT systems, infrastructure, and personnel.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p> 
8. A schedule will be developed for the periodic testing of the DR plan to help ensure the plan is sufficient and addresses all necessary	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p> 


Action Plan Steps	Status as of September 30, 2018
aspects of disaster recovery planning. Testing will be performed in accordance with that schedule.	
9. The feasibility of relocating the City's alternate restoration site to the Tallahassee-Leon County Public Safety Complex will be determined. If determined feasible and more economical, the alternate restoration site will be relocated accordingly.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1622.</p> 
<b>E: Objective: Provide for increased security of backed up data while being transported to an off-site storage location.</b>	
1. Transportation of cassette tapes containing backed up data will be transported in secure and locked containers.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1622.</p> 
2. While transporting tapes containing backed up data, vehicle stops will be limited to the greatest extent possible; and in the event a stop is unavoidable the backed-up data will not be left in unsecured or unattended vehicles.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1622.</p> 
<b>F: Objective: Improve disaster recovery planning for public safety IT systems located at TPD.</b>	
1. A disaster recovery plan will be developed for the public safety IT systems located at TPD headquarters. That DR plan will incorporate applicable best practices as identified in the audit report.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p> 
2. The development of an alternate site for restoration of public safety IT systems located at TPD headquarters will be reconsidered. In the event the development of such an alternate site for restoration of IT systems is feasible, consideration will be given to the use of the Tallahassee-Leon County Public Safety Complex.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1719.</p> 

*Electric Utility*

**A: Objective: Improve the physical security of the backup electric control center.**

<p>1. A backup air conditioning unit and high temperature alarm will be installed at the backup electric control center. (The high temperature alarm will be configured such that it will provide notification to the main control center when excessively high temperatures are detected.)</p>	<p><b>Resolved.</b> As noted in audit report #1622, Electric Utility management determined the installation of a backup air conditioning (AC) unit at the backup electric control center to be cost-prohibitive. Accordingly, Electric management elected to assume the risk of not having a backup AC unit in the event the primary AC unit fails. However, Electric determined it was practicable to integrate a high temperature alarm into the smoke alarm system at the backup electric control center.</p> 
<p>2. A smoke alarm will be installed at the backup control center. (The smoke alarm will be configured such that it will provide notification to the main control center when smoke is detected.)</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1622.</p> 
<p>3. An automated fire suppression system will be installed at the backup electric control center.</p>	<p><b>Resolved.</b> As noted in audit report #1622, Electric management determined the installation of an automated fire suppression system at the backup electric control center to be cost-prohibitive. Electric management decided that the installation of a smoke alarm system, which integrates a high temperature alarm (discussed above), is an adequate measure to mitigate the risk of fire damage to the backup electric control center to an acceptable level. Accordingly, Electric management has elected to assume the risk associated with not installing an automated fire suppression system.</p> 

**B: Objective: Improve disaster recovery planning for IT systems managed by the Electric Utility.**

<p>1. A disaster recovery plan will be developed for the IT systems at the electric generation power plants. That DR plan will incorporate applicable best practices as identified in the audit report.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1622.</p> 
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## Underground Utilities

### A: Objective: Improve disaster recovery planning for IT systems managed by Underground Utilities.

1. A disaster recovery plan will be developed for the IT systems managed by Underground Utilities. That DR plan will incorporate applicable best practices as identified in the audit report.

**Needs Attention.** Due to the reorganization and reassignment of the City's IT personnel, this step is now the responsibility of the Technology and Innovation Department (T&I). T&I has elected to include all IT systems managed by T&I into one disaster recovery plan. As noted in action plan steps D.2 and D.6 the disaster recovery plan will be reviewed once the policy governing disaster recovery plans is approved and implemented.



This step was not completed within the normal two-year follow-up period. As such, we have concluded additional attention from management is needed to ensure the action plan step is completed.

2. The development of an alternate site for restoration of Underground Utilities managed IT systems in the event of a disaster will be considered.

**Needs Attention.** Management reported an alternate site for the restoration of IT systems utilized by Underground Utilities was developed subsequent to the completion of our audit work. We will review the actions of management as part of our next follow-up audit.



This step was not completed within the normal two-year follow-up period. As such, we have concluded additional attention from management is needed to ensure an alternate site for the restoration of IT systems managed by Underground Utilities as provided for in the action plan step.

## EXHIBIT 2: Audit of Public Works – Selected Procurement Practices


**Summary from Original Report #1604 (Issued January 12, 2016):** The primary objective of this audit was to evaluate the methods and processes Public Works uses to acquire major goods and services for which estimated quantities impact bid evaluations, and determine if those methods and processes are efficient, reasonable, and the most beneficial to the City.

The scope of this audit included contracts and related solicitations initiated through Public Works for which material and/or service quantities impact the bid evaluation scores, which, in turn, impacts which vendor is awarded the resulting contract. Applicable materials and services as determined by the audit included asphalt and related milling/paving services, concrete, and sod.



Overall, we determined estimated quantities of goods and services provided in past bid solicitations and used in the bid evaluation and contract award decision process for asphalt, concrete, and sod were not comparable to and reflective of actual usage. Such inaccurate quantity estimates increase the risk that (1) prospective contractors are not provided adequate information on which to determine and bid their best prices, and (2) the City could pay more for materials and services. Recommendations were made to enhance the procurement process for asphalt, concrete, and sod so as to help ensure those materials and services are acquired at the most favorable (best and lowest) costs to the City and in a manner that is more favorable to vendors.





In January 2016, the Public Works Department was eliminated as part of a City reorganization. Functions performed by that department were incorporated into other City departments. The activities addressed in, and pertinent to, the scope of our initial audit are now performed by the Public Infrastructure Division within the Underground Utilities and Public Infrastructure Department (UU&PI). The Public Infrastructure Division assumed responsibility for completing the action plan steps developed and designed to address the recommendations made in our initial audit report (#1604).




This is the second follow up to the initial audit. A total of 10 action plan steps were established by management in response to our audit recommendations. As of September 30, 2018, all 10 steps were due for completion. Of those steps, one has been completed, eight steps were resolved through alternative actions, and one step has not yet been completed and requires additional attention from management to ensure the step or underlying risk is addressed.

Action Plan Steps	Status as of September 30, 2018
<p>1. Public Works will work with Procurement to utilize PeopleSoft Financials to record and track by contract item the quantities of asphalt materials and services acquired.</p>	<p><b>Resolved.</b> The purpose of this action plan step was to help ensure estimated quantities of asphalt needed that were included in bid solicitations for long term asphalt purchase contracts would be reasonably accurate. UU&amp;PI has discontinued entering into long term asphalt purchase contracts and now solicits bids for asphalt on a project-by-project basis. These alternative actions taken by management mitigated the risks identified in the initial audit regarding incorrect quantities of asphalt being included in bid solicitations. As a result, this action step is resolved.</p> 



Action Plan Steps	Status as of September 30, 2018
	<p>However, tracking asphalt quantities used is important from a management perspective, particularly in the event the City reverts to providing estimated quantities in future long-term bid solicitations. We encourage UU&amp;PI to work with Procurement and implement the most efficient and effective process in which to track the asphalt quantities acquired and used.</p>
<p>2. Public Works will work with Procurement and utilize PeopleSoft Financials to record and track by contract item the quantities of concrete acquired, or Public Works will develop an alternative tracking solution if the upgrades to PeopleSoft do not provide a practical way to track concrete purchases.</p>	<p><b>Resolved.</b> In a recent UU&amp;PI bid solicitation for the purchase of concrete, management decided to eliminate estimated quantities from the solicitation. Instead, the solicitation only listed the specific types of concrete the City may use over the contract term and requested prices from the bidders for those line items. That solicitation resulted in a contract effective July 1, 2017. These alternative actions taken by management mitigated the risks identified in the initial audit regarding incorrect quantities of concrete provided during the solicitation process, and as a result this action step is resolved.</p> <p>However, tracking concrete quantities used is important from a management perspective, particularly in the event the City reverts to providing estimated quantities in future long-term bid solicitations. We encourage UU&amp;PI to work with Procurement and implement the most efficient and effective process in which to track the concrete quantities acquired.</p> 
<p>3. Public Works will work with Procurement and utilize PeopleSoft Financials to record and track by contract item the quantities of sod acquired, or Public Works will develop an alternative tracking solution if the upgrades to PeopleSoft do not provide a practical way to track sod purchases.</p>	<p><b>Resolved.</b> As noted in the first follow-up audit, the City cancelled the 2016 Invitation for Bid and subsequent rebid for the purchasing of sod after receiving only one response during the initial bid and zero responses during the rebid solicitation. Due to the limited interest from vendors, management decided that, for the foreseeable future, the City will piggyback on Leon County's sod purchasing contracts rather than pursue a contract for the City. With renewal options, Leon County's sod contracts could continue through October 31, 2021. These</p> 

Action Plan Steps	Status as of September 30, 2018
	<p>alternative actions taken by management mitigated the risks identified in the initial audit regarding incorrect quantities of sod provided during the solicitation process, and as a result this action step is resolved.</p> <p>Nevertheless, we are still of the opinion that tracking quantities is important from a management perspective, particularly in the event the City reverts to providing estimated quantities in future bid solicitations. We encourage UU&amp;PI to work with Procurement and implement the most efficient and effective process in which to track the sod quantities acquired.</p>
<p>4. Public Works will use the quantities tracked in PeopleSoft Financials to develop better quantity estimates for future bid solicitations for asphalt materials and services and in the process continue with the current process of providing estimates for all items within the bid solicitation.</p>	<p><b>Resolved.</b> As noted in action plan step one above, UU&amp;PI recently changed its bid solicitation process for asphalt services such that contracts are now awarded on a project-by-project basis. As a result of the new process, this action plan step is considered resolved.</p> 
<p>5. Public Works will use the tracked quantities to develop better quantity estimates for future concrete bid solicitations.</p>	<p><b>Resolved.</b> As noted in action plan step two above, UU&amp;PI recently changed its solicitation process for the purchase of concrete in that estimated quantities are no longer provided. As a result of the new process, this action plan step is considered resolved.</p> 
<p>6. Public Works will use the tracked quantities to develop better quantity estimates for future sod bid solicitations.</p>	<p><b>Resolved.</b> As noted in action plan step three above, the City plans to continue piggybacking on Leon County's sod purchasing contracts for the foreseeable future. As a result of the new process, this action plan step is considered resolved.</p> 
<p>7. Public Works will consider awarding multiple contracts and apply the most appropriate procurement process for future purchases to help ensure asphalt materials and services are acquired at the best and lowest cost to the City and in a manner that is more favorable to the vendors.</p>	<p><b>Completed.</b> As noted in step one above, UU&amp;PI changed the manner in which contracts are awarded for asphalt services. To help ensure asphalt materials and services are acquired at the best and lowest cost, UU&amp;PI now awards contracts to multiple vendors following a request</p> 


Action Plan Steps	Status as of September 30, 2018
	for quotation (RFQ) solicitation. As projects arise, UU&PI request bids from each of the vendors under contract and selects the lowest bid for the project. Accordingly, this action plan step is complete.
8. Public Works will consider awarding multiple contracts and apply the most appropriate procurement process for future purchases to help ensure sod is acquired at the best and lowest cost to the City and in a manner that is more favorable to the vendors.	<p><b>Resolved.</b> As noted in step three above, the City plans to continue piggybacking on Leon County’s sod purchasing contracts for the foreseeable future. As a result of the new process, this action plan step is resolved.</p> 
9. Public Works will continue working with Procurement to request the concrete vendor provide additional detail on delivery tickets as to the specific type of concrete delivered to City work sites.	<p><b>Needs Attention.</b> UU&amp;PI reported they are continuing to work with the City’s current concrete vendor to modify the detail information on concrete delivery tickets such that the specific type of concrete delivered will be listed on the delivery tickets.</p> 
10. Public Works will ensure future bid solicitations and contracts include appropriate terms defining what constitutes an individual order of concrete.	<p><b>Resolved.</b> UU&amp;PI executed a new contract for the purchasing of concrete with Smyrna Ready Mix in July 2017. The contract runs through June 2020 and allows for two (2) one-year extensions. Language defining what constitutes an order of concrete was not included as part of that contract or the bid solicitation documents as provided for in the action plan step.</p> <p>However, management reported they consider clarification of what constitutes an order of concrete to be unnecessary since most of the concrete work performed by the City consists of small jobs that do not require an amount of concrete sufficient to warrant lower prices as provided for in the contract. Management has decided to accept the risk that lower concrete costs may sometimes not be realized through combining multiple concrete deliveries into one large order.</p> 






## EXHIBIT 3: Audit of Parks, Recreation, and Neighborhood Affairs (PRNA) Trousdel Aquatics and Gymnastics Center Revenues







*Summary from Original Report #1606 (Issued January 14, 2016):* This audit was conducted to evaluate the processes and controls related to the revenues of the Trousdel Aquatics Center (Pool) and Gymnastics Center (Gym). Specifically, the purpose of this audit was to determine for each Center if its internal controls effectively ensured: (1) revenues were properly assessed, collected, safeguarded, and deposited, and (2) revenues were properly recorded and accounted for in the City’s records. The scope of the audit included an evaluation of the effectiveness of the revenue collection processes in place during the period August 2013 through March 2015 at the Pool and Gym.





Based on the results of our audit, we have concluded that, overall, the internal controls at the Trousdel Aquatics Center (Pool) and Gymnastics Center (Gym) reasonably ensured revenues due the City were appropriately assessed, collected, safeguarded, deposited, and recorded in the City’s records. We did identify issues, which when addressed, will enhance and improve the controls at the Pool and Gym.

A total of 16 action plan steps were established by management in response to audit recommendations. As of September 30, 2018, all 16 steps were due for completion; nine of which were completed in prior follow-up periods, four were resolved in prior follow-up periods, and the three steps due for completion this follow-up period were completed as scheduled. In total, all 16 action plans steps associated with the original audit have been completed or otherwise resolved.

Action Plan Steps	Status as of September 30, 2018
<i>Trousdel Aquatics Center</i>	
<b>A: Objective: Reduce the risks associated with the performance of incompatible duties by supervisory staff.</b>	
<p>1. On a regular and periodic basis, documented reconciliations of recorded revenue collections to records showing customer participation in aquatics activities will be prepared and retained for PRNA management review and approval. The reconciliations will be prepared by staff independent of the revenue collection process.</p>	<p><b>Resolved</b> – As noted in audit report #1704, we determined that PRNA implemented a process that included the printing of rosters of participants for applicable activities (lifeguard classes, swim lessons, etc.) from the REC-1 system, and comparing the names on that roster to the individuals actually participating in those activities (i.e., through observation). However, we also noted that the comparisons were not conducted by individuals independent of the revenue and recording processes. PRNA management indicated that due to staff’s other responsibilities and limitations on the number of staff, the risk associated with not having the comparisons performed by independent staff was accepted and no further actions were planned.</p> <div style="text-align: right;">  </div>

Action Plan Steps	Status as of September 30, 2018
<p>2. The assignment of duties related to the purchasing, custody, recordkeeping, and sales of inventory at the Splash Shop will be reviewed and separated between staff.</p>	<p><b>Resolved</b> – As noted in audit report #1704, PRNA management determined staffing limitations preclude the segregation of duties related to the purchasing, custody, recordkeeping, and sales of Splash Shop inventory. As such, management elected to accept the risks associated with a lack of segregation of duties.</p> 
<p><b>B: Objective: Improve the completeness and accuracy of the record retention process.</b></p>	
<p>1. Applicable staff will be reminded of the importance of properly and completely scanning documents into the City’s electronic document management system.</p>	<p><b>Completed</b> – This step was completed in a prior period, see audit report #1615.</p> 
<p>2. On a periodic basis, a sample of records scanned into the electronic document management system will be reviewed for accuracy and completeness.</p>	<p><b>Completed</b> – This step was completed in a prior period, see audit report #1708.</p> 
<p><b>C: Objective: Improve management’s oversight of revenue collections.</b></p>	
<p>1. Periodic formal documented trend analyses of activities at the Pool and of related revenue collections will be prepared.</p>	<p><b>Completed</b> – As noted in prior follow-up audits (see audit reports #1704 and #1708) PRNA implemented the REC-1 point of sale and record keeping application in 2015 to enhance collection and recordkeeping processes. As of September 2018, an adequate amount of activity and revenue collection data had been accumulated in the REC-1 system to allow meaningful trend analyses to be prepared by Pool staff. We obtained and reviewed a copy of the trend analysis of activities and revenue collections of the pool and concluded the analysis satisfies the requirements of the action plan step. Accordingly, this step is complete.</p> 
<p>2. Unusual variations in activities at the Pool or revenue collections identified in the trend analyses will be researched, analyzed, and explained.</p>	<p><b>Completed</b> – Based on the trend analysis prepared pursuant to the action plan step C.1 above, the variances in activities and revenue collections at the Pool were identified and</p> 

Action Plan Steps	Status as of September 30, 2018
	explained in a narrative format. This step is complete.
3. The trend analyses and explanation of unusual variations in Pool activity or revenue will be submitted to PRNA management for review and approval.	<p><b>Completed</b> – As noted in the two preceding action plan steps, a trend analysis and explanations of unusual variations in activities and revenue collections at the Pool were prepared. Those two items (trend analysis and explanation of variances) were provided to PRNA management for review and approval. This step is complete.</p> 
<b>D: Objective: Update procedures to improve and/or clarify revenue collection related procedures.</b>	
1. Cashiering procedures will be updated to delineate the process cashiers should follow when errors occur while processing sales in the REC-1 system.	<p><b>Completed</b> – This step was completed in a prior period, see audit report #1615.</p> 
2. Procedures providing for swim lesson fee waivers will be updated to include eligibility and documentation requirements.	<p><b>Completed</b> – This step was completed in a prior period, see audit report #1615.</p> 
<b>E: Objective: Develop a process whereby locker rentals are appropriately reviewed and managed.</b>	
3. Locker usage will periodically be reviewed and reconciled to locker rental agreements.	<p><b>Completed</b> – This step was completed in a prior period, see audit report #1704.</p> 
<b>F: Objective: Improve the recordkeeping and controls related to inventory in the Splash Shop.</b>	
1. Splash Shop inventory records will be updated for purchase of new inventory when those purchases occur. Additionally, those inventory records will be updated for sales on a periodic regular basis (weekly at a minimum).	<p><b>Completed</b> – This step was completed in a prior period, see audit report #1704.</p> 
2. Physical counts of the inventory held for sale through the Splash Shop will be conducted on a periodic regular basis and reconciled to the inventory records by staff who does not have conflicting duties, such as access or custody of the inventory or responsibility for maintenance of related records. Any	<p><b>Resolved</b> – As noted in audit report #1704, PRNA implemented a process to perform physical counts of the inventory held for sale through the Splash Shop on a periodic basis. The physical counts are reconciled to the inventory records, with differences between the counts and</p> 

Action Plan Steps	Status as of September 30, 2018
differences between the physical counts and related inventory records will be researched and explained.	records analyzed. However, due to staffing limitations, the physical counts and related analyses are conducted by staff that perform conflicting duties. PRNA management indicated that due to staff's other responsibilities and limitations on the number of staff, the risk associated with not having the physical counts and analyses performed by independent staff has been accepted.
3. The results of the reconciliation of Splash Shop inventory and the investigation of differences, with any adjustments, will be submitted to PRNA management for review and approval.	<b>Completed</b> – This step was completed in a prior period, see audit report #1704. 
<b>Trousdell Gymnastics Center</b>	
<b>G: Objective: Improve the safeguarding of collections at the Gym.</b>	
1. Checks received at the Gym will be restrictively endorsed upon receipt.	<b>Completed</b> – This step was completed in a prior period, see audit report #1615. 
<b>H: Objective: Reduce the risk of unauthorized access to locations where monies may be stored.</b>	
1. Procedures will be amended to require locks, combinations, and access codes to locations where monies are stored be changed on a periodic basis.	<b>Completed</b> – This step was completed in a prior period, see audit report #1615. 
<b>I: Objective: Reduce the risks associated with the performance of incompatible duties by supervisory staff.</b>	
1. On a regular and periodic basis, documented reconciliations of recorded revenue collections to records showing customer participation in gymnastics activities will be prepared and retained for PRNA management review and approval. The reconciliations will be prepared by staff independent of the revenue collection process.	<b>Resolved</b> – As noted in audit report #1704, PRNA management indicated this action step will not be completed. However, PRNA staff did indicate they will continue to explore options to provide for accurate, meaningful, and efficient reconciliations of gymnastics participation with revenue collections. Based on these circumstances, PRNA management accepted the risks associated with not reconciling participation in gymnastics activities with revenue collections. 

## EXHIBIT 4: Audit of Selected Airport Leases

**Summary from Original Report #1620 (Issued September 16, 2016):** The City of Tallahassee (City) currently leases land and facilities to 53 entities at the Tallahassee International Airport (Airport) including commercial airlines, cargo companies, rental car agencies, concessionaires, the federal government, and general aviation service providers. Several of the leasing entities (lessees) sublease Airport land/or facilities (property) to other entities (subleases). Specifically, there are five general aviation lessees that sublease properties to eight different entities for both aeronautical and non-aeronautical purposes. Additionally, there is a non-general aviation lessee that subleases property to a cargo service provider. While most of the Airport properties are leased at fair market value rates, three of the Airport properties are leased for nominal consideration (e.g., for \$1 or \$50 annually).


The scope of our audit included a review of active leases of City-owned property (land and facilities) at the Airport for which the tenants subleased some or all of the property to other entities, or for which the leases were executed for nominal consideration. The audit only addressed those leases pertaining to activities outside the main passenger terminal area.

The purpose of this audit was to determine, for the addressed leases, whether: 1) the Aviation Department maintained proper oversight over the related leasing activities, 2) the leasing activities were in the best interest of the City, 3) the City was adequately protected from exposure to risk, and 4) lease revenues due the City were reasonable and properly and timely collected.




We concluded that, overall, the Aviation Department effectively managed leases of City-owned property at the Airport for which the tenants also subleased some or all of the property to other entities, or for which the property was leased for nominal consideration. We identified several areas for improvement related to establishing an internal leasing policy, tracking and managing leases, increasing and collecting lease revenues, executing nominal value leases, pre-approving subleases, and maintaining insurance documentation. We determined that Aviation Department management was aware of several of the noted areas prior to the start of our audit and has initiated appropriate measures to address those areas.




A total of 13 action plan steps were established by management in response to audit recommendations. As of September 30, 2018, all 13 steps were due for completion. Of those 13 steps, three have been completed, seven remain in progress, two have been resolved, and one needs additional attention from management.





For the follow-up work performed relative to the Audit of Selected Airport Leases, a recent staffing change has resulted in circumstances that could impair auditor independence. Appropriate safeguards were applied to mitigate this threat to independence.



Action Plan Steps	Status as of September 30, 2018
<p><b>A. Objective: To ensure the Aviation Department maintains proper oversight over the Airport's leasing activities</b></p>	
<p>1. A formal comprehensive leasing policy that incorporates best practices will be developed and adopted.</p>	<p><b>Needs Attention.</b> As of the end of this follow-up period, the Aviation Department has not finalized and adopted a formal comprehensive leasing procedure. However, the department has substantially completed such a procedure</p> 



Action Plan Steps	Status as of September 30, 2018
	<p>(Departmental Procedures for Airport Property Leasing). While the procedure has been developed and is in draft form, there has been considerable delay in the formal adoption of the policy. The status of this action plan step will be reviewed as part of our next follow-up audit.</p>
<p>2. A consolidated lease management system will be acquired and implemented, budget permitting.</p>	<p><b>Resolved.</b> After further evaluation of the resources required to acquire and implement a consolidated lease management system, the Aviation Department has determined it would not be the best use of available resources to acquire and implement such a system at this time. Accordingly, management has accepted the risk of errors or omissions in managing leases resulting from the continued use of the current manual process. This step is resolved.</p> 
<p><b>B. Objective: To ensure the Airport’s leasing activities are in the best interest of the City</b></p>	
<p>1. If and/or when new leases are executed upon the expiration of current leases of Airport properties that were developed by the lessees, those new leases will be executed at fair market value for developed property when appropriate.</p>	<p><b>In Progress.</b> Aviation Management reported no new leases have been executed since the initial audit. As noted in action plan step B.2 below, the Airport has begun the process of entering into a direct leasing arrangement for an existing sublease that will expire prior to our next follow-up audit. As part of that process, Airport management has obtained a market study for the applicable parcel to ensure the new direct lease will be at fair market value. We will review the terms of the direct lease as part of our next follow-up. This step is in progress.</p> 
<p>2. For properties currently subleased by lessees, a determination will be made upon the expiration of the applicable leases whether it is in the City’s best interest to continue to allow those properties to be subleased, or whether it is more appropriate for the Aviation Department to lease those properties directly.</p>	<p><b>In Progress.</b> As of the end of our audit work no existing subleases had expired. Accordingly, this step could not yet be completed by management. However, an existing sublease will expire prior to our next follow-up audit. Airport management has reviewed the details and circumstances of the existing sublease and determined it would be appropriate for the Airport to execute a direct lease for the parcel in question. We will review the details of the lease</p> 

Action Plan Steps	Status as of September 30, 2018
	as part of our next follow-up audit. Accordingly, this action plan step is in progress.
<p>3. The formal comprehensive leasing policy developed pursuant to step A.1 above will provide the criteria and circumstances in which Airport property will be leased for nominal consideration.</p>	<p><b><u>In Progress.</u></b> As described in action step A.1 above, the comprehensive leasing procedures are in draft form and are pending approval and adoption. Our review of the draft procedures showed the criteria and circumstances under which nominal leases would be appropriate were addressed. Upon adoption of the procedures, this step will be considered complete. The status of the leasing procedures will be addressed as part of our next follow-up audit. This step is in progress.</p> 
<p>4. If and/or when the Aviation Department leases Airport properties for nominal rates, the rationale and justification for leasing those properties for nominal rates will be included in the applicable lease agreements or documented in the lease file when appropriate.</p>	<p><b><u>Completed.</u></b> The Aviation Department executed nominal leases with the Leon County Sheriff’s Department and Lively Technical Center on August 4, 2017, and March 2, 2018, respectively. Our review of those leases showed that appropriate justification and rationale for leasing those properties at nominal rates were included in the applicable lease agreements. This step is complete.</p> 
<p><b>C. Objective: To ensure the City is adequately protected from exposure to risk</b></p>	
<p>1. All subleases shall be pre-approved by the City prior to execution between the parties and prior to execution of the Airport Use Agreement. If and when appropriate, Use Agreements, which authorize all subleases (with the exception of T-Hangars), will be executed between lessees, sublessees, and the City.</p>	<p><b><u>In Progress.</u></b> We were informed by Aviation Department management that Flightline (lessee) and Big Top Manufacturing (sublessee) executed a sublease on September 1, 2018, prior to the City’s approval of the sublease. Aviation Department management informed us they are in the process of preparing a Use Agreement that is consistent with their procedures. However, this step will be considered “In Progress” until such time that a new sublease is executed that can be validated as having been approved by the City prior to execution between the parties (i.e., pre-approval of the sublease).</p> 




Action Plan Steps	Status as of September 30, 2018
<p>2. Required insurance coverages will be tracked in the new consolidated lease management system.</p>	<p><b>Resolved.</b> As addressed in action step A.2, the Aviation Department has determined the acquisition of a consolidated lease management system is not the best use of its resources. Management has stated it will accept the risk that the current system of tracking leases and required insurance coverages may not provide the optimal level of efficiency and functionality.</p> 
<p>3. Commercial Development will work with the Treasurer-Clerk's Risk Management Division to ensure insurance-related documentation is timely exchanged as appropriate.</p>	<p><b>Completed.</b> Staff in the Aviation Department's Commercial Development Division worked with staff in the Treasurer-Clerk Department's Risk Management Division to develop a process for ensuring insurance-related documentation is timely exchanged between departments (Aviation and Treasurer-Clerk) as appropriate. In addition, this process includes the review and approval of such documents by the Risk Management Administrator. Based on our review of the process, we have concluded this step is complete.</p> 
<p><b>D. Objective: To ensure lease revenues are reasonable and properly and timely collected</b></p>	
<p>1. When applicable, appropriate escalation provisions will be included in each subsequent lease agreement.</p>	<p><b>In Progress.</b> As noted in preceding action plan steps, Aviation Department management reported no new leases have been executed since the initial audit. At such time that a new lease is entered into, we will review that lease for the inclusion of appropriate lease rate escalation provisions. This step is in progress.</p> 
<p>2. The formal comprehensive leasing policy developed pursuant to step A.1 above will include appropriate provisions regarding escalation of lease rates, including the nature and frequency that such escalations should be applied.</p>	<p><b>In Progress.</b> As described in action step A.1 above, the leasing procedures are in draft form and are pending approval by the Interim Aviation Director and subsequent approval and adoption by the City Manager. The status of this step will be reviewed as part of our next follow-up audit.</p> 








Action Plan Steps	Status as of September 30, 2018
<p>3. Efforts will be continued to collect on Million Air's delinquent account.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1709.</p> 
<p>4. The formal comprehensive leasing policy developed pursuant to step A.1 above will include appropriate actions that should be taken in regard to collecting amounts for delinquent accounts.</p>	<p><b>In Progress.</b> As described in action step A.1 above, the leasing procedures are in draft form and are pending approval by the Interim Aviation Director and subsequent approval and adoption by the City Manager. The status of this step will be reviewed as part of our next follow-up audit.</p> 





## EXHIBIT 5: Audit of City Contracts with Big Bend Community Development Corporation




**Summary from Original Report #1701 (Issued December 1, 2016):** The scope of the initial audit focused on City loan and grant contracts awarded to the Big Bend Community Development Corporation (BBCDC). With respect to the loan contracts, our audit disclosed that additional oversight by the Community Housing and Human Services Department (Department) would better ensure contract compliance and the protection of the City’s interests. With respect to the grant contracts, we found that in many instances documentation was available to demonstrate that City grant funds had been used appropriately. However, we determined there was some use of those funds for unallowable, inappropriate, or unsubstantiated purposes. Also, our audit indicated that a lack of resources had contributed to the BBCDC’s lack of success in providing many of the contracted services. Further, while there was some monitoring and oversight of the grant contracts, those monitoring and oversight efforts needed enhancement.

A total of 18 action plan steps were established by management in response to audit recommendations, and as of September 30, 2018, all of the steps were due for completion. As shown below, all but two of the steps have been completed.


Action Plan Steps	Status as of September 30, 2018
<b>A. Objective: Ensure compliance with terms and conditions related to special project loan contracts between the City and Big Bend Community Development Corporation (BBCDC).</b>	
1. The Department will provide annually to the Commission a report on the status of outstanding special project loans, showing for each outstanding loan the debtor organization, the status of the related project, the loan amount authorized, the amount disbursed, the repayments received, the balance due, the due date, the sufficiency of collateral and insurance, a description of the actions taken to collect any past-due loans and the results, and any recommendations for Commission actions.	<b>In Progress.</b> An annual report on the status of the special projects has not yet been prepared. Department management indicated that a report will be prepared upon the completion of the first round of special project monitoring, which is now in progress. 
2. Department staff will be reminded that APP 201 requires that agenda item presentations include all relevant facts.	<b>Completed.</b> This step was completed in a prior period, see audit report #1712. 
3. The Department will develop a definition of “special projects” and City Manager will select a special projects committee to review special project requests and the committee comments will be included in funding recommendations.	<b>Completed.</b> This step was completed in a prior period, see audit report #1805. 

Action Plan Steps	Status as of September 30, 2018
4. All Department sponsored special project loan contracts will be prepared in accordance with City Commission authorization, or if not clearly in accordance with that authorization, be submitted for Commission review and approval prior to execution.	<b>Completed.</b> This step was completed in a prior period, see audit report #1712. 
5. Future loan contracts will include provisions requiring that the loan recipient provide proof that advanced (loaned) funds are used in accordance with contractual terms and conditions.	<b>Completed.</b> This step was completed in a prior period, see audit report #1712. 
6. The Department will determine if the BBCDC is currently in possession of any unencumbered land or buildings. For any such property, the Department will consider requiring that the BBCDC deliver mortgages on that property sufficient to collateralize the \$250,000 Line of Credit Loan.	<b>Completed.</b> This step was completed in a prior period, see audit report #1712. 
7. The Department will ensure that timely provision of all collateral required to secure future special project loans.	<b>Completed.</b> This step was completed in a prior period, see audit report #1805. 
8. The Department will on an annual basis physically inspect the Ashmore Property and determine whether it is being maintained in good condition, as required by contract.	<b>Completed.</b> This step was completed in a prior period, see audit report #1712. 
9. The Department will require from the BBCDC a detailed list of the Ashmore Property antiques, political paraphernalia, and collectibles and periodically determine the existence and condition of the listed items.	<b>Completed.</b> This step was completed in a prior period, see audit report #1805. 
10. The Department will on an annual basis obtain a certificate of insurance and determine that properties provided as collateral are appropriately insured.	<b>Completed.</b> The department has adopted a policy requiring that an annual request for proof of insurance be made of each recipient of loan funds or line-of-credit funds, the repayment of which is secured by a mortgage on real property. Pursuant to the policy, Department staff are to mail to each mortgagor a letter requiring that the mortgagor provide proof of the 

Action Plan Steps	Status as of September 30, 2018
	maintenance of an appropriate level of insurance. Based on these actions, this step is considered complete.
11. The Department will develop and execute monitoring plans for each of the special project loan contracts.	<p><b>Completed.</b> The department has developed a monitoring plan for projects, including special projects. The plan calls for contracts, including special project loan agreements, grant agreements, and contracts for services to be monitored periodically for compliance. Also, a recent reorganization within the Department provides for the designation of a position to focus on compliance. Department staff have also issued several reports on the results of recent on-site monitoring visits. Based on these actions, this step is considered complete.</p> 
<p align="center"><b>B. Objective: Ensure compliance with terms and conditions related to Community Development Block Grant (CDBG) contracts between the City and Big Bend Community Development Corporation.</b></p>	
1. The Department will consult with the City Attorney's Office to ascertain if the BBCDC should be requested to return CDBG grant funds used for non-allowable and/or inappropriate uses.	<p><b>Completed.</b> This step was completed in a prior period; see audit report #1805. (This action plan step relates to \$7,659 in grant fund charges which were questioned by our initial audit as non-allowable or inappropriate. These questioned costs were disallowed by the Department and have been recouped by the City.)</p> 
2. The Department will enhance reviews of BBCDC reimbursement requests to ensure that only those costs that are adequately documented and substantiated by the BBCDC are reimbursed.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1712.</p> 
3. The Department will consult with the City Attorney's Office to ascertain if the BBCDC should return the CDBG grant funds for those costs that cannot be substantiated by the BBCDC.	<p><b>Completed.</b> This step was completed in a prior period; see audit report #1805. (This action plan step relates to \$19,851 in unsubstantiated grant fund charges which were questioned by our initial audit. These questioned costs were disallowed by the Department and have been recouped by the City.)</p> 

Action Plan Steps	Status as of September 30, 2018
<p>4. The Department will consult with the City Attorney's Office regarding whether the Executive Director's hiring of his daughter violates contract terms prohibiting conflicts of interest and nepotism. If deemed a contract violation, the Department will consult with the City Attorney's Office concerning the corrective actions to be taken.</p>	<p><b>Completed.</b> This step was completed in a prior period; see audit report #1805. (In connection with this action plan step, the Department disallowed \$2,400 in grant fund charges. These disallowed costs have been recouped by the City.)</p> 
<p>5. If the BBCDC is determined not to be financially viable, the Department will identify alternatives for providing the needed and desired services to low-income households.</p>	<p><b>In Progress.</b> To complete this step, the BBCDC's financial obligations to the City, which, as of November 15, 2018, totaled \$393,147 (\$50,000 balance due on a line-of-credit loan and \$343,147 due on the Ashmore Property loan), must be settled. The balance on the letter of credit loan is due on January 1, 2019, and the Ashmore Property loan, secured by a mortgage on the property and a collection of antiques and collectibles, matured on November 1, 2018. As of the conclusion of our follow-up work, management was considering the actions to be taken to resolve the outstanding balance due on the Ashmore Property loan.</p> 
<p>6. Enhancements will be made in regard to the monitoring and oversight processes of the Housing Division. Specifically: (1) reimbursement requests will be reviewed in a manner to ensure BBCDC costs are allowable, reasonable, supported and substantiated; and not included on more than one reimbursement request; (2) required periodic performance reports will be reviewed for completeness and clarity, and to determine if they demonstrate the extent to which the contractual goals are being met; and (3) more frequent site visits will be conducted.</p>	<p><b>Completed.</b> As noted in our second follow-up report (audit report #1805), the Department's Housing Administrator had assumed the responsibility for reviewing the reimbursement requests submitted by the BBCDC. Also, the Department had hired a Special Projects Coordinator to assist in the enhancement of the monitoring and oversight processes of the Housing Division. Further, as described above in the Table entry for action plan step A.11, the Department has developed a monitoring plan for projects, including special projects. The plan calls for contracts, including special project loan agreements, grant agreements, and contracts for services to be monitored for compliance. Also, a recent reorganization within the Department provides for the designation of a position to focus on compliance. Department staff have also issued several reports on the results of recent on-site monitoring visits. Based on these actions, this step is considered complete.</p> 



Action Plan Steps	Status as of September 30, 2018
<b>C. Other Matters:</b>	
<p>1. The Department will review the process used to budget federal, state, and local resources to ensure that those resources and the related planned expenditures are included in the City's annual budgets.</p>	<p><b><u>Completed.</u></b> This step was completed in a prior period; see audit report #1805.</p> 

## EXHIBIT 6: Audit of City Printers and Copiers

**Summary from Original Report #1702 (Issued December 6, 2016):** Printing and copying documents is a cost of doing business that, while not significant on an individual page basis, is often significant in the aggregate. Several approaches can be used to control those costs; including using efficient printing/copying equipment (devices), limiting the number of devices by strategic location and required sharing of equipment, and standardization to reduce maintenance and support efforts.



The scope of this audit focused on selected printers and multifunction devices (capable of printing, scanning, and copying) that were in use within the City during the period April 1, 2016, through June 30, 2016.





The purpose of this audit was to identify opportunities for the City to realize efficiencies in printing and copying documents and records through:






1. The use of alternative procurement methods that will reduce the acquisition costs of multifunction devices (MFDs).
2. A reduction in the number of printers and MFDs necessary for City staff to effectively perform their duties and assignments.
3. A reduction in number and variety of makes and models of printers and MFDs to allow for more efficient maintenance and support by Technology and Innovations Department (T&I) staff.






We identified three areas where savings and increased efficiencies could be realized in regard to printing and copying of City documents and records. Those areas relate to the manner in which MFDs are acquired, the use of desktop printers within certain City departments, and the required maintenance and support of City printers.

A total of 16 action plan steps were established by management in response to audit recommendations. As of September 30, 2018, 13 steps were due to have been completed. Of those 13 steps, six steps have been completed in a prior period, five were completed this period, and two are considered in progress. Additionally, there are three steps that are not yet due and will be followed-up on in a future follow-up audit.

Action Plan Steps	Status as of September 30, 2018
<b>A. Objective: Change the method of acquisition of MFDs throughout the City.</b>	
<i>City Manager's Office</i>	
1. As the lease terms for MFDs currently being leased expire, management will review the circumstances related to the replacement of the MFDs. As part of that review, consideration will be given to direct purchasing the replacement MFDs rather than leasing those devices.	<b>Completed.</b> Language requiring City departments to review and analyze costs associated with the acquisition of MFDs and consider a direct purchase rather than a lease of such devices was added to the City's purchasing procedures (Procurement Manual). This step is complete. 
2. When a determination is made that a new MFD is needed (i.e., not a replacement of an existing MFD) a policy will be developed to	<b>Completed.</b> After further consideration, management determined revising the City's purchasing procedures to require 

Action Plan Steps	Status as of September 30, 2018
consider acquiring that MFD through a direct purchasing process.	consideration of direct purchase of MFDs (rather than leasing) was more appropriate than creating or revising a City policy to codify such a requirement. Accordingly, as noted in action plan step A.1 above, the City's purchasing procedures were revised to require such consideration. This step is complete.
<i>City Treasurer-Clerk's Office</i>	
3. When the lease term for the MFD currently being leased expires in January 2019, management will review the circumstances related to the replacement of the MFD, to include an analysis of the office's printing, copying, and scanning needs. Consideration will be given to direct purchasing the replacement MFD rather than leasing that device.	<b><u>Not Yet Due.</u></b> The target completion date is January 15, 2019. 
4. When a determination is made that a new MFD is needed (i.e., not a replacement of an existing MFD) consideration will be given to acquiring that MFD through a direct purchasing process.	<b><u>Completed.</u></b> This step was completed in a prior period, see audit report #1713. 
<i>City Attorney's Office</i>	
5. When the lease term for MFD currently being leased expires in April 2019, management will review the circumstances related to the replacement of the MFD, to include an analysis of the office's printing, copying, and scanning needs. Consideration will be given to direct purchasing the replacement MFD rather than leasing that device.	<b><u>Not Yet Due.</u></b> The target completion date is January 28, 2019. 
6. When a determination is made that a new MFD is needed (i.e., not a replacement of an existing MFD), an analysis will be conducted to compare the cost of purchasing to leasing. The analysis will consider all pertinent costs, to include maintenance and supplies. As the City Attorney's Office does not anticipate the need for a new MFD prior to the end of the current leases, this analysis will be conducted	<b><u>Not Yet Due.</u></b> The target completion date is January 15, 2019. 

Action Plan Steps	Status as of September 30, 2018	
immediately prior to the expiration of those current leases.		
<b>B. Objective: Eliminate certain desktop printers and re-evaluate desktop printer usage throughout the City.</b>		
<i>City Manager's Office</i>		
1. Procurement Services will implement a plan to eliminate desktop printers in a timelier manner by no longer purchasing ink or toner for such printers.	<b>Completed.</b> This step was completed in a prior period, see audit report #1713.	
2. Each departmental manager will be directed to review the usage of desktop printers in their respective areas for the purpose of identifying desktop printers that can be eliminated without undue negative impacts to productivity.	<b>In Progress.</b> Due to key staff being recalled to active military service and a backlog of work that had accumulated while that key staff was away from work, this step was not addressed by the initial target completion date. The completion date has been amended to March 31, 2019.	
3. Appropriate policy will be developed (based on the unique circumstances of each department's usage of desktop printers) to eliminate desktop printers that are not efficient.	<b>In Progress.</b> As with the previous action plan step, this step was not completed due to key staff being recalled to active military service. The completion date for this step has been amended to March 31, 2019.	
<i>City Treasurer-Clerk's Office</i>		
4. Risk Management will evaluate and consider the elimination of desktop printers and replacing those printers with a more efficient option that meets the department's needs.	<b>Completed.</b> Risk Management has evaluated the usage of desktop printers and determined that, due to the sensitivity and confidential nature of the work performed by Risk Management, the continued use of desktop printers was appropriate. This step is complete.	
5. Retirement Services will evaluate and consider the elimination of desktop printers and replacing those printers with a more efficient option that meets the department's needs.	<b>Completed.</b> Retirement Services has evaluated desktop printer usage and determined that the elimination of desktop printers is reasonable and has acquired a multi-function device to serve as a central printer for all Retirement Services staff. Retirement Services reported desktop printers	

Action Plan Steps	Status as of September 30, 2018
	will be eliminated as the supply of printer ink/toner is exhausted. This step is complete.
6. Each departmental manager will be directed to review the usage of desktop printers in their respective areas for the purpose of identifying desktop printers that can be eliminated without undue negative impacts to productivity.	<p><b>Completed.</b> - Executive management of the Treasurer-Clerk's Office communicated to all departmental managers that the usage of desktop printers should be reviewed, and when appropriate, eliminated. This step is complete.</p> 
<b>City Attorney's Office</b>	
7. A review will be made as to the usage of desktop printers within the City Attorney's Office for the purpose of identifying desktop printers that can be eliminated without undue negative impacts to productivity.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1713.</p> 
<b>C. Objective: Development of a standard list of recommended printers and MFDs.</b>	
<b>City Manager's Office</b>	
1. The Technology and Innovations department will work with City departments to develop a list of recommended printers and MFDs that encompass a variety of functionality. Acquisition, operating, and maintenance cost and efficiencies will be considered when selecting the devices for the list of recommended printers and MFDs.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1713.</p> 
2. The list of recommended printers will be made available to all City departments.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1713.</p> 
3. A procedure will be developed to update the list of recommended printers and MFDs on a periodic and regular basis.	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1713.</p> 

## EXHIBIT 7: Audit of the Cloud Migration & Upgrade to PeopleSoft Systems


**Summary from Original Report #1706 (Issued April 7, 2017):** The City successfully migrated (transitioned) the PeopleSoft Financials and Human Resources systems to a cloud environment. However, efforts to subsequently upgrade the two City systems to current versions were temporarily suspended.


This audit was conducted to evaluate and report on management’s efforts to transition the City’s PeopleSoft Financials and Human Resources systems to a “cloud” environment and to subsequently upgrade those two major systems.



The specific audit objectives included the following: (1) Determine if the vendors associated with the Project were selected in accordance with best practices and if contracts executed with those vendors were appropriate, adequate, and in the best interests of the City; (2) Determine if payments to Project vendors were reasonable, appropriate, supported, properly approved, and in accordance with controlling contractual provisions; (3) Identify best practices relating to cloud computing and determine if the migration of the two PeopleSoft systems to a cloud environment was conducted in accordance with those practices; and (4) Determine and report on the overall status of the Project, to include successes and challenges.

With the assistance of a contracted vendor, the City successfully migrated (transitioned) the PeopleSoft Financials and Human Resources systems to a cloud environment. For the most part, City staff followed industry best practices during the migration process. Efforts to subsequently upgrade the two City systems to current versions after the transition to a cloud environment were, however, suspended due to challenges resulting from a lack of clarity and specificity in certain contractual terms and conditions regarding roles and responsibilities of City and contractor staff. Payments made to the contracted vendors in connection with the transition to the cloud environment and subsequent upgrade efforts were generally appropriate and correct. Enhanced project planning and scheduling as well as stronger negotiation and contractual restrictions would likely have reduced those costs. Furthermore, while applicable contracts were executed with legitimate vendors for the needed services through authorized processes, it likely would have been more beneficial to the City if vendors had been selected using a direct solicitation of proposals through a competitive process. Lastly, hosting costs associated with the transition and upgrade efforts are expected to exceed initial City projections.




A total of 24 action plan steps were established by management in response to audit recommendations. As of September 31, 2018, all of the steps were due for completion. Of those 24 steps, 16 had been completed and the completion of eight steps were in progress.



Action Plan Steps	Status as of September 30, 2018
<i>Administrative and Professional Services</i>	
<p>1. The Procurement Policy (Commission Policy 242) will be revised to specify a period of time that must have passed since an employee’s employment with a potential vendor before that employee will be allowed to participate in evaluations and/or</p>	<p><b>In Progress.</b> Financial Services staff in the City’s Procurement Department added language to the Procurement Procedures Manual, which provides day-to-day guidance on procurement activities, prohibiting City employees from serving on a solicitation review committee involving any employer for the</p> 



Action Plan Steps	Status as of September 30, 2018
<p>selections of proposals for City business from that previous employer.</p>	<p>preceding two years, and requiring members of any City solicitation review committee to complete a Conflict of Interest statement attesting to the fact they are independent of and have no conflicts of interests with the vendors being evaluated. Financial Services stated they are revising the Procurement Policy, Commission Policy 242 to include these same revisions, among other things and anticipates the revised policy will be presented to the City Commission in the spring. Management amended the completion date to March 31, 2019.</p>
<p>2. The City will revise the City Procurement Policy to require employees involved in evaluating and/or selecting potential City vendors to complete a signed assertion indicating they are independent of and have no conflicts of interests with the vendors being evaluated.</p>	<p><b>Completed.</b> Of the 25 employees making up the 5 solicitations we reviewed during this follow up, 20 (80%) of them properly completed the City's Conflict of Interest Statement during the solicitation evaluation process. By signing and dating these statements, employees are asserting they are independent of and have no conflict of interest with the vendors who submitted proposals for City business for which that employee is evaluating. Additionally, the employees are affirming they have not been employed for the two previous years by any of the firms being evaluated. Of the five committee members that did not accurately and completely fill out the forms, one employee completed the form two months after the selection process, and only after our office noted the signed form was not in the solicitation file. Two employees signed the forms but omitted the date they signed the forms. One committee member still has not completed his form, as of the end of our fieldwork portion of this follow up. Although we commend the City for ensuring most of the committee members completed the forms during this follow-up period to ensure there was no conflict of interest during the evaluation period, it is imperative for those forms to be completed prior to any evaluation of vendor proposals in order to identify potential conflicts of interest at the earliest possible time. Because 80% of the committee members we reviewed had completed the conflict of interest statements during the</p> 





Action Plan Steps	Status as of September 30, 2018
	solicitation evaluation period, we consider this action step substantially complete.
<i>Technology and Innovation</i>	
<p>3. For future IT projects of the nature addressed in the audit, efforts will be made to ensure competitive procurement practices are followed in accordance with the intent of City policy and provisions of piggybacked contracts.</p>	<p><b>Completed.</b> Although information technology upgrade projects utilizing outside vendors to complete the upgrade are not a common occurrence, there has only been one IT project since the completion of the Audit of the Cloud Migration and Upgrade to the PeopleSoft Systems where an outside vendor was hired to perform an upgrade for the City. The City recently hired Presidio, an outside contractor to perform the upgrade to the City's telephone system, similar to how the City hired Ciber to upgrade two of the City's Enterprise Resource Planning systems. The telephone upgrade was solicited through a competitive selection process in a request for proposal (RFP) issued through the City's Procurement Services. The selection process to hire a vendor for the telephone upgrade shows the City has a process in place to competitively solicit proposals for IT projects of this nature in the future. Accordingly, we consider this action step completed.</p> 
<p>4. For future City IT endeavors that are project-like in nature, and are a significant expenditure, applicable contracts will be executed for a firm amount, or an amount not to exceed a firm amount as appropriate, and when to the advantage of the City, so as to reduce the City's exposure to financial risk.</p>	<p><b>Completed.</b> As noted in Action Step three above, the City recently hired a company to upgrade the City's telephone system, similar to how the City hired Ciber to upgrade two of the City's Enterprise Resource Planning systems. The telephone upgrade contract lists a fixed price for each of the seven phases of the upgrade project, and a not-to-exceed price for any travel related expenses associated with the project. Although there has only been one IT project since the completion of the Audit of the Cloud Migration and Upgrade to the PeopleSoft Systems, where an outside vendor was hired to perform the upgrade for the City, the fixed price structure of the telephone upgrade contract shows the City has a process in place to reduce the City's exposure to financial risk for IT projects of this nature in the future. Although information technology upgrade</p> 










Action Plan Steps	Status as of September 30, 2018
	<p>projects utilizing outside vendors to complete the upgrade are not a common occurrence, based on the actions taken on the telephone upgrade project, we consider this action step completed.</p>
<p>5. For future IT projects of the nature addressed in the audit, applicable contracts will be executed that establish project milestones, and penalties that can be applied in the event the contractor does not meet those milestones.</p>	<p><b>Completed.</b> The contract to upgrade the City’s telephone system includes a detailed list of phases for the project and milestones for how long each phase should take. While penalties for missing the milestones were not directly included, T&amp;I management believes that by making 30% of the contract payment due at the conclusion of the last phase in addition to requiring a 5% retainage fee for each invoice up to the last phase is a proper incentive in this instance for the contractor to avoid any delays on their end and expeditiously complete the project as planned. Although information technology upgrade projects utilizing outside vendors to complete the upgrade are not a common occurrence, based on the actions taken on the telephone upgrade project, we consider this action step completed.</p> 
<p>6. For future City IT projects of the nature addressed in the audit and which involve a defined set of tasks and a completed end product, performance bonds will be required and obtained from applicable contractors.</p>	<p><b>Completed.</b> T&amp;I stated they have a process in place to require performance bonds on future IT-related projects. In our review of the contract with Presidio, we confirmed a performance bond in the amount of \$4.8 million with the City named as the beneficiary was purchased by Presidio and provided to the City. Although information technology upgrade projects utilizing outside vendors to complete the upgrade are not a common occurrence, based on the actions taken on the telephone upgrade project, we consider this action step completed.</p> 
<p>7. For future City IT projects of the nature addressed in the audit, applicable contracts will require or provide for (1) adequate and appropriate levels of insurance coverages, (2) the City to be listed as an additional insured on applicable contractor insurance coverages, and (3) that the City will be held</p>	<p><b>Completed.</b> T&amp;I stated they have a process in place to consult with the City’s Risk Management Division on future IT-related projects. In our review of the contract with Presidio, Risk Management staff confirmed the insurance coverages are adequate given the nature of the project Presidio was hired to undertake.</p> 


Action Plan Steps	Status as of September 30, 2018
<p>harmless for actions attributable to the contractor.</p>	<p>Additionally, the contract with Presidio included the appropriate indemnification and hold harmless language to protect the City for actions attributable to Presidio. Although information technology upgrade projects utilizing outside vendors to complete the upgrade are not a common occurrence, based on the actions taken on the telephone upgrade project, we consider this action step completed.</p>
<p>8. For future City IT projects of the nature addressed in the audit, project management will consult with the Risk Management Division, prior to execution of the contracts, to determine the levels of insurance that are appropriate to require of proposed contractors.</p>	<p><b>Completed.</b> T&amp;I stated they have a process in place to consult with the City’s Risk Management Division on future IT-related projects. In our review of the solicitation process which resulted in the City hiring Presidio to upgrade the City’s telephone system, Risk Management staff confirmed T&amp;I properly consulted with them prior to the execution of the contract with Presidio. Although information technology upgrade projects utilizing outside vendors to complete the upgrade are not a common occurrence, based on the actions taken on the telephone upgrade project, we consider this action step completed.</p> 
<p>9. For future City IT projects of the nature addressed in the audit, project management will obtain a proper and complete understanding of billing provisions of potential vendors, prior to executing contracts with those vendors.</p>	<p><b>Completed.</b> T&amp;I reported a process has been implemented where T&amp;I staff responsible for processing invoices and payment requests meet with the project manager at the beginning of each new T&amp;I project. The purpose of the meeting is to understand the City’s financial obligations and specifically discuss the billing provisions in the contract including any retainage allowed for in the contract. T&amp;I management reported this process has worked as intended on a recent contract to replace the City’s telephone system. Specifically, we verified that once the project manager has approved for the invoices to be paid, staff have been able to properly and efficiently process invoices because they understood the billing provisions of the contract at the beginning of the project. Accordingly, we consider this action step completed.</p> 


Action Plan Steps	Status as of September 30, 2018
<p>10. For future City IT projects of the nature addressed in the audit, project management will review invoices in a manner to ensure the City is billed in accordance with applicable contractual terms and conditions.</p>	<p><b>Completed.</b> A process has been developed and enacted where Project Managers in Technology &amp; Innovation email T&amp;I administrative support staff when invoices for their projects have been reviewed for compliance with contractual terms and conditions. This email serves as the Project Manager’s approval for the invoices to be paid as presented by the contractor. Accordingly, we consider this action step completed.</p> 
<p>11. For future City IT projects of the nature addressed in the audit, vendor/contractor invoices will be (1) stamped as to date of receipt and (2) timely reviewed and paid by appropriate staff.</p>	<p><b>In Progress.</b> T&amp;I established a process where invoices from Ciber (the company performing the upgrade to the City’s ERP systems and managing the cloud environment) and CenturyLink (the company hosting the City’s ERP cloud environment) are sent by the companies to a centrally-monitored email system in T&amp;I. The time stamp on the email provides an easily identifiable date and time on which the invoices are received.</p>  <p>While the invoices are clearly marked with when they were received by the City, there have been some delays in timely paying the invoices. Reasons for these delays include discrepancies with several of Ciber’s invoices the City caught and had corrected before paying, along with issues in the City establishing the proper funding source (operating versus project) and associated purchase order from which invoices should be paid as different portions of the PeopleSoft upgrade project were completed. Determining the proper funding source and establishing subsequent purchase orders are important; however, these are actions which should have been taken sooner or more quickly by the City thereby eliminating late payments for any purpose other than those invoices for which the vendor incorrectly billed the City. T&amp;I management stated they worked with the City’s procurement and budgeting offices to establish a process to address the funding source and associated purchase order for future invoices and amended the completion date for this action plan step to March 31, 2019.</p>

Action Plan Steps	Status as of September 30, 2018
<p>12. For future City IT projects of the nature addressed in the audit, designated project managers will document their review and approvals of vendor and contractor invoices.</p>	<p><b>Completed.</b> As noted in Action Step 10 above, a process has been established where Project Managers in Technology &amp; Innovation email T&amp;I administrative support staff when invoices for their projects have been reviewed for compliance with contractual terms and conditions. Accordingly, we consider this action step completed.</p> 
<p>13. For future City IT projects of the nature addressed in the audit, applicable support provided with vendor invoices will be retained in City files (record systems) in accordance with City record retention schedules.</p>	<p><b>Completed.</b> T&amp;I established a process where the supporting documentation for invoices submitted by vendors is retained and recorded with the invoice in the City's central document management system. Additionally, T&amp;I requested Ciber and CenturyLink email the invoices to a central email system instead of mailing the invoices via the U.S. Postal Service. Doing so means the support for the invoices is also preserved in the software used by the City to retain copies of all emails sent or received from the City's email system. Accordingly, we consider this action step completed.</p> 
<p>14. For future City IT projects of the nature addressed in the audit, efforts will be made to better plan and schedule onsite work by contracted employees such that contractors do not incur rescheduling costs that are reimbursed by the City.</p>	<p><b>In Progress.</b> Although the vendor hired to upgrade the City's telephone system has only recently traveled for the project, as of the end of our fieldwork, they have not yet invoiced the City for that travel. Management stated they provided the vendor with the City's travel policy and made sure the vendor understands the City's travel policy. T&amp;I further reported they have a process in place to ensure the City will properly monitor and only provide reimbursement for appropriate travel-related expenses. T&amp;I management requested the completion date for this action plan step be amended to March 31, 2019.</p> 
<p>15. For future City IT projects of the nature addressed in the audit, terms will be negotiated with contractors/vendors that establish reasonable and maximum amounts that will be reimbursed for</p>	<p><b>Completed.</b> The contract with Presidio to upgrade the City's telephone system includes a fixed amount that can be requested by Presidio for travel expenses related to the</p> 

Action Plan Steps	Status as of September 30, 2018
<p>contractor/vendor travel and lodging costs. Provisions in the City travel policy will serve as a guideline for that purpose.</p>	<p>telephone upgrade project. Although information technology upgrade projects utilizing outside vendors to complete the upgrade are not a common occurrence, based on the actions taken on the telephone upgrade project, we consider this action step completed.</p>
<p>16. For future migrations of City systems to a cloud environment, appropriate load testing will be performed to ensure the applicable environment can efficiently and effectively process the expected volume of transactions and activity.</p>	<p><b>In Progress.</b> Although the telephone upgrade project has not progressed far enough to allow for load testing, T&amp;I management referenced the readiness assessment test in phase 3 of the upgrade contract as the test where appropriate load testing will be conducted. Consequently, management requested the completion date for this action plan step be amended to March 31, 2019.</p> 
<p>17. For the Project addressed in this audit, consideration will be given to developing a formal plan to guide City staff in the event the City leaves the current cloud provider.</p>	<p><b>In Progress.</b> T&amp;I is in the process of developing a formalized exit plan and reported the plan will be finalized subsequent to our audit work. T&amp;I management reamended the completion date for this step to March 31, 2019. We will review the status of this step as part of our next follow-up audit.</p> 
<p>18. For the Project addressed in this audit, the ongoing evaluation to determine the impact of additional encryption of City data maintained in the cloud environment will be completed. Appropriate actions will be taken based on the evaluation results.</p>	<p><b>Completed.</b> T&amp;I completed the evaluation of the impact to system performance of additional encryption of City data in the cloud environment. Based on that evaluation, the City and Ciber worked together to encrypt all City data.</p> 
<p>19. System access will be obtained from Ciber that will allow designated City staff to determine the individuals granted access to City data and IT resources by Ciber. Identified individuals will be required to assert they agree to abide by appropriate City policies and procedures pertaining to City IT resources and data. Consideration will be given for geoblocking of existing Ciber managed cloud environment.</p>	<p><b>In Progress.</b> Because Ciber was hired to manage the City's PeopleSoft cloud environment for the City, Ciber is responsible for granting and managing who within their organization has access to the City's data. T&amp;I received from Ciber a record of the Ciber employees who, as of August 2018, had access to the City's cloud environment, which T&amp;I used to confirm a completed Third-Party Connection Form was completed for each of those employees. Additionally, T&amp;I Management reported they are</p> 

Action Plan Steps	Status as of September 30, 2018
	<p>in discussions with CenturyLink and Ciber about the best approach to implementing geoblocking within the City's cloud environment, but action has not yet been taken. T&amp;I management requested the completion date for this action plan step be amended to March 31, 2019.</p>
<p>20. A comprehensive City policy on cloud computing will be established and adopted that will include:</p> <ul style="list-style-type: none"> <li>• Review appropriate independent IT audit reports to determine if the applicable cloud environment (includes data centers) is reasonably secure and protected. Those reports will be obtained and used during the vendor selection process and reviewed as appropriate.</li> <li>• Consideration will be given to implementing geoblocking measures for the current and future cloud environment.</li> <li>• Appropriate log management practices will be implemented.</li> </ul>	<p><b><u>In Progress.</u></b> T&amp;I is working to complete the policy they developed to address cloud computing by City departments. Management anticipates a final draft of the policy will be finalized and approved after the first of the year, and they requested the completion date for this action plan step be amended to March 31, 2019.</p> 
<p>21. Appropriate Distributed Denial of Service prevention measures will be implemented for the cloud environment.</p>	<p><b><u>Completed.</u></b> T&amp;I management reported they evaluated the tools available to Ciber in the City's cloud environment and reviewed Ciber's most recent System and Organization Controls 2 Type II report (SOC 2 Type II), which is an independent testing and evaluation of the effectiveness of Ciber's controls within their managed services program. Through this analysis, T&amp;I management determined that in their professional opinion the City is reasonably protected from Distributed Denial of Service (DDoS) attacks against the PeopleSoft cloud environment. As a result, we consider this step to be completed.</p> 
<p>22. Appropriate plans will be implemented to validate Ciber is applying necessary updates and patches to the hardware and software being used in the City's cloud environment. Appropriate log review will occur to insure data integrity.</p>	<p><b><u>Completed.</u></b> T&amp;I has a process in place to monitor and ensure Ciber is applying agreed upon updates and patches in a timely manner. That process begins with Ciber, who is responsible for managing the cloud environment, notifying the</p> 

Action Plan Steps	Status as of September 30, 2018
	<p>City about applicable updates and patches (patches) and working to schedule a time convenient with all parties to apply the patches. Ciber then notifies the City once the patches have been successfully applied or keeps the City informed if there were any delays or issues while installing the patches. Additionally, during weekly meetings to discuss the PeopleSoft upgrade project Ciber provides to the City a list of the current version for each software application used by the City in the PeopleSoft cloud environment.</p> <p>Although this process is in place, during the PeopleSoft upgrade project, a decision was made in late 2017 to not apply some patches in order to avoid interfering with or delaying the upgrade project. As a result, a known vulnerability in the system allowed a virus to be installed which then executed bitcoin monitoring software on the City's servers in the PeopleSoft cloud environment. Ciber and the City reported the patches which were not applied were released by Oracle, the company who owns PeopleSoft to specifically thwart the virus that attacked the City's cloud environment. According to T&amp;I management, the virus did not compromise any of the City's data, it only tied up computer resources while attempting to mine bitcoin. The virus was eradicated at the beginning of 2018 when Ciber deleted the infected servers and installed all necessary patches on new servers. According to T&amp;I, how the virus entered the cloud environment is still unknown, but the virus has not rematerialized.</p> <p>Although the City experienced an attack on the cloud environment through the form of a virus designed to mine bitcoin, the City has a process in place to monitor which patches are applied to the cloud environment and how quickly those patches are installed by Ciber. As a result, we consider this step to be completed.</p>
23. Efforts to identify and implement ways to reduce cloud hosting and management costs	<p><b><u>In Progress.</u></b> The monthly costs to host the City's cloud environment have increased approximately \$7,800 (25%) since the initial audit.</p> 

Action Plan Steps	Status as of September 30, 2018
<p>associated with the two migrated PeopleSoft systems will continue.</p>	<p>Specifically, from October 2016 – December 2016 cloud hosting cost the City an average of \$30,700 a month, whereas from January 2018 – August 2018 the cloud hosting costs averaged \$38,500. T&amp;I management attributed the increase to (a) the City still hosting in the cloud the PeopleSoft systems from which the City recently upgraded and (b) a new PeopleSoft feature the City decided to implement after the completion of the upgrade project which is in the testing phase. The old PeopleSoft systems are still being hosted in the cloud environment as a precautionary measure to ensure the upgrade project does not experience any unforeseen system failures as the City moves through key time periods such as year-end closeout, benefits open enrollment, and the creation of the Comprehensive Annual Financial Report. Management anticipates the old PeopleSoft systems will be deleted sometime after the first of the year.</p> <p>Additionally, T&amp;I will be soliciting for a new cloud hosting contract in 2019. Management believes better cloud hosting costs will result from the solicitation because the City will have two years of history in the cloud to aid vendors in preparing a proposal to fit the City’s needs. Accordingly, T&amp;I management requested the completion date for this action plan step be amended to March 31, 2019.</p>
<p>24. Efforts will continue to develop and execute contract amendments with Ciber that are in the best interest of the City; specifically, to clarify the roles and responsibilities of both parties, establish milestones for the remaining portion of the Project, establish more clearly defined deliverables, and establish financial incentives for Ciber to meet the milestones and provide the deliverables. Additionally, consideration will be given to establishing a maximum fee that will be paid to Ciber for the remaining upgrade services. The previously executed amendment whereby Ciber agreed to provide free services valued at \$276,000 at the end of the upgrade will be considered in</p>	<p><b>Completed.</b> T&amp;I successfully negotiated with Ciber changes to the upgrade contract which include clearly defined deliverables for the remainder of the upgrade project and specific roles and responsibilities for both the City and Ciber. T&amp;I management stated they were unsuccessful in negotiations to include penalties for Ciber missing deadlines on their portion of the remaining steps in the upgrade; however, they were able to negotiate a retainage clause into the amendment allowing the City to withhold 10% of each invoice payment until the conclusion of the project. In addition, the City was able to limit the amount Ciber could charge for work to an agreed upon fixed price. Although the City was not able</p> 



<b>Action Plan Steps</b>	<b>Status as of September 30, 2018</b>
the negotiation process for these contract amendments.	to reach an agreement with Ciber on every aspect of the amendment T&I preferred, they were able to have most of the desired language included. Accordingly, we consider this action step completed.

## EXHIBIT 8: Audit of Growth Management Revenues


**Summary from Original Report #1710 (Issued May 11, 2017):** The primary purpose of our audit was to determine the adequacy of the processes and controls relating to the assessment and collection of various permit and other fees by the Growth Management Department. In addition, our audit included a determination as to the extent revenues generated through Growth Management fees recovered the costs of the Growth Management function.






Revenues and related processes for both the Land Use and Environmental Services Division (LUES) and the Building Inspection Division (Building Inspection), as well as the Administrative Services Division (Administrative Services), were audited. The Code Enforcement Division was, however, excluded from the scope of our audit as that function was transferred to Growth Management within the past year. For those divisions audited, activity during the four-year period fiscal year (FY) 2013 through FY 2016 was reviewed, with an emphasis on activity in FY 2016.




Our specific audit objectives were to: (1) determine the adequacy of controls established to provide reasonable assurance that Growth Management fees were properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account; and (2) determine the extent that Growth Management fees recovered the costs of the Growth Management function.



Overall, we determined adequate controls are in place to provide reasonable assurance that Growth Management permit and other fees are properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account. Our audit tests confirmed that, for the most part, those controls were operating properly and effectively. Regarding the fee revenues and related controls, several opportunities for improvement were identified for which recommendations were made. As part of our audit, we also determined that Growth Management should establish a formal policy that provides the portion of costs that is intended to be recovered by permit and other fees. In establishing that policy, fairness to and affordability by customers (developers, contractors, and property owners), as well as the need for appropriate operating reserves, should be considered. Upon development of such a policy, rate studies should be conducted as needed to ensure fees are adequate to meet the policy targets and goals.

A total of 12 action plan steps were established by management in response to audit recommendations. As of September 30, 2018, all 12 steps were due for completion. Of those 12 steps, eight were completed and four were in progress.

Action Plan Steps	Status as of September 30, 2018
<p><b>A. Objective: Ensure adequate controls are established to provide reasonable assurance that Growth Management fees are properly assessed, collected, safeguarded, recorded, and deposited into the City's bank account.</b></p>	
<p>1. The importance of ensuring accurate and correct data is entered into Permits Plus (and any subsequent replacement system) will be re-emphasized to applicable Building Inspection staff.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1802.</p> 

Action Plan Steps	Status as of September 30, 2018
2. Building Inspection will issue a refund to the customer that was overcharged.	<b>Completed.</b> This step was completed in a prior period, see audit report #1802. 
3. Appropriate justification will be documented within Permits Plus (and any subsequent replacement system) by LUES staff whenever permit fee adjustments are made.	<b>Completed.</b> This step was completed in a prior period, see audit report #1802. 
4. Applicable LUES internal policies and procedures will be amended to require documented justification for permit fee adjustments within Permits Plus (and any subsequent replacement system).	<b>Completed.</b> This step was completed in a prior period, see audit report #1802. 
5. To address the risk resulting from the incompatible duties assigned to/performed by Applicant Services supervisors, Growth Management will implement one of the following additional controls: (1) remove the two supervisors' capability to record fee adjustments within Permit Plus; (2) require a higher level Growth Management supervisor to review any fee adjustments recorded in Permits Plus by the two supervisors; or (3) require customers paying by cash to remit their payments directly to the Revenue Office. In determining which alternative action to implement, Growth Management will consider the impact on customer service and the impact that the planned replacement of Permits Plus with CityWorks will have on this process.	<b>Completed.</b> Growth Management implemented appropriate controls to adequately address the risk resulting from the incompatible duties assigned to/performed by Applicant Services supervisors. Such controls were instituted through the implementation of CityWorks (the City's new permitting system) on January 22, 2018. Unlike the previous permitting system (Permits Plus), CityWorks does not enable employees to manually record permit fees or adjustments to the system. All fees are populated and calculated by CityWorks based on project attributes (e.g., square footage, fixture count) submitted in the customer's application. As an additional control, Plans Examiners or Inspectors review project attributes and associated permit fees for accuracy and reasonableness. This step is complete. 
6. Growth Management will continue to maintain the safe used to store cash and checks collected from Building Inspection customers in the more secure location.	<b>Completed.</b> This step was completed in a prior period, see audit report #1802. 
7. Growth Management will continue efforts to standardize the terminology used to document permit status in CityWorks (the system being implemented to replace Permits Plus).	<b>Completed.</b> Growth Management standardized the terminology used to document permit status in CityWorks (the system implemented to replace Permits Plus) and publicized a glossary of permit status codes ( <i>Full List of</i>

Action Plan Steps	Status as of September 30, 2018
	<p><i>Statuses Used by the Growth Management Department) on the City’s website on April 23, 2018. This step is complete.</i></p>
<p>8. The Growth Management Fee Schedule will be reviewed and revised to make the calculation of permit fees more transparent and understandable to customers.</p>	<p><b><u>In Progress.</u></b> Management anticipates the revision of the Growth Management Fee Schedule will not be completed until after March 31, 2019. Due to the current level of reserves in the Building Inspection Fund, the desire to engage customers and stakeholders in the construction and development community in the fee evaluation process, and the need to make the most efficient use of dollars, the decision was made to hire a consultant to conduct a fee study rather than complete such a rate study in-house. This step is in progress and will be reviewed again as part of a future follow-up audit.</p> 
<p>9. Growth Management will develop a standardized method for Plans Examiners and Inspectors to document their work performed to validate the accuracy and/or reasonableness of estimates used in calculating Building Inspection permit fees. Such documentation will include, but not be limited to, the methods or procedures used in the validations and the conclusions as to the accuracy and/or reasonableness of the applicable estimates.</p>	<p><b><u>Completed.</u></b> Growth Management developed, in the new permit system CityWorks, a standardized method by which Plans Examiners and Inspectors demonstrate their validation of the accuracy and/or reasonableness of estimates used in calculating Building Inspection permit fees. Such verification of fees is documented by Plans Examiners and Inspectors in CityWorks. This step is complete.</p> 
<p><b>B. Objective: Ensure that fees recover the appropriate portion of costs of the Growth Management function.</b></p>	
<p>1. City management will establish a formal policy that provides the portion of costs that is intended to be recovered by both Building Services and LUES permit and other fees.</p>	<p><b><u>In Progress.</u></b> Management reported it plans to expand upon the City’s existing policy (City Commission Policy 224 – <i>Financing the Government</i>) to provide the cost recovery goals for both Building Inspection and LUES fees. Management expects to complete the policy prior to our next follow-up audit, and to subsequently obtain City Commission approval of the policy. As part of the policy, management also plans to include a timeframe (e.g., every five years) in which they will internally evaluate the state of</p> 




Action Plan Steps	Status as of September 30, 2018
	cost recovery. This step is in progress and will be reviewed again as part of a future follow-up audit.
<p>2. After the formal policy is established pursuant to the step above, rate studies will be conducted periodically to ensure current fees are adequate to meet the policy goals/targets. In the event the rate studies show the current fees are not adequate or efficient, appropriate adjustments will be made to those fees.</p>	<p><b><u>In Progress.</u></b> As indicated in the preceding step, management plans to complete a cost recovery policy by January 1, 2019, which will include a timeframe in which they will internally evaluate the state of cost recovery. If warranted by such an internal review, management will schedule a fee study to ensure current fees are adequate to meet policy targets. This step is in progress and will be reviewed again as part of a future follow-up audit.</p> 
<p>3. In conjunction with future rate studies conducted to determine the extent costs are recovered by fees, Growth Management will ensure that all appropriate costs are identified and analyzed for each function, including applicable administrative and indirect costs.</p>	<p><b><u>In Progress.</u></b> Management anticipates the identification and analysis of costs for Building Inspection and LUES will not be completed until after March 31, 2019, concurrent with the planned rate study. This step is in progress and will be reviewed again as part of a future follow-up audit.</p> 






## EXHIBIT 9: Audit of StarMetro General Transit Fare Box Collections and Petty Cash Funds

*Summary from Original Report #1715 (Issued July 7, 2017):* During a routine inquiry of StarMetro management and staff in early May 2017, we became aware of a potential internal control matter regarding general transit fare box collections. Further inquiry disclosed an additional matter of concern regarding an unauthorized imprest (petty cash) fund maintained at StarMetro. As a result, we conducted this audit, with a scope limited to the procedures used to process and account for general transit fare box collections and the maintenance of the noted petty cash fund.

Our audit procedures identified several issues that increase the risk that general transit fare box collections could be diverted without timely detection and increase the risk those collections will not be properly accounted for in City records. We also identified an unauthorized petty cash fund that was timely eliminated in response to our recommendations.

A total of 14 action plan steps were established by management in response to audit recommendations. As of September 30, 2018, all 14 steps were due for completion. Of those 14 steps, 12 steps have been completed, and two remain in progress.

Action Plan Steps	Status as of September 30, 2018
<p><b>A. Objective: Ensure general transit fare box collections are properly processed, accounted for in City records, and deposited in the City’s bank account.</b></p>	
<p>1. Prior to the completion of Steps 2 and 3 that follow, two employees will jointly count and process general transit fare box collections in the collection room, and prepare those collections for deposit.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p> 
<p>2. A determination will be made as to whether the Tsunami and CalmSoft applications are accurately and properly capturing and reading rider and fare collection data on general transit bus fare boxes. In the event those applications are not, appropriate actions will be taken to capture complete and accurate data and to generate reliable reports.</p>	<p><b>In Progress.</b> StarMetro management determined the Tsunami and CalmSoft applications are not accurately capturing and reporting rider and fare collection data from the general transit bus fare boxes and need to be replaced. An internal review and analysis was conducted to determine StarMetro’s needs for a new fare box system. At the time of our audit work, progress on an RFP selection process for new fare collections system was ongoing. This step is in progress and will be reviewed as part of our next follow-up audit.</p> 
<p>3. Monthly comparisons and reconciliations of amounts reported as collected by the fare box applications to amounts deposited will commence. Such comparisons and reconciliations will be documented and</p>	<p><b>In Progress.</b> StarMetro management determined that without reliable data on ridership and fare box collections (See action plan step A.2 above) preparing reconciliations</p> 

Action Plan Steps	Status as of September 30, 2018	
<p>performed timely, and be performed by staff that do not have access to or process collected fares. Reports of those comparisons and reconciliations will be provided to management on an ongoing basis.</p>	<p>and comparisons of ridership and collections would not be meaningful nor an efficient use of staff time. Accordingly, the comparisons and reconciliations called for in this action plan step are not being prepared. However, management has stated that when a new fare collection system is acquired and implemented accurate and reliable data will be available for preparation of the reconciliations and comparisons. This step is in progress and will be readdressed in a future follow-up audit when a new fare box collection system has been implemented.</p>	
<p>4. Other than collected monies used for properly authorized and documented change requests, all general transit fare box collections will be deposited intact. Funds will not be withheld to reimburse petty cash funds. All change requests will be adequately documented within the collection records.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p>	
<p><b>B. Objective: Ensure StarMetro activities are proper and accurately recorded in City records.</b></p>		
<p>1. All general transit fare box tickets deposited by riders in fare boxes will be destroyed by staff processing collections within the collection room. A record will be maintained documenting the number of fare tickets destroyed each day.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p>	
<p>2. General fare tickets to be issued at no charge to citizens will be provided from the supply of unused fare tickets maintained at StarMetro headquarters. Accurate records will be maintained that account for the tickets provided and used for that purpose.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p>	
<p>3. The unauthorized petty cash fund will be eliminated with the funds (\$800) returned to the City Treasurer-Clerk's Revenue Office.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p>	
<p>4. Expenses paid from authorized petty cash funds will be reimbursed through the City Treasurer-Clerk's Revenue Office, with the expenses properly recorded in the City's</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p>	

Action Plan Steps	Status as of September 30, 2018
<p>accounting records (PeopleSoft Financials). Other uses (e.g., return improperly collected fares to riders) will also be reimbursed through the City Treasurer-Clerk's Revenue Office, with proper entries made in the City's accounting records.</p>	
<p>5. Adequate records will be prepared and retained to document: (1) all uses and replenishments of petty cash funds; (2) transfers of custodial responsibility for petty cash funds, and (3) prior supervisory authorizations and approvals of each use of petty cash funds. Efforts will be enhanced to ensure adequate documentation (e.g., vendor receipts) is obtained and retained to substantiate each use.</p>	<p><b>Completed.</b> StarMetro has discontinued the use of the petty cash funds for purchases, the fund is now used solely for the replenishment of cash drawers located at C.K. Steele Plaza. Our review of the records associated with the petty cash fund showed adequate records are being maintained as to the use of the fund and included appropriate supervisory approval. This step is complete.</p> 
<p>6. Efforts will be enhanced to use City P-Cards for miscellaneous StarMetro expenses instead of using authorized petty cash funds for those expenses.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p> 
<p><b>C. Objective: Ensure access to general transit fare box collections is properly restricted.</b></p>	
<p>1. Access to keys, swipe cards, and codes allowing removal of fare boxes from general transit buses and access to the vault on the external wall of the collection room will be restricted to appropriate staff.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p> 
<p>2. Access to the collection room will be restricted to appropriate staff.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p> 
<p>3. A security system will be installed to track and record each employee entering and exiting the collection room.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p> 
<p>4. Staff and vendors without access privileges, but needing to enter the collection room for work (e.g., mechanics to work on a fare box stuck in the vault), will be escorted by appropriate staff while inside the collection room.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1806.</p> 










## EXHIBIT 10: Audit of City Agreements with Cascades Holdings, LLC







**Summary from Original Report #1716 (Issued August 8, 2017):** The scope of the original audit focused on compliance by the City and a private entity, Cascades Holdings, LLC (Cascades Holdings), with three agreements executed between the parties for the renovation and development of the historic City electric utility building located within Cascades Park into a destination restaurant. An additional purpose was to determine if the process used by the City to solicit and evaluate proposals for the renovation and lease of the historic building was in accordance with City procurement policies and good business practices.




Our audit showed that, for the most part, the City and Cascades Holdings complied with the terms and provisions established in the three agreements. The historic building was successfully renovated, was being properly maintained, and was operating as a fine dining restaurant, known as “The Edison.” Cascades Holdings had paid all rent due to date in a timely manner. Additionally, nothing came to our attention to indicate the solicitation and evaluation of proposals for the renovation and lease of the historic building, and the selection of the proposal deemed by management and staff to be in the City’s best interests, was not in accordance with City procurement policies and procedures and good business practices. Several issues were nevertheless identified. Some of those issues involved or impacted Cascades Holdings and others related primarily to City responsibilities. Some of the more significant issues pertained to a required lease addendum not being executed, improper collateralization of certain property, and property insurance costs not being passed through to Cascades Holdings.

Recommendations were made to address each of the identified issues and, in response, management established 16 action plan steps. As of September 30, 2018, all 16 steps were due for completion. Of those 16 steps, 13 were completed in a prior period, two were completed this period, and one remained in progress.

Action Plan Steps	Status as of September 30, 2018
<b>A. Objective: Ensure City assets and investments are properly protected.</b>	
<p>1. Real Estate Department staff will work with Cascades Holdings to identify all items that are tenant trade fixtures and other personal property that may be removed by Cascades Holdings in the event of termination of the lease. The agreed upon items will be listed in an addendum to the Lease Agreement, as was intended by the Lease Agreement. The Office of the City Attorney will be consulted in this matter.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1807.</p> 
<p>2. Appropriate efforts will be made to have the current security interests, recorded with the Leon County Clerk of Court, modified to exclude those property items that will inure to the City in the event the lease is terminated</p>	<p><b>Completed.</b> The City Attorney’s Office in conjunction with representatives of Cascades Holdings and the applicable lending institution modified the security interests,</p> 

Action Plan Steps	Status as of September 30, 2018
<p>before Cascades Holdings pays off the applicable loans to which those security interests apply. Those efforts will include working with both Cascades Holdings and the applicable lending financial institutions.</p>	<p>recorded with the Leon County Clerk of Court, to exclude those property items that will inure to the City in the event the lease is terminated before Cascades Holdings pays off the applicable loans to which those security interests apply. This step is complete.</p>
<p>3. An amendment to the Lease Agreement will be negotiated that provides for Cascades Holdings to reimburse the City for the cost of property insurance paid by the City on the renovated City building (housing The Edison) leased to Cascades Holdings.</p>	<p><b><u>In Progress.</u></b> The Real Estate Director in conjunction with staff from the City Attorney’s Office have been in discussions with representatives of Cascades Holdings to reach an agreement as to the reimbursement of property insurance costs related to the building housing The Edison. To date an agreement regarding Cascades Holdings reimbursement of those costs has not been reached. As of the end of this follow-up period those discussions are ongoing. This step will be reviewed again as part of a future follow-up audit.</p> 
<p>4. Applicable staff will be reminded that, in future similar circumstances, entities contracting with the City will require their general contractors to warranty their work for the period specified in controlling agreements and contracts.</p>	<p><b><u>Completed.</u></b> This step was completed in a prior period, see audit report #1807.</p> 
<p>5. Applicable staff will be reminded that, in future similar circumstances, entities contracting with the City will require their general contractors to provide timely lien waivers for work performed on the applicable project.</p>	<p><b><u>Completed.</u></b> This step was completed in a prior period, see audit report #1807.</p> 
<p>6. Real Estate Department staff will prepare records to track insurance coverages required to be maintained by non-City entities leasing City-owned properties. Those records will be used by Real Estate Department staff to ensure the required insurance coverages are obtained and maintained.</p>	<p><b><u>Completed.</u></b> This step was completed in a prior period, see audit report #1807.</p> 
<p>7. The Risk Management Division, within the Treasurer-Clerk’s Office, will timely assist Real Estate Department staff ensure that</p>	<p><b><u>Completed.</u></b> This step was completed in a prior period, see audit report #1807.</p> 




Action Plan Steps	Status as of September 30, 2018
<p>required insurance coverages are obtained and maintained on leased City properties. Such assistance will include, but not be limited to, timely reviewing initial and annual certificates of insurance (COIs) to ascertain if adequate and required coverages are obtained and maintained (current); timely documented responses will be provided to the Real Estate Department as to those determinations.</p>	
<p>8. Applicable staff will be reminded that, in future similar circumstances, required performance bonds (or alternative forms of security) should be obtained; or, if justifiable, appropriate authorization to waive the performance bond requirement obtained and documented.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1807.</p> 
<p>9. Applicable staff will be reminded, that in future similar circumstances, required security deposits should be requested and obtained in a timely manner.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1807.</p> 
<p>10. Applicable staff will be reminded to comply with applicable provisions of subsequent agreements, to include provisions requiring the withholding of retainage for construction and renovation projects.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1807.</p> 
<p>11. Environmental Services and Facilities Department staff will follow-up and ensure that the minor roof leak is repaired and other needed maintenance actions are taken, as recommended in the report completed based on their June 2017 on-site monitoring and inspection visit.</p>	<p><b>Completed.</b> The Environmental Services and Facilities Department has successfully coordinated the repair of the minor roof leak in the building housing The Edison. Accordingly, this action plan step is complete.</p> 
<p>12. Environmental Services and Facilities Department staff will develop a documented plan and schedule for the conduct of future on-site monitoring and inspection visits.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1807.</p> 
<p>13. Oversight responsibility for the ongoing contractual relationships with Cascades Holdings will be assigned to specific staff.</p>	<p><b>Completed.</b> This step was completed in a prior period, see audit report #1807.</p> 






Action Plan Steps	Status as of September 30, 2018	
<b>B. Objective: Ensure proper accountability of security deposits.</b>		
1. Training will be provided to Real Estate Department and Accounting Services staff as to the proper manner to identify and record security deposits.	<u><b>Completed.</b></u> This step was completed in a prior period, see audit report #1807.	
<b>C. Objective: Ensure ad valorem taxes are paid when applicable.</b>		
1. Request confirmation from the Leon County Property Appraiser that he does not intend to assess ad valorem property tax on the land and building housing The Edison.	<u><b>Completed.</b></u> This step was completed in a prior period, see audit report #1807.	
2. In an effort to assist the Leon County Property Appraiser, staff will develop a process to notify the Appraiser of all (current and future) leases of City-owned properties to non-governmental entities for non-governmental (e.g., commercial) uses.	<u><b>Completed.</b></u> This step was completed in a prior period, see audit report #1807.	





## EXHIBIT 11: Audit of StarMetro Paratransit Services




**Summary from Original Report #1717 (Issued August 31, 2017):** We conducted this audit primarily for the purpose of identifying ways in which Dial-A-Ride program costs might be reduced and revenues increased. Our audit also included an evaluation of the effectiveness of StarMetro’s monitoring of the contracted transportation service operators used for each of the two paratransit programs and tests of the accuracy and completeness of StarMetro’s paratransit cost center accounts. We found that StarMetro had implemented several strategies to reduce Dial-A-Ride program costs and improve services, and we identified some other opportunities for consideration. We also found that while StarMetro had contractor monitoring processes in place, they could be improved. Further, our audit tests disclosed opportunities for improving the accuracy and completeness of the cost center accounts established for each of the paratransit programs.

A total of 15 action plan steps were established by management in response to audit recommendations. As of the end of this follow-up period all steps were due for completion. Of the 15 steps due for completion, five were completed this period and 10 remained in progress.

Action Plan Steps	Status as of September 30, 2018
<b>Objective A: Reduce Dial-A-Ride program costs and increase Dial-A-Ride program revenues.</b>	
<p>1. StarMetro will continue to evaluate the implementation of in-person interviews and functional assessments.</p>	<p><b>In Progress.</b> StarMetro management indicated that the implementation of in-person interviews and functional assessments is undergoing further consideration. As of the end of this follow-up period, this action plan step is in progress.</p> 
<p>2. StarMetro will implement the use of the number of passenger trips completed per revenue hour as a performance goal and measure. The target measure, once established, will be used on a daily basis to ensure that vehicles are optimally loaded, as well as for periodic Commission and management evaluations of Dial-A-Ride program productivity.</p>	<p><b>Completed.</b> StarMetro has implemented “the number of trips completed per revenue hour” as an annual performance measure, and StarMetro staff indicate that it is also a consideration in the daily loading of vehicles. This action plan step is complete.</p> 
<p>3. The City will consider negotiating with clients with respect to trip times.</p>	<p><b>In Progress.</b> StarMetro management indicated that the implementation of trip-time negotiations is being considered further in connection with the implementation of the multi-loading of vehicles. As of the end of this follow-up period, related discussions were ongoing.</p> 

Action Plan Steps	Status as of September 30, 2018
<p>4. The City will consider the multi-loading of vehicles.</p>	<p><b>In Progress.</b> StarMetro has not completed its consideration of the multi-loading of vehicles. To fully implement multi-loading, management indicated that additional background checks will be required for some drivers (for example, Dial-A-Ride drivers who may transport Commission for the Transportation Disadvantaged clients). StarMetro is considering the feasibility of the additional background checks. This action plan step is in progress.</p> 
<p>5. StarMetro will consider charging a reasonable premium rate for trips taken by seniors who do not have qualifying disabilities.</p>	<p><b>Completed.</b> StarMetro has concluded that the implementation of premium rates would impact only a very small number of trips and, thus, would not generate an amount of revenue sufficient to justify a change in rates. This action plan step is complete.</p> 
<p>6. Following consideration of recommended changes in policy, StarMetro will present for action by the City Commission an updated Dial-A-Ride Plan.</p>	<p><b>In Progress.</b> A draft Dial-A-Ride Plan has been prepared but has not yet been submitted for action by the City Commission. StarMetro staff indicated that the Plan was undergoing further review and update, as of the end of this follow-up period. This action plan step is in progress.</p> 
<p>7. In future procurements of the services of transportation service operators, StarMetro will ensure:</p> <ul style="list-style-type: none"> <li>• Any intent to award multiple contracts will be made clear in the RFP and with sufficient public notice.</li> <li>• Consideration is given to providing no less than 60 days between the RFP issuance date and the response due date.</li> <li>• Consideration is given to allowing vendors to address only those services they wish to provide.</li> </ul>	<p><b>In Progress.</b> The contracts for the transportation service operators have been extended and will be subject to bid at a future date. This action plan step is in progress.</p> 
<p>8. With respect to the transportation operator contracts, StarMetro will ensure the completion of the vendor performance evaluations before entering any optional</p>	<p><b>In Progress.</b> As noted above, the transportation service operator contracts were extended. StarMetro management indicated that</p> 

Action Plan Steps	Status as of September 30, 2018
contract period and at the end of the contract period.	meetings had been held with the contractors to discuss performance; however, written vendor performance evaluations had not been completed prior to the extension of the contracts. This action plan step is in progress.
9. The City will consider renegotiating the Dial-A-Ride program overflow compensation rate.	<p><b>In Progress.</b> StarMetro management indicated that the implementation of in-person interviews and functional assessments (see step A.1), trip-time negotiations (see step A.3), and multi-loading (see step A.4) may reduce the extent to which Dial-A-Ride program overflow services are required. StarMetro indicated that this potential reduction in service level may reduce the need for a renegotiation of the contracted overflow rate. However, should the above-described changes not produce the desired results, StarMetro will then reconsider the renegotiation of the Dial-A-Ride program overflow compensation rate. This action plan step is in progress.</p> 
10. In preauditing the Dial-A-Ride program overflow service invoices, StarMetro will verify the number of hours of service provided.	<p><b>Completed.</b> StarMetro has developed and has in use a report that facilitates StarMetro's verification of the number of hours shown on invoices for Dial-A-Ride program overflow services. This action plan step is complete.</p> 
<b>Objective B. Ensure the effective monitoring of transportation operator service contracts.</b>	
1. StarMetro's contract monitoring procedures will be amended to include an appropriate level of guidance relative to the procedures to be performed, the documentation to be obtained, and the reporting processes to be followed.	<p><b>In Progress.</b> StarMetro management indicated that the contract monitoring procedures have not yet been amended. This action plan step is in progress.</p> 
2. Monitoring reports will be prepared and issued to the contractors to advise each as to the results of the monitoring performed during 2016.	<p><b>Completed.</b> Written reports were prepared relative to the monitoring work completed in 2017. This action plan step is complete.</p> 

<b>Objective C: Ensure cost center records for paratransit programs are accurate and complete.</b>		
<p>1. StarMetro will begin using MyTime system labor level transfers, as necessary, to ensure that personnel costs are charged to the appropriate cost center accounts.</p>	<p><b>Completed.</b> StarMetro management indicated that drivers no longer switch between fixed route and paratransit routes. The drivers are now permanently assigned to either fixed route or paratransit service. This arrangement should make it less difficult to ensure that personnel costs are charged to the correct cost center accounts.</p>	
<p>2. StarMetro will take the steps necessary to ensure that contractual service payments are accurately recorded in the correct cost center accounts.</p>	<p><b>In Progress.</b> Our review of general ledger entries (accounting date of October 29, 2018) for Dial-A-Ride program expenses disclosed that payments for transportation service operator charges continued to be recorded in the StarMetro Administration cost center, rather than in the Dial-A-Ride program cost center. This action plan step is in progress.</p>	
<p>3. StarMetro will ensure that information technology and vehicle maintenance and repair expenses are reflected in the appropriate cost center accounts.</p>	<p><b>In Progress.</b> Our review of accounting reports for the 2018 fiscal year indicated that information technology and vehicle maintenance expenses had not been recorded as charges in the accounts of the applicable paratransit cost centers. This action plan step is in progress.</p>	




## EXHIBIT 12: Audit of Right-of-Way Maintenance





**Summary from Original Report #1720 (Issued September 25, 2017):** Pursuant to Florida law, the City of Tallahassee (City) is responsible for the maintenance of medians and other green spaces located in the City's right-of-way (ROW) and on Leon County ROW within the City limits. The City is also responsible for maintenance of certain state ROW as specified in Memorandums of Agreement between the City and the Florida Department of Transportation. We conducted this audit to determine whether the City was meeting its responsibilities for the maintenance of ROW for which it is statutorily or contractually responsible. Our audit also included an evaluation as to whether the City adhered to City policies and procedures designed to reasonably ensure the economy of operations.

The City lacks the resources to maintain all assigned ROW and must choose which ROW sites are to be scheduled for recurring, routine maintenance. The City does routinely maintain the contracted state ROW and all the City-owned and County-owned ROW associated with gateway roads and main thoroughfares within the City limits. Unmaintained locations are primarily roads that are in residential areas with low traffic volumes. Our review of the processes used in establishing the ROW maintenance schedule disclosed that the City does not maintain a comprehensive listing or map of all ROW sites it is responsible for maintaining. Also, the City does not have written policies and procedures describing the criteria to be used in prioritizing the maintenance of ROW sites.

Regarding procurement and the purchase of ROW maintenance services, we found the City adhered to City policies and procedures designed to reasonably ensure economic operations. Our evaluations of controls in place over small tools and equipment found that the items were properly accounted for on inventory reports and properly safeguarded. However, our audit did disclose some instances in which City records did not clearly demonstrate that the receipt of services performed by ROW maintenance contractors had been adequately verified prior to City payments for the services. Additionally, adequate access control and input controls had not been established for the operations management system used to record and track ROW maintenance activities performed by City crews and contractors.

A total of five action plan steps were established by management in response to audit recommendations. As of September 30, 2018, four of the five steps were due for completion. Of the four steps due for completion, one was completed in a prior period, one was completed during the current review period, and two are in progress.


Action Plan Steps	Status as of September 30, 2018
<p>1. Community Beautification will develop a comprehensive and up-to-date inventory or map of the right-of-way for which the City is responsible.</p> <p><i>Community Beautification right-of-way operations are in the process of migrating to CityWorks as an asset and work management tool. The GIS mapping function of this software will allow staff to update any changes made to the right-of-ways.</i></p>	<p><b>Not Yet Due.</b> After further consideration of the effort required to complete this action plan step, Management has amended the completion date for this step to September 30, 2020.</p> 




Action Plan Steps	Status as of September 30, 2018
<p>2. Community Beautification will develop policies and procedures addressing the criteria to be utilized in determining which right-of-way locations are selected for recurring, routine maintenance.</p> <p><i>Community Beautification will develop standard operating procedures outlining the maintenance cycle intervals for right-of-way sites. These intervals would be contingent on the priority given the right-of-way ordinance.</i></p>	<p><b><u>In Progress.</u></b> Completion of this step is contingent upon the completion of the adoption of a ROW ordinance, which as indicated in Action Plan Step 3 below, is under consideration. This step is in progress and will be reviewed in a future follow-up audit.</p> 
<p>3. The department will consider developing a right-of-way ordinance for City Commission consideration.</p> <p><i>Development Services and Economic Vitality will be coordinating with Community Beautification to draft an agenda item/ordinance seeking the City Commission's approval to require residents to maintain their right-of-way.</i></p>	<p><b><u>In Progress.</u></b> The department has initiated discussions with City management about the adoption of a Right-of-Way ordinance. This step is in progress and will be reviewed in a future follow-up audit.</p> 
<p>4. Community Beautification will enforce contract requirements related to contractor invoicing and reports.</p> <p><i>In July 2017, Community Beautification began requiring their right-of-way maintenance contractors to submit a listing of those sites maintained and date maintenance was completed. This list is submitted on a monthly basis along with the invoicing. All other aspects of the contract requirements were previously being met by staff and the contractors.</i></p>	<p><b><u>Completed.</u></b> This step was reported as completed by Community Beautification prior to the issuance of the original audit report (see report #1720). We reviewed invoicing from contractors and verified that listings of sites and dates of maintenance are now included with billings from contractors. This step is complete.</p> 
<p>5. Community Beautification will establish appropriate access and input controls for any successor operations management applications.</p> <p><i>The current work order system being utilized by Community Beautification, Cartegraph, is being phased out. The new work order system, CityWorks, will have password controls for users. Community Beautification will be addressing the issue of secondary review by requiring the Chiefs as well as the Operations Manager to review labor and time reports on a biweekly basis.</i></p>	<p><b><u>Completed.</u></b> Appropriate access and input controls have been established in CityWorks, the newly implemented operations management application. This step is complete.</p> 

## EXHIBIT 13: Potential Conflict of Interest Regarding Acquisition of Engineering Services

**Summary from Original Report #1801 (Issued November 14, 2017):** This audit inquiry was conducted in response to information obtained by the City Auditor and the Independent Ethics Officer regarding a potential conflict of interest that pertained to acquisitions of engineering services within the Water Resources Engineering (WRE) divisions of the Underground Utilities and Public Infrastructure (UU&PI) department. The potential conflict of interest involved the UU&PI Assistant General Manager (AGM) and an engineering firm, DPB & Associates. The AGM's brother was the managing engineer and part owner of DPB & Associates. Because of the sibling relationship, concern had been expressed that the AGM's approval of the award of City work (engineering services) to that firm represented a conflict of interest. The purpose of this audit inquiry was to address that concern. Our audit procedures did not identify any evidence that the AGM inappropriately used his position to secure a personal benefit for his brother through the award of work to DPB & Associates; however, the approval of those awards to DPB & Associates by the AGM does represent the appearance of a conflict of interest.

A total of four action plan steps were established by management in response to audit recommendations. As of September 30, 2018, all four steps were due for completion, and as shown below, one step was completed as planned and three were in progress.

Action Plan Steps	Status as of September 30, 2018
<b>Objective A: Ensure there are no actual or perceived conflicts of interest</b>	
<p>1. For future instances where a potential conflict of interest exists in regard to an acquisition of goods or services, the evaluation, selection, negotiation, and authorization and approvals processes will be conducted by appropriate employees other than the employee that has the potential conflict of interest. Also, to the extent practicable, the employee(s) performing the evaluation, selection, negotiation, and authorization and approval functions will not report (organizationally) to the employee with the potential conflict of interest. Lastly, in those circumstances where it is not practicable to exclude subordinate employees from the evaluation, selection, and recommendation functions, City management will reinforce to those employees the importance of not considering the relationship(s) regarding their supervisor/manager on which the potential conflict of interest is based.</p>	<p><b>Completed.</b> Subsequent to the issuance of audit report #1801 there was one acquisition of goods or services in which a potential conflict of interest was identified. To address that potential conflict of interest, the evaluation committee established to evaluate the proposals submitted in response to the City's request for proposals (RFP) did not include any members that reported directly to the employee with the potential conflict of interest. Additionally, the members of the evaluation committee were reminded to not consider the relationships of any City employees to companies that may have submitted proposals. Based on the actions taken to mitigate any potential conflicts of interest, this step is complete.</p> <div style="text-align: right;">  </div>

Action Plan Steps	Status as of September 30, 2018
<b>Objective B: Further City’s commitment to ethical procurement practices</b>	
<p>1. The “Ethics in Procurement” language that was recently incorporated into the City Purchasing Procedures Manual will be reviewed, with the intent of modifying and revising that language to provide clarifications and enhancements as appropriate. Among other things, (1) the term “family” will be defined to identify specific relationships; (2) the term “close relationship” will be defined, with examples provided as to what represents a conflict of interest in City purchasing activities; and the term “vendor” will be defined as to applicability and pertinence to conflicts of interest. In addition to designated City management and staff (including Procurement Services and management from WRE divisions), the Office of the City Attorney and the Independent Ethics Officer will be consulted in the completion of this action plan step.</p>	<p><b><u>In Progress</u></b>. The target completion date for this action plan step has been amended to March 31, 2019.</p> 
<p>2. After appropriate clarifications and enhancements are made pursuant to the preceding action plan step, proposals will be made to revise City Commission Policy (CP) 242 to include the “Ethics in Procurement” language that was incorporated into the City Purchasing Procedures Manual.</p>	<p><b><u>In Progress</u></b>. The target completion date for this action plan step has been amended to March 31, 2019.</p> 
<p>3. The City’s primary purchasing authorities will be identified. Each identified primary purchasing authority will complete annual assertions as to known City vendors for which an actual or perceived conflict of interest exists. Such annual assertions will be filed with the Treasurer-Clerk’s Records division and retained in OnBase.</p>	<p><b><u>In Progress</u></b>. The target completion date for this action plan step has been amended to March 31, 2019.</p> 

## EXHIBIT 14: Audit of CIS Utility Adjustments


**Summary from Original Report #1804 (Issued December 18, 2017):** As part of the customer utility billing process, Customer Service staff within the Customer Operations Department (Customer Operations) routinely make adjustments (additions and waivers of standard service fees) to customer utility accounts that are not directly related to a customer’s utility usage. The primary purpose of our audit was to determine the adequacy of controls relating to the processing of these non-consumption utility adjustments in the PeopleSoft Customer Information System (CIS).






The scope of our audit included a review of non-consumption utility adjustments processed in CIS by Customer Service employees between June 1, 2015, and May 31, 2017.





The objectives of this audit were to determine whether: 1) non-consumption utility adjustments were authorized, accurate, and properly supported in accordance with applicable policies and procedures; and 2) adequate controls were in place and properly functioning to prevent and detect intentional and unintentional adjustment errors.

We concluded the non-consumption utility adjustments selected for testing were authorized and accurate. However, supporting documentation was not always available to allow for validation of non-consumption adjustments or a recalculation of adjustment amounts. Upon our audit inquiries, such documentation was obtained by Customer Service staff and provided for our review. We identified several opportunities to strengthen controls and made recommendations accordingly.

A total of 10 action plan steps were established by management in response to audit recommendations. As of September 30, 2018, all ten steps were due for completion. Of those ten steps, two steps were completed and eight were in progress.

Action Plan Steps	Status as of September 30, 2018
<p><b>Objective A: Ensure non-consumption adjustments are authorized, accurate, and properly supported in accordance with applicable City and Customer Operations’ policies and procedures.</b></p>	
<p>1. Customer Operations management will implement their plan to periodically generate a report in CIS for the purpose of determining whether employees are providing appropriate documentation for adjustments.</p>	<p><b>Completed.</b> Customer Operations management implemented their plan to periodically generate a report in the Customer Information System (CIS) for the purpose of determining whether employees are providing appropriate documentation to support customer utility adjustments. This report of employee adjustments, generated on a weekly basis, is reviewed by supervisors who take appropriate action to address any identified issues of employee noncompliance. This step is complete.</p> 

Action Plan Steps	Status as of September 30, 2018
<p>2. Management will emphasize to Customer Service staff the importance of providing justification for all adjustments.</p>	<p><b>Completed.</b> Customer Operations management communicated to Customer Service staff the importance of providing justification for all adjustments and the nature of such justification. As part of the required justification, staff were directed to include the purpose of the adjustment, the department policy or practice supporting the adjustment, documentation to support the adjustment (e.g., emails, invoices), and detailed customer contact notations in CIS. This step is complete.</p> 
<p>3. Customer Operations adjustment procedures will be updated to describe the circumstances in which employees must provide supporting documentation for adjustments, and the manner in which that support must be recorded and documented.</p>	<p><b>In Progress.</b> This action plan step is in progress. We will review and report the status of this action plan step as part of our next follow-up.</p> 
<p>4. In conjunction with the above-mentioned step, existing Customer Operations adjustment procedures will be modified to require that staff provide in CIS adequate documentation explaining and justifying a decision to waive a connection fee or deposit.</p>	<p><b>In Progress.</b> This action plan step is in progress. We will review and report the status of this action plan step as part of our next follow-up.</p> 
<p>5. Customer Operations management will periodically review newly established utility accounts for which no service activation charges were applied to ensure the omission of those charges was appropriate and adequately explained in CIS.</p>	<p><b>In Progress.</b> This action plan step is in progress. We will review and report the status of this action plan step as part of our next follow-up.</p> 
<p><b>Objective B. Ensure adequate controls are in place to prevent and detect intentional and unintentional adjustment errors.</b></p>	
<p>1. Customer Operations will develop a standard written adjustment review methodology and timeframe for completion of those reviews (e.g., biweekly), require supervisors to document (sign/date stamp) their review of utility adjustments, assign a qualified employee external to Customer Service the responsibility for an independent review of</p>	<p><b>In Progress.</b> This action plan step is in progress. We will review and report the status of this action plan step as part of our next follow-up.</p> 

Action Plan Steps	Status as of September 30, 2018	
utility adjustments, and require the Chief Customer Officer (or designee) to review adjustments made by supervisors.		
2. Customer Operations adjustment procedures will be updated to require supervisors to document their review of adjustments (as outlined in the above-mentioned step).	<b><u>In Progress.</u></b> This action plan step is in progress. We will review and report the status of this action plan step as part of our next follow-up.	
3. The <i>Utility Deposit Policy</i> will be updated to reflect current practices regarding the minimum number of years for which customers must demonstrate good payment history to receive a deposit refund or waiver.	<b><u>In Progress.</u></b> This action plan step is in progress. We will review and report the status of this action plan step as part of our next follow-up.	
4. The <i>Late Payment Fee Policy</i> will be revised to authorize the Manager of Customer Operations to approve commercial late payment fee waivers up to \$2,500, and the Chief Customer Officer (or designee) to approve late payment fee waivers over \$2,500.	<b><u>In Progress.</u></b> This action plan step is in progress. We will review and report the status of this action plan step as part of our next follow-up.	
5. Customer Operations management will periodically review the CIS security permissions of employees and restrict permissions to those required for the performance of the employees' duties.	<b><u>In Progress.</u></b> This action plan step is in progress. We will review and report the status of this action plan step as part of our next follow-up.	

## APPENDIX A - PURPOSE, SCOPE, AND METHODOLOGY

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Commission Policy 104.09 (Audit Policy) requires that the City Auditor's Office follow up on and report the status of management's action plans to determine what actions have been taken by the City to address internal audit findings and recommendations. To satisfy this Audit Policy requirement, we track the status of management's action plan steps and conduct periodic follow-up audits (generally covering each six-month period ended March 31 and September 30) to determine the status of those action plan steps.

The **purpose** of this audit follow-up was to review management's progress toward the completion of action plan steps developed in response to our original audits and report that progress to management, the City Manager, City Treasurer-Clerk, City Attorney, Mayor, and City Commission.

The **scope** of the audit follow-up included 14 audit reports for which one or more of the action plan steps had not been completed as of September 30, 2018.

The **methodology** included performing various follow-up procedures including interviews of applicable staff and obtaining and reviewing relevant documentation.



# APPENDIX B - MANAGEMENT RESPONSES



## MEMORANDUM

**TO:** Joseph K. Maleszewski, City Auditor  
**FROM:** Reese Goad, City Manager  
**DATE:** March 26, 2019  
**SUBJECT:** Management Response to Consolidated Audit Follow-Up Report

We appreciate the opportunity to comment on the findings and observations made in the Consolidated Audit Follow-Up Report for the fourteen audits that had steps due by the September 30, 2018 reporting period. I am pleased that we are being successful in completing the action plan steps as initially planned and that we are addressing associated risks, as identified in each of the individual audits, through alternative actions. Approximately 87% of action plan steps due on or before September 30, 2018 have been completed. Staff is currently working on completing or providing alternative actions for the remaining items.

A number of incomplete action items relate to the updating of various city policies and or procedures as a result of changes in process, reorganizations, and/or best practices. These policies and procedures are being reviewed and we anticipate significant progress by the next reporting period.

We again thank you for the opportunity to comment on the follow-up report. Please feel free to contact me should you have any questions or need additional information.

/rl

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City Manager

CURTIS RICHARDSON  
Mayor Pro Tem

CASSANDRA K. JACKSON  
City Attorney

ELAINE W. BRYANT  
Commissioner

JAMES O. COOKE, IV  
City Treasurer-Clerk

JEREMY MATLOW  
Commissioner

JOSEPH MALESZEWSKI  
City Auditor

DIANNE WILLIAMS-COX  
Commissioner

**MEMORANDUM**

**TO:** Joseph K. Maleszewski, City Auditor  
**FROM:** Cassandra K. Jackson, City Attorney  
**DATE:** March 20, 2019  
**SUBJECT:** Management Response to Consolidated Audit Follow-Up Report

Below are my responses to audit follow-ups on the following:

**Response as to Report #1702/Report #1713/Consolidated Follow-Up Audit Report Exhibit 6 - Audit of City Printers and Copiers**

We have received the City Auditor's follow-up report regarding City printers and copiers.

The City Attorney's Office has performed an analysis of its printing, copying and scanning needs. In addition, the City Attorney's Office has performed a cost comparison evaluation of purchasing and leasing.

These analyses have led this office to the conclusion, in light of the efficiencies to be derived from a leased multi-functional device and the requirement to always have said device in a functional capacity due to legal deadlines, to continue to lease rather than purchase. As always, we appreciate the Auditor's thoughtful and professional analysis of purchased devices.

**Report #1716/Report # 1807/Consolidated Follow-Up Audit Report Exhibit 10 - Audit of City Agreements with Cascades Holdings, LLC**

The Second Amendment to the Lease Agreement was fully executed on March 13, 2019. This satisfies the audit finding regarding the commercial property insurance.

We appreciate the team effort, dedication, and hard work to resolve this issue.

Please contact me if you have any questions or need additional information.

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City Treasurer-Clerk

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Commissioner

JOSEPH MALESZEWSKI  
City Auditor

DIANNE WILLIAMS-COX  
Commissioner

**MEMORANDUM**

**TO:** Joseph K. Maleszewski, City Auditor  
**FROM:** James O. Cooke, IV, City Treasurer-Clerk  
**DATE:** March 21, 2019  
**SUBJECT:** Management Response to Consolidated Audit Follow-Up Report

We are pleased that we were able to complete our portion of action steps related to the Audit of Selected Airport Leases and the Audit of City Agreements with Cascades Holdings, LLC. While the amended lease agreement had not been completed at September 30, Risk Management staff had provided necessary information and assistance to allow other City staff to negotiate an amended agreement. The remaining open action plan step relates to replacement of a copier as noted in the Audit of City Printers and Copiers. The target date for response was January 15, 2019; therefore, this step will be addressed in the March 31, 2019 follow-up.

We appreciate the professionalism of the Office of the City Auditor in the conduct of its work and appreciate the open channel of communication, including the opportunity to provide this response.

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City Auditor

DIANNE WILLIAMS-COX  
Commissioner

## ACKNOWLEDGEMENTS

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The Office of the City Auditor would like to acknowledge and thank applicable City management and staff for their cooperation during this engagement. We commend their efforts to complete the action plan steps due as of this follow-up audit and their commitment to completing remaining open action plan steps due in subsequent follow-up periods.

## PROJECT TEAM

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### **Engagement was conducted by:**

Patrick Cowen, Senior IT Auditor  
Cameisha Smith, Senior Auditor  
Vanessa Spaulding, Senior Auditor  
Christy Temples, Senior Auditor

### **Under the supervision of:**

Don Hancock, Senior Audit Manager  
Dennis Sutton, Audit Manager

### **Approved by:**

Joseph K. Maleszewski, City Auditor

## STATEMENT OF ACCORDANCE

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The Office of the City Auditor's mission is to provide the City Commission an independent, objective, and comprehensive auditing program of City operations; to advance accountability through the provision of assurance and advisory services; and to actively work with Appointed Officials in identifying risks, evaluating controls, and making recommendations that promote economical, efficient, and effective delivery of City services.

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Please address inquiries regarding this report to the Office of the City Auditor at (850) 891-8397.

<http://www.talgov.com/transparency/auditor.aspx>