AUDIT SERVICES

THREE YEAR SUMMARY

December 22, 2017

City of Orlando
Office of Audit Services and Management Support

George J. McGowan, CPA
Director
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MEMORANDUM OF TRANSMITTAL

To: Honorable Buddy Dyer, Mayor
From: George J. McGowan, CPA
        Director, Office of Audit Services and Management Support
Dates: December 22, 2017
Subject: Audit Services Three Year Summary

A Three Year Summary of the activities and accomplishments of the Office of Audit Services and Management Support is presented for your review. This report provides a description of the mission and goals of the Office and an overview of the work accomplished in the last three years, 2015-2017.

In these past three years, the Office issued a total of 65 reports. These included 16 performance audit reports, 15 follow-up audits or reviews, and 34 revenue audit reports. A listing of these reports is included in the Appendix.

The revenue audits and revenue enhancement activities conducted by the Office resulted in $2,348,326 in additional revenue to the City for the three year fiscal period ending September 30, 2017 of which $526,823 was directly identified by our revenue audits of public service tax and franchise fee collections.

The Office of Audit Services and Management Support is committed to providing quality assurance and consulting services to the elected officials and executives of the City of Orlando. We will continue our efforts to promote accountability, efficiency and effectiveness at all levels of City government.

We look forward to continuing to serve you and the citizens of Orlando.

c: City Commissioners
    Audit Board Members
    Frank Billingsley, Chief of Staff
    Byron W. Brooks, Chief Administrative Officer
    Chris McCullion, Chief Financial Officer
    Mayanne Downs, City Attorney
    Jody Litchford, Deputy City Attorney
OVERVIEW OF OFFICE
OVERVIEW OF OFFICE

MISSION

To provide meaningful, independent and objective audit services and management support by examining and evaluating City operations, contractors and related agencies in order to safeguard City assets and promote maximum accountability, efficiency and effectiveness.

CORE BUSINESSES

Our efforts are focused on several important areas: Performance Audits, Revenue Audits, Fraud Investigations, Compliance Audits and Management Services. Our activities provide management with practical and innovative recommendations that add value, enhance revenues and result in cost savings.

GOVERNMENT AUDITING STANDARDS

Our Office performs audits in accordance with generally accepted government auditing standards. The standards are promulgated by the Comptroller General of the United States in a document referred to as the “Yellow Book.” They require the Office to be independent in both fact and appearance, use professional judgment in the conduct of audits, be competent through regular staff training, and have a quality control system that includes an external quality control review (i.e., “peer review”) once every three years.

The Office received a peer review in March 2017. The review was conducted in accordance with the guidelines of the Association of Local Government Auditors.
AUDIT BOARD

An Audit Board of local professionals is appointed by the Mayor to advise City Council on financial and audit matters. The Audit Board aspires to meet four times each year and met three times in the most recent fiscal year ended. These meetings included discussions of the City’s annual financial report, information systems controls, pensions and the internal audit reports issued.

Currently, the Audit Board members are Judy Wall of CFE Federal Credit Union as Chairman, Stephen Clapp of Morgan Stanley as Vice-Chairman, May Wong of MJ Tax and Consulting, Inc., Jim Adamczyk of Fairwinds Credit Union, and Jose Delgado of Conrad Santiago and Associates.

OFFICE BUDGET

The Audit Services and Management Support FYE 2017 budget was $757,814. Actual expenditures for the year totaled $530,907, a figure about 30% under budget. This is due to savings in all expense categories and other departments using their own budgets for work assignments made to our co-source partners.

The FY 2018 budget is $784,117. The Office has reorganized by adding one half-time audit professional to the staff. At this time, the office has 4 full-time professional staff, 1 part-time auditor and 1 part-time student intern. The Office also co-sources assignments with the professional internal audit services companies RSM and KPMG.
SUMMARY OF AUDIT RESULTS
SUMMARY OF AUDIT RESULTS

Complete copies of the following reports are available for review by visiting our website:

http://www.cityoforlando.net/audit/recent-audits-reviews/

OPD WITNESS MANAGEMENT AND SUBPOENA PROCESS

At the request of the Police Chief, we reviewed the witness management and subpoena distribution processes of the Orlando Police Department (OPD). We worked in concert with the Police Legal Advisor’s Office and the Witness Management Unit to identify the issues that needed to be analyzed.

We made several recommendations: in the short term - that a revision be made to the process of distributing of paper subpoenas, that the importance of subpoenas and court appearances be included in regular staff training and that agencies sending the department subpoenas regularly report any issues with the staff requested to appear. In the long term, the department needs to devise a fully automated solution to subpoena distribution.

CLASS SYSTEM CONSISTENCY OF USE

At the request of the Families Parks and Recreation (FPR) Director, we reviewed the consistency of use of the CLASS System. CLASS is a recreation management software application used by each recreation facility for usage tracking, reporting and decision-making. The objective of this review was to investigate whether any inconsistencies in use of the system exist and provide recommendations for new CLASS usage directives or guidelines for the recreation managers and staff.
We found that most managers appeared to be knowledgeable of FPR Policies and Procedures and knew how data should be entered into CLASS. However, we observed some inconsistency in the use of the CLASS System. We found that the problem areas chiefly included: administrative bookings, fitness center monitoring and tracking, and open recreation attendance tracking.

**OFD SAFETY MANAGEMENT**

We performed a review of Orlando Fire Department (OFD) Safety Management procedures and practices at the request of the Fire Marshall. We found several issues regarding the enforcement and collection of violations of the Fire Code.

**EMPLOYEE FRINGE BENEFITS**

We performed an audit of the processes and controls over the administration of Employee Fringe Benefits. The audit objectives were to determine if the City meets the IRS standards for various employee fringe benefits, withholds the proper taxes from employee pay, and submits these collections to the IRS within its guidelines.

We found one reportable issue regarding the marking of vehicles used by the OFD and recommended that policies and procedures for marking, use and assignment of take-home vehicles be developed and approved by City executive management.

**MAYOR’S MATCHING GRANTS PROGRAM**

We performed an audit of the processes and controls over the administration of the Mayor’s Matching Grants Program. The audit objectives were to ensure the grant recipients were eligible
and that project expenditures were authorized, and also to determine if there were any opportunities to improve program administration.

We found two reportable issues regarding obtaining estimates for certain expenditures and ensuring organizations are properly registered with the City.

**WORKDAY ACCESS CONTROLS**

We performed a review of the access controls and segregation of duties security controls of the Workday application. The review objectives were to identify any control weaknesses and possible segregation of duties conflicts.

We found issues regarding the controls over personally identifiable information accessible through proxy access, a need to periodically justify the appropriateness of individual’s access to certain information, and identified several possible segregation of duties conflicts which need to be evaluated and reviewed for mitigating controls.

**EMERGENCY MEDICAL SERVICES TRANSPORT**

We performed an audit of OFD Emergency Medical Services (EMS) Transport. This project was co-sourced with RSM. We found several issues, including the need for: 1) documented procedures for cash collection and reconciliation; 2) a file transfer validation process for information sent and received electronically; 3) a standard practice for tracking, review and follow-up of unbilled incidents; and 4) a regular review of financial and transport analytics reports supplied by our billing vendor. None of these recommendations were noted as high in priority and the detailed testing of billings did not reveal any other issues.
ANNUAL CONTRACT PROCUREMENT

We performed an audit of Annual Contract Procurement processes and controls. The objectives were to ensure that the procurement function gets the highest value for goods and services purchased through annual contracts. We found several issues, including the need for: 1) designation of a knowledgeable manager to perform a detailed review of internet service invoices; 2) amendment of cemetery grounds maintenance contract to include irrigation services; and 3) consideration of revisions to the copier contract to include negotiated term prices for certain services. None of these recommendations were noted as high in priority.

PARKING CASH COLLECTIONS

We performed an audit of Parking Cash Collections processes and controls. The objectives were to ensure that the controls over cash management were adequate and operating effectively. We found several issues, including the need for: 1) tracking of overages for cash collected at master meters; 2) installation of security cameras in the cash room of each parking garage; and 3) maximizing the use of information technology to more efficiently count vehicles and track parking. None of these recommendations were noted as high in priority.

OFD TRAINING STANDARDS

We performed an audit to confirm whether firefighters were meeting their training hours in accordance with Fire Suppression Rating Schedule Insurance Services Office (ISO) standards. The scope of our audit covered a one-year fiscal period of October 1, 2015 to September 30, 2016. The methodology was to randomly select 10% of the population and confirm whether the selected operational fire staff have met the training standards. We confirmed that the training
was completed and made one recommendation to improve the documentation of attendance at training events.

**TREASURY INVESTMENTS**

Our co-source partner RSM performed an audit of the processes and controls of administering the City’s investment program. We designed the engagement to identify gaps in internal control design, opportunities for efficiency gains, process improvements and instances of non-compliance with policies and procedures. We made four recommendations, each of which were identified as low risk items, and concerned broker dealer authorization, evidence of approvals, investment manager procurement and aligning policy with Florida Statutes.

**PERSONNEL HIRING PROCESS**

We performed an audit of the processes and controls over the hiring process of the City’s Human Resources Division. We found no significant exceptions. We identified issues and made recommendations to improve the documentation of the employee eligibility verification, the hiring and on-boarding of Recreation seasonal employees, the review of current personnel staffing levels, the institution of an open position tracking mechanism, and the consistency of verifying prior employment of applicants.

**FORESTRY PROGRAM**

Our co-source partner KPMG performed an audit of the Forestry Program of the Parks Division to identify operational effectiveness and opportunities for improvement. The audit focused on: policies and procedures, work order system and inventory reporting, personnel scheduling and staffing, and planning. We identified issues and made recommendations to improve the
monitoring of the work order system; update the tree inventory; document policies to create consistency of operations; plan for the upcoming changes in staffing; standardize prioritization, assessment and scheduling to increase transparency; and consider the development of a new master plan.

WORKDAY ELECTRONIC INTERFACE BUILDER

We performed an audit of the processes and controls over the City’s Workday Electronic Interface Builder (EIB) process. This process is used to connect Workday to multiple third-party systems and applications to satisfy key business functions and processes. The audit objective was to ensure that controls, particularly segregation of duties of manually processed (EIB’s), are operating effectively. Our review did not result in any issues or recommendations.

RED LIGHT CAMERA PROGRAM

We performed an audit of the processes and controls of the Red Light Camera program. We focused on cases identified by the vendor and the associated citations issued and not issued during Fiscal Years 2016 and 2017. We tested controls to determine that the City issued citations within the prescribed timeframe and collection efforts were sufficient. We found one minor issue with the summary and detail reports provided by the camera vendor.
REVENUE AUDITS

Our revenue audits and activities are designed to review whether the City is receiving the revenues to which it is entitled and receiving such revenues on a timely basis. The audits and activities performed during the past three fiscal years ending September 30, 2017 resulted in revenue audit collections equaling $2,348,326. This amount is about a 10 to 1 return on the cost of the salaries and benefits dedicated to our revenue audit activities.

We completed two revenue audit projects in addition to our standard reviews of the collection and payment of public service taxes and franchise fees. The results of those projects are summarized below.

BUSINESS TAX AUDIT – UNLICENSED BUSINESSES

We performed an audit of business tax, specifically unlicensed commercial and home-based businesses and ATMs for the period of October 1, 2016 through September 30, 2017. We obtained listings of businesses registered with the State’s Division of Corporations and registered ATM owners from the Discover, Visa and MasterCard websites. We compared these lists to the business tax receipt database and contacted the potential unlicensed businesses to encourage compliance with City Code. We identified $59,987 from unlicensed business licenses and $3,482 from unlicensed ATMs.

ROLL-OFF AUDIT – SOLID WASTE DIVISION

We performed an audit of the Solid Waste Division to determine its compliance with the City’s Franchise Ordinance for roll-off services. In essence, we performed a revenue audit of Solid Waste similar to the franchise fee audits we perform on the City’s franchisees. We found that the Division correctly reported and paid the City general fund for roll-off services it performed in the
audit period of January 1, 2013 through December 31, 2016. We made four recommendations to improve the administrative processes of the Division.

The total revenue audit results for the past three fiscal years are summarized below:

<table>
<thead>
<tr>
<th>Revenue Source</th>
<th>FY 14-15 Results</th>
<th>FY 15-16 Results</th>
<th>FY 16-17 Results</th>
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<tbody>
<tr>
<td>Unpaid Business Tax – New</td>
<td>$ 14,528</td>
<td>$ 118,428</td>
<td>$ 63,469</td>
</tr>
<tr>
<td>Unpaid Business Tax – Renewals</td>
<td>91,878</td>
<td>48,244</td>
<td>110,041</td>
</tr>
<tr>
<td>Delinquent Business Taxes</td>
<td>36,868</td>
<td>60,678</td>
<td>0</td>
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<tr>
<td>Public Service Tax – New</td>
<td>498,963</td>
<td>389,999</td>
<td>388,407</td>
</tr>
<tr>
<td>Public Service Tax – Audits</td>
<td>94,758</td>
<td>91,772</td>
<td>54,809</td>
</tr>
<tr>
<td>Franchise Fee – Audits</td>
<td>87,385</td>
<td>169,150</td>
<td>28,949</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$ 824,380</td>
<td>$ 878,271</td>
<td>$ 645,675</td>
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FUTURE PLANS

Every three years the Office of Audit Services and Management Support performs a comprehensive risk assessment process to determine how to best utilize the resources at our disposal. This risk assessment gathers information on selected risk factors for the sections (departments, divisions, cost centers, etc.) of the City that the Office has determined to be “auditable areas.” These areas are analyzed and scored with a rating factor. The Audit Director and staff then utilize this information along with our professional judgment to propose a Plan of Operations for the year.

In addition, every year the Audit Director meets with the department directors and other City executive managers to discuss risks and determine any areas of concern for inclusion in each annual plan.

We will also continue to refine our internal policies and practices to provide the City with an efficient and effective internal audit section.
APPENDIX – AUDIT REPORTS 2015 - 2017

Performance Audits:

15-08 OPD Witness Management and Subpoena Process
15-10 CLASS System Consistency of Use
15-11 OFD Safety Management
16-05 Employee Fringe Benefits
16-06 Mayor’s Matching Grant Program
16-07 Workday Access Controls
16-10 EMS Transport
17-01 Annual Contract Procurement
17-02 Parking Cash Collections
17-06 OFD Training Standards
17-08 Treasury Investments
17-09 Families Parks and Recreation Facility Operations
18-01 Personnel Hiring Process
18-03 Forestry Program
18-04 Workday Electronic Interface Builder (EIB)
18-05 Red Light Camera Program

Revenue Audits:

15-03R Franchise Fee Audit of Container Rental
15-04R Municipal Public Service Tax Audit of Orange County Utilities
15-05R Municipal Public Service Tax Audit of Home Depot, Inc.
15-06R Municipal Public Service Tax Audit of Discount Propane, Inc.
15-07R Municipal Public Service Tax Audit of Central Florida Propane, Inc.
15-08R Municipal Public Service Tax Audit of AmeriGas Propane, Inc.
15-09R Municipal Public Service Tax Audit of 7-11 Corporation
16-01R Franchise Fee Audit of Waste Services of Florida, Inc.
16-02R Municipal Public Service Tax Audit of ACE Hardware (College Park)
16-03R Municipal Public Service Tax Audit of ACE Hardware (Orange, Colonial, Conway)
16-04R Municipal Public Service Tax Audit of FPLES
16-05R Municipal Public Service Tax Audit of Ferrellgas Propane
16-06R Municipal Public Service Tax Audit of Thompson Gas Southeast
16-07R Franchise Fee Audit of Construct Rite Masonry
16-08R Municipal Public Service Tax Audit of Sams LP Gas
16-09R Franchise Fee Audit of American Waste Management
17-01R Municipal Public Service Tax Audit of Walgreen Stores
17-02R Franchise Fee Audit of DisposAll, Inc.
17-03R Municipal Public Services Tax Audit of Publix Supermarkets
17-04R Municipal Public Services Tax Audit of Lowe’s Home Centers
17-05R Municipal Public Services Tax Audit of RaceTrac Petroleum, Inc.
17-06R Municipal Public Services Tax Audit of Target Corporation
17-07R Municipal Public Services Tax Audit of Greens Energy Service
17-08R Municipal Public Services Tax Audit of Circle K Stores
17-09R Municipal Public Service Tax Audit of WalMart
17-10R Municipal Public Service Tax Audit of BP America Inc.
17-11R Solid Waste Division Roll-Off Audit
17-12R Franchise Fee Audit of Pece of Mind Environmental, Inc.
17-13R Municipal Public Service Tax Audit of Suburban Propane
18-01R Annual Review of Business Taxes
18-02R Franchise Fee Audit of Sunshine Recycling, Inc.
18-03R Municipal Public Service Tax Audit of Interconn Resources
18-04R Municipal Public Service Tax Audit of Florida Public Utilities
18-05R Municipal Public Service Tax and Franchise Fee Audit of TECO/Peoples Gas

Follow-up Reviews:

15-06 Orlando Venues Event Parking
15-07 Sales and Use Tax
15-09 Information Security
15-12 Fleet and Facilities Management
16-01 Stormwater Fee Calculation and Billings
16-02 OPD Training Standards
16-03 Keep Orlando Beautiful
16-04 Witness Management and Subpoena Process
16-08 CLASS System Consistency of Use
16-09 OFD Safety Management
17-03 Employee Fringe Benefits
17-04 Mayor’s Matching Grant Program
17-05 Workday Access Controls
17-07 EMS Transport
18-02 Annual Contract Procurement