Date: May 30, 2019

To: Mark Schott, Assistant City Manager

From: Carol Holley, Sr. Internal Auditor

Subject: Fourth Quarter Audit Recommendations Status Report

As part of the Annual Audit Plan, Internal Audit periodically reports to the Audit Committee on the implementation status of audit recommendations.

The attached report contains the status of 17 recommendations from FY2018-2019 and eight recommendations from FY2017-2018. Seventeen recommendations are closed, one recommendation is no longer applicable as new software was implemented, and seven recommendations were carried forward for additional monitoring by Internal Audit. Staff has initiated corrective actions and estimate completion of outstanding recommendations by October 31, 2019.

Attachment

City of Surprise

Fourth Quarter Audit Recommendations Status Report

June 19, 2019

Carol Holley, Sr. Internal Auditor

Alison Matthees, Internal Auditor

Table of Contents

EXECUTIVE SUMMARY

Scope and Purpose

Enclosed is the quarterly summary of outstanding audit recommendations. The purpose of this report is to inform the Audit Committee of the implementation status of audit recommendations made by Internal Audit (IA).

As of March 1, 2019, 25 audit recommendations remained open as City of Surprise (City) staff worked to implement audit action plans. IA conducted follow-up procedures on all outstanding recommendations in April 2019.

The recommendations referenced in each audit report were designed to decrease the risk to City assets and improve the efficiency and effectiveness of operations. In response to each audit recommendation, appropriate department management develops detailed management action plans including assigned personnel and due date to implement the recommendation. The purpose of performing an audit follow-up review is to determine the status of management action plans. The need for audit follow-up procedures is referenced in *Governmental Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*:

Governmental Auditing Standards:

> ***GAGAS 6.36*** – *"Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that are significant within the context of the audit objectives."*

International Standards for the Professional Practice of Internal Auditing:

> ***2500 – Monitoring Progress***
> *"The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management."*
>
> ***2500.A1 –*** *"The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action."*

Methodology

After the completion of each audit, audit observations and recommendations are tracked in an Excel spreadsheet by IA. Quarterly, IA performs follow-up procedures on the status of audit recommendations with the appropriate City departments and responsible individuals. Departments self-report the status of their management action plans. Testimonial or documentary evidence is obtained and reviewed by IA. In some cases, IA will go beyond the standard process and perform more in-depth verification of the extent to which certain audit recommendations have been implemented, and issue a

separate report on this work. All recommendations reviewed were placed in the following status categories:

Ongoing – City staff provided some evidence of progress on the recommendation; however, either elements of the audit recommendation were not addressed, or the department reported it has begun to implement the audit recommendation and has not yet completed the implementation **(See Exhibit A).**

Implemented – City staff provided sufficient and appropriate evidence to support elements of implementing the audit recommendation **(See Exhibit B).**

N/A-Services Automated – Services were automated after the recommendation was made. **(See Exhibit C).**

Summary of Implementation Status

On March 1, 2019, eight audit recommendations were pending from the previous quarter and 17 new recommendations were added to the status tracking spreadsheet for a total of 25 open audit recommendations monitored by IA for the fourth quarter of FY2018-2019. As of May 30, 2019, 17 (68%) audit recommendations were implemented, 7 (28%) are ongoing, and 1 (4%) is no longer applicable as the department automated department services as recommended by IA. Staff has initiated procedures to address the seven remaining ongoing recommendations. The seven remaining ongoing recommendations were carried forward on the quarterly tracking spreadsheet and will continue to be monitored by IA. The below charts summarize the progress of implementing audit recommendations by status and department:
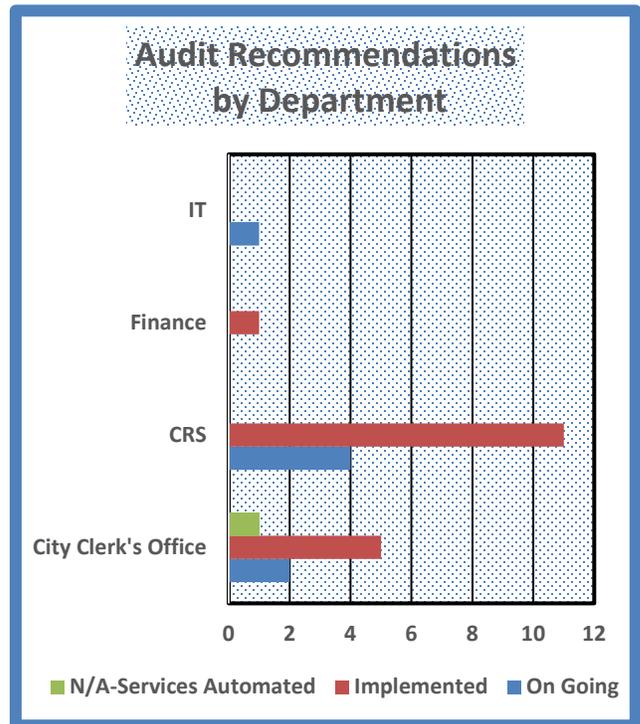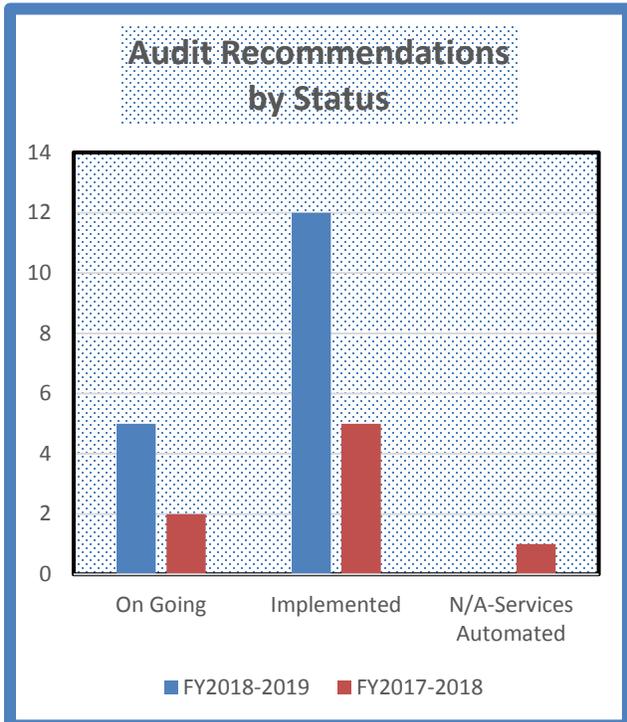
Audit Highlights

As a result of staff efforts, one department automated services resulting in a:

- Decrease in supply cost
- Decrease in customer service time
- Elimination of duplication of manual processes
- Strengthening of segregation of duties controls
- Increased internal control over cash
- Increase in securing stored documents and the management of assigned processing request numbers

Conclusion

IA commends City staff for their efforts in implementing audit recommendations. City staff worked continuously within their departments and with the applicable City experts across departmental lines to address audit recommendations to reduce risk to City assets and to strengthen internal controls.

EXHIBITS

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Count	Division/ Department	Report Title	Report Date	Recommendation	Status as of April 6, 2018	2018 Management Update Comments	Management Update Comments February 10, 2019	Management Update Comments May 22, 2019	Risk Level
1	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Review the copy fee schedule rates and make adjustments as necessary. The review should include, but not limited to establishing a minimum service level at which fees will be assessed.	Ongoing	I met with Finance in December 2017 on the fee schedule for records requests. Finance is currently reviewing records request fee structure for the City Clerk's Office. Finance will be conducting a 60 day tracking for Clerk, PD, Fire, CD and Engineering records requests. Extend completion date - December 2018 per Finance Dept.	On February 2, 2018, in response to the Auditor's findings, the Finance Department contacted the City Clerk, Community Development, Fire-Medical, and the Police Departments to propose a citywide revision to the record request fees. On May 8, 2018, the Finance Department requested that the City Clerk's Office, City Attorney's Office, Fire-Medical, Police, Public Works, and Community Development Departments collect 60 days of record request processing time data. On November 29, 2018, the data collection process was complete and a meeting was held with Finance to review the data and discuss the necessary financial analysis. The Finance Department anticipates that the identification of a new citywide fee structure for record requests will finalized by October 2019.	The fee update is scheduled for this fall and expected to be completed by October 2019.	Moderate

2	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Work in conjunction with the Finance Department to:
				
				  Submit a complete public records requests fee schedule to City Council for review and approval by resolution
				  Replace the current copy fees statement on the bottom of the City Clerk Form with "Copy fees will be assessed in accordance with the adopted Citywide Fee Schedule"
					Ongoing	*Auditor's Note: Ongoing. An email was received on May 8, 2018 from the Finance Process and Policy Analyst discussing record request fees.*	On February 2, 2018, in response to the Auditor's findings, the Finance Department contacted the City Clerk, Community Development, Fire-Medical, and the Police Departments to propose a citywide revision to the record request fees. On April 8, 2018, the Finance Department requested that the City Clerk's Office, City Attorney's Office, Fire-Medical, Police, Public Works, and Community Development Departments collect 60 days of record request processing time data. On November 29, 2018, the data collection process was complete and a meeting was held with Finance to review the data and discuss the necessary financial analysis. The Finance Department anticipates that the identification of a new citywide fee structure for record requests will finalized by October 2019.	The fee update is scheduled for this fall and expected to be completed by October 2019.	Moderate

3	CRS	Program Registration	10/11/2018	Develop and document a revenue control and management policy that includes billing and collection practices. The policy should include, but not limited to:
				
				  Establishing a collection time frame
				  Establishing dollar threshold for authorizing write-offs
				  Requiring documentation and written authorization to write-off accounts receivable
				  Adequately documenting and retaining support for adjustments, write-offs, and collection efforts
				  Using the City collection contract, when appropriate
				  Periodically reconciling subsystems to financial systems throughout the fiscal year
				  Ensuring all applicable transactions processed in subsystems are reflected in the City's financial system promptly
					Ongoing	N/A	Concur. CRS agrees that a formal revenue control and management policy for delinquent accounts should be developed as a component of the internal controls over revenue. CRS met with Finance on January 16, 2019 to discuss formalizing an uncollectable/delinquent account policy. Finance Department will work on a draft a policy by March 31, 2019 and CRS will write an SOP for the department by April 30, 2019. CRS staff will receive overview of the SOP by the end of May 2019. During implementation of the new software one of the items to discuss was credits and balances on accounts. CLASS software had been in use since mid-2005 and over the 12 years there were outstanding balances; both credits and debits. Reports from CLASS showing the outstanding credits and debits were sent to Finance at the end of each month. In 2016, Finance notified CRS concerning the Arizona Unclaimed Property statute and that credits more than four years old needed to be refunded or sent to unclaimed property. At that time, the CRS class cancellation policy was to primarily credit accounts rather than refund customers, so there was several years' worth of unused credits on accounts. CRS identified all impacted accounts and immediately addressed the issue. CRS staff have since followed the statute provisions and completed an annual review. As far as the procedure for collecting outstanding balances; CRS staff would call the customer, send a letter and ultimately freeze accounts where the customer had failed to pay balance. There was no process or policy in place to send to collections; and CRS was not aware of a contract with a collection agency that became effective in February of 2017. Annually CRS brings in close to $1.8M for recreation programming; and over a twelve year span there was approximately $117,000 in balances still remaining on accounts. Prior to the migration, CRS met with Finance to discuss the best way to handle the credits and balances. It was determined that due to the amount of time that had passed; the best option was to write off anything more than two years old. Although a formal policy was not in place; since implementation of Civic Rec CRS has established the following process. There is a review of accounts at 30 days, 60 days and 90 days. At fiscal year-end, all outstanding balances will be written off and sent to collections.	CRS has established a process for collecting on payment plan programs and hired a part-time Admin Tech dedicated to overseeing payment plan programs and other outstanding balances. Although the procedures have been established, a formal SOP is still pending while Finance finalizes the City revenue control and management policy. Once the formal policy has been completed, CRS will finalize its Department procedures to ensure the procedures compliment the policy. CRS has worked with Finance on sending delinquent accounts to the City's contracted collection agency. Eight accounts were forwarded to the collection agency in March and seven were sent in April. Due to the process now in place and having the dedicated resources to follow up on delinquent accounts, the number of accounts to be sent to collections in the future will be minimal. The CRS Department has been working with Finance and the software vendor to reconcile Civic Rec and Munis from the CLASS conversion. It is the goal to have this completed by June 30th so that moving forward, both systems can be periodically reconciled.	High

Audit Observation Risk Rating

High	Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to city assets.
Moderate	Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate potential risk of loss to city assets.
Low	Represents an observation for consideration by management for correction or implementation associated the process being audited. Low risk observations should be implemented to improve efficiency and effectiveness of operations.

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4	CRS	Program Registration	10/11/2018	Ensuring that all migration CLASS and CivicRec manual adjustments are reflected and reconciled to the MUNIS financial system.	Ongoing	N/A	Concur. The vendor was not able to migrate the balances from CLASS to Civic Rec. Although not ideal, the migration of data for debits and credits from CLASS to Civic Rec was a manual process completed by staff. In addition, CRS only wanted to migrate patrons who utilized services within the past two years to the new software in an attempt to clean-up patron information that was incorrect and outdated. Many of the old balances/credits in CLASS were for patrons who weren't going to be migrated anyway, so therefore, the manual process was essential. The analysis of the 1,500 accounts with balances and credits in CLASS required a significant amount of time to determine if the amount should be transferred, written off or refunded. A record of all the activity for both balances and credits, along with other adjustments in CLASS due to cancellations, refunds, etc. were tracked on a spreadsheet. For balances and credits that were transferred to Civic Rec, the impacted account was documented in both systems concerning the transfer. For transactions older than two years, the patron's record in CLASS was documented and the information was either included on the documentation for Finance for a debt write-off or included on the annual credit refund project. Due to the length of time to manually migrate the data, along with the fact that both systems were still being activity used (CLASS for activities, memberships and rentals in process and Civic Rec for all new transactions), it was not feasible to have a date in time where the total balance and credit transfers could be reconciled with both databases. However, staff have provided all back-up documentation of the manual migration process and completed a random sampling of transactions to back up the validity of the data. Based on the data captured in the manual form, CRS will work with Finance for a final reconciliation. However, with the implementation of Civic Rec, all Asset and Liability accounts have been reconciled each month with Munis, so any future software implementations should have a significantly easier transition in regards to the financial data. Moving forward Civic Rec balance is current and reconciled with MUNIS.	The CRS Department has been working with Finance and the software vendor to reconcile Civic Rec and Munis from the CLASS conversion. It is the goal to have this completed by June 30th so that moving forward, both systems can be periodically reconciled.	High
5	CRS	Program Registration	10/11/2018	Work with the Finance Department to ensure that asset and liability accounts associated with the registration system are reconciled more frequently than annually.	Ongoing	N/A	Concur. CRS will establish an SOP to ensure revenue balances on a monthly basis. SOP will be completed by May 30, 2019	The CRS Department has been working with Finance and the software vendor to reconcile Civic Rec and Munis from the CLASS conversion. It is the goal to have this completed by June 30th so that moving forward, both systems can be periodically reconciled. Once the initial reconciling has occurred, an SOP will be created in conjunction with Finance to determine best practices to reconcile. It is anticipated that the SOP can be completed by August 31, 2019.	Moderate
6	CRS	Program Registration	10/11/2018	Develop and document a Revenue Control Policy that includes, but is not limited to: Timely reconciliation to applicable general ledgers Recording all receipts and receivables in accordance with GAAP	Ongoing	N/A	Concur. CRS agrees that a formal revenue control and management policy for delinquent accounts should be developed as a component of the internal controls over revenue. CRS met with Finance on January 16, 2019 to discuss formalizing an uncollectable/delinquent account policy. Finance Department will work on a draft a policy by the end of March 2019 and CRS will write an SOP for the department by April 30, 2019. CRS staff will receive overview of the SOP by the end of May 2019.	The Revenue Control Policy is still being finalized by Finance. Upon completion, CRS will finalize the SOP that compliments the City's policy on timely reconciliation of applicable general ledgers.	Moderate
7	IT Department	Program Registration	10/11/2018	Update policies and procedures to provide departments with additional guidance for managing cloud computing contracts and change management activities not processed by the IT Department	Ongoing	N/A	Concur. IT Management will update IT SOP 201 as necessary to provide specific guidelines regarding SaaS solution requirements and will make those requirements available on InsideSurprise in the Information Technology Department website by June 30, 2019.	IT has met with Procurement and the appropriate City department to create a draft checklist of items that must be addressed in any new software contract that will be published on the intranet to meet the audit requirement. We have determined we would like to create a boilerplate software agreement that will include all conditions required and will be the starting point of any software contract negotiation. The appropriate City department is developing that language based off the checklist items.	High

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Count	Division/ Department	Report Title	Report Date	Recommendation	Status as of May 22, 2019	Management Update Comments 2018	Management Update Comments February 10, 2019	Management Update Comments May 22, 2019	Risk Level
1	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Develop a comprehensive automated training program using Target Solutions to educate City staff on public records requests procedures. The training should incorporate updated records management policies and procedures.	Closed	This is still a work in progress, will finalize once we have an automated system in place. Original estimated completion date: August/September 2018	We are holding our 2nd set-up meeting with IT on the Records Request Program through City Source. Once the program is completely set-up, we will start training staff on how to use the program and add a section into our policy. Extending completion date to: February/March 2019.	This task was completed on April 17, 2019 for the program launch on April 18, 2019. All required staff attended the mandatory training and IT staff created the program instructions that were sent to all users and placed on the City's shared files for easy access.	Low
2	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Work with the appropriate City staff to establish a precise retention period for City emails. If an extended period is required, initiate the process to obtain approval from the State to update the City's retention schedule. Communicate any changes in the retention period to the IT Department and City staff.	Closed	Working with the appropriate city staff to establish a policy	Working with the appropriate city staff to establish a policy.	This task is completed and contained in the Records Policy dated February 2019.	Moderate
3	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Establish a time limit policy for holding completed public records requests. The policy should include, but not limited to: The number of days completed documents are held for pickup before they are destroyed Requiring the completion of new public records request if pickup attempts are made after documents are destroyed Fees collected for documents destroyed after holding period should not be refunded, as service was performed Updating the Form to reflect the new policy	Closed	Extension of completion date to August/September 2018.	This will also be included in the Records Request Policy, and completion will be extended to February/March 2019.	This is covered under the Records Policy following Arizona State Library and Archives under Records Retention policies.	Low
4	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Continue to work with the IT Department to assess the potential of automating tracking public records request utilizing current City applications, such as SharePoint, Council agenda software, or legal software. The selected software should allow applicable City staff view privileges to check the status of requests in an attempt to eliminate duplication of staff efforts.	Closed	This has been a work in progress in conjunction with IT staff. We visited the City of Phoenix March 9, 2018 to view the SharePoint Program. They shared their coding with us. In the meantime we found out that through Civic Plus, the City's Website, their may be a program already in place that is called Citizens Request Tracker. We are scheduled for a Demo on Tuesday, May 8th with IT staff. If this is adequate, we will work immediately to tailor to our needs and implement as soon as possible.	Getting ready to launch the program City Source, training this week. Estimated completion extended to February/March 2019.	This task is officially completed - April 18, 2019. It is fulfilling our goal to have a fully automated records request system.	Moderate
5	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Formalized and document revenue policies and procedures to include, but not limited to: Establishing when to assess fees Identifying when and who can authorize fee waivers Identify documentation required to waive fees	Closed	The original Records Request Policy was created by the appropriate City staff on this issue, once we have established an automated system, we will update the policy to include this information. I have not received a legal opinion on the authority to waive fees at this time. I also discussed this issue with the Finance Department to create language in the policy for collecting fees.	I have been assigned an attorney in the Legal Dept., to assist with writing a policy that will contain the Records Request Policy and Records Management in one. I submitted a draft in December, the document has come back to me with revisions. Estimated completion time is February/March 2019. The Legal Dept., is aware that the majority of the requests through the automated system will be electronic. We are in the process of reviewing what type of requests we will be allowed to charge a fee for according to State Law. This will also be included in the policy. Estimated time of completion will be February/March 2019.	This is included in the records policy dated February 2019. This task is completed. This is included in the records policy dated February 2019. This task is completed.	Moderate
6	CRS	Program Registration	10/11/2018	Develop and document a Revenue Control Policy that includes, but is not limited to: Timely reconciliation to applicable general ledgers Recording all receipts and receivables in accordance with GAAP	Closed	N/A	Concur. CRS agrees that a formal revenue control and management policy for delinquent accounts should be developed as a component of the internal controls over revenue. CRS met with Finance on January 16, 2019 to discuss formalizing an uncollectable/delinquent account policy. Finance Department will work on a draft a policy by the end of March 2019 and CRS will write an SOP for the department by April 30, 2019. CRS staff will receive overview of the SOP by the end of May 2019.	The Revenue Control Policy is still being finalized by Finance. Upon completion, CRS will finalize the SOP that compliments the City's policy on timely reconciliation of applicable general ledgers.	Moderate
7	CRS	Program Registration	10/11/2018	Perform a secondary review on manual tracking procedures to identify errors and discrepancies including, but not limited to: Review of each DES invoice before distribution to DES Quarterly review of a number of youth subsidy registrations applied to each household account	Closed	N/A	Concur. The Recreation Manager will provide a secondary review of DES invoice before distribution to DES. The Youth Subsidy policy has been updated to remove the limit of two registrations. There is already a control in place in the software that will not allow a participant to exceed the maximum dollar amount of $75. Fiscal Support Specialist will review youth subsidy registration quarterly. CRS management will update the Standard Operating Procedures (SOP) on both of these processes by April 30, 2019 to include reviews.	The Recreation Coordinator will prepare the billing based on attendance and the Recreation Manager will provide a secondary review on invoices before distribution to DES. The scholarship policy has been updated to reflect a quarterly audit of the program.	Moderate

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Count	Division/ Department	Report Title	Report Date	Recommendation	Status as of May 22, 2019	Management Update Comments 2018	Management Update Comments February 10, 2019	Management Update Comments May 22, 2019	Risk Level
8	CRS	Program Registration	10/11/2018	Coordinate with the Human Resources Department to define and clarify the intent of the employee discount program and outline eligibility of employee family members including spouses, parents, or extended family (e.g., nieces, grandchildren). CRS management should formally define and document updated procedures, if applicable, to include, but not be limited to the following: Defining eligible household members Detailing procedures for front desk personnel to register employee household members	Closed	N/A	Concur. CRS staff met with the Human Resources Department on January 23, 2019 to define and clarify the intent of the employee discount program and outline eligibility of employee family members. HR confirmed that the intent of the program is to include spouses. CRS will formally define and document procedures in an SOP to define eligible household members and detail procedures for front desk personnel to register employee household members by April 30, 2019. Language will be added to be able to address dynamic family situations. Staff will also update information and frequently asked questions and update on city intranet by April 30th as well.	The SOP on the employee discount program has been updated to define eligibility and procedures. The FAQ's for the program listed on the intranet have also been updated. Additionally this information has been added to New Employee Orientation presentation.	Moderate
9	CRS	Program Registration	10/11/2018	Enhance new hire employee training and refresh all existing employees on procedures and eligibility requirements for employee discounts. Communication should include, but is not limited to: Employees should not apply employee discounts to accounts without the employee discount flag, as no eligibility verification is required at the time of registration. Only current (not prior) employees and eligible household members (not extended family) are eligible for discount registration	Closed	N/A	Concur. CRS will update SOP and include in new employee orientation and provide a refresher to current staff by May 31, 2019.	The SOP was updated and shared with staff in March. A review of the policy was also included in cashier training on May 23, 2019 and will be included along with Cash Handling training during new employee orientation for part-time staff.	Moderate
10	CRS	Program Registration	10/11/2018	Consider the feasibility of utilizing systematic controls within CivicRec to assist in accurately applying employee discount including: Continue with vendor request for system enhancements to only allow employee discounts posted to accounts with the employee discount household flag. Consider applying employee discount flags to each eligible individual in the household account instead of the overall household account.	Closed	N/A	Concur. CRS has requested this enhancement to CivicRec on August 28, 2018.	The application of this option has not been implemented by Civic Rec as of May 20, 2019. Staff however will continue to monitor utilization of the discounts to ensure compliance of the policy.	Moderate
11	CRS	Program Registration	10/11/2018	Implement quarterly review and monitoring procedures around employee discounts to ensure that: Terminated employees have employee discount flag removed from their household account timely. Employee discounts are not provided to any non-employee households.	Closed	N/A	Concur. CRS will update SOP to include quarterly review and monitoring procedures by February 28, 2019.	The Employee Discount Program SOP has been updated to include quarterly monitoring procedures.	Moderate
12	CRS	Program Registration	10/11/2018	Ensure staff review requirements of DES contract and comply with all contract terms and DES inquiries promptly. A succession plan should be established to ensure smooth and uninterrupted communication is in place with DES and the City.	Closed	N/A	Concur. CRS staff intends to comply with Arizona Department of Economic Security contract. Staff understands that there is a benefit to those families that need assistance paying for childcare. The City of Surprise CRS Dept. offers several programs that are licensed daycare programs with the Department of Health Services. Participants that qualify may receive subsidy for the daycare through a child care provider agreement with Department of Economic Security. Over the years, CRS staff has had challenges communicating and receiving timely payments from DES. There is frequent turnover in contact staff at DES and therefore it's been difficult to follow up on outstanding issues. The contract expiration in June 2018 was a separate issue from receiving payments. DES mailed notification directly to Countryside Recreation Center and therefore; staff never received the notification. Once CRS staff became aware of the issue; they immediately resolved the issue and the contract was renewed. In the future; Recreation Manager is prepared to escalate communication if needed. Additionally, as of December 31, 2018 CRS promoted internal staff to a part time administrative specialist dedicated to payment plans and collection of DES revenue. Additionally, multiple staff will now be trained in DES billing so that if there is staff turnover; the division will be prepared to take over the duties if needed. To date; CRS has received all DES payments for summer camp attendees. Fall and winter break camps are still outstanding as it is a lengthy process to receive payments from DES.	CRS staff have been diligent in ensuring compliance with the DES contract. All DES paperwork is being routed through the Recreation Manager to be entered into our tracking system and then routed to the Recreation Coordinator. The Recreation Coordinator will then give the sign in/out sheets and billing form to the Admin Tech to complete. Once completed, all forms will be submitted to the Recreation Manager to do a final check and send to DES for payment. The CRS Department also changed the fee structure for camps to better accommodate DES supported programs. Previous DES participants were primarily registered to attend the program weekly and were charged the weekly rate; however DES only reimbursed on a daily rate based on attendance. Due to how the reimbursements were done, the fees required adjusting which accounted for several of the past due DES balances in CLASS. By going to a daily rate with all camps, fees will no longer need to be modified. Families were also notified during the registration process that they are fully responsible for all fees up to receiving an approval from DES. During previous years, we did not require payment if DES was in a pending status, but we are now requiring full payment until DES has been fully approved. The CRS Department also changed procedures that DES participants need to pay copays weekly rather than being billed at the end of the program. These changes along with having dedicated resources to monitor the payments and attendance will greatly minimize the potential for any outstanding balances associated with DES eligible programs.	High

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13	CRS	Program Registration	10/11/2018	Ensure that the vendor develops a sandbox to allow staff testing of application upgrades and system functionalities.	Closed	N/A	Concur. CRS will continue to work closely with IT on future migration to ensure vendor develops a test atmosphere.	N/A	High
14	CRS	Program Registration	10/11/2018	Ensure all test data is deleted from the live production database. Documentation of deleted data should be developed and maintained as part of the project records.	Closed	N/A	Concur. Ideally, the test will occur in a test atmosphere, and there will be no need to delete data from live production. Agree that documentation of deleted data should be developed and maintained in project record.	N/A	High
15	CRS	Program Registration	10/12/2018	At least annually, perform a user access review of all user and role combinations in CivicRec to identify and remove any conflicting access roles, terminated or transferred employees, or unnecessary access.	Closed	N/A	Concur. CRS immediately corrected conflicting access roles for senior management levels. During system implementation, additional access was added to staff until system functionality and permissions were established. This has been since updated and the SOP will be revised by April 30, 2019. Due to limitations of the software, additional access was added for five front desk staff members specific for camp registration. CRS has requested an enhancement to CivicRec to improve this functionality. An enhancement has already been added so that once an employee resigns or separates service, when IT turns off access to the network, the employee no longer has access to CivicRec.	N/A	Moderate
16	CRS	Program Registration	10/13/2018	Ensure that all future projects include the appropriate subject matter experts from the initial selection of a vendor, implementation, data migration, testing, and for a brief period after the go-live date. Subject matter experts should review and sign off on areas related to their specific area of expertise to ensure best practices are imitated throughout the project.	Closed		Concur. CRS staff concurs that subject matter experts sign off on areas related to their specific area of expertise to ensure best practices are imitated throughout the project. Subject matter experts in IT, Finance (Accounting, Procurement), Human Services and Community Vitality (HSCV) and Community and Recreation Services (CRS) were involved in developing the RFP, interviewing and selecting a qualified software company, Finance and IT were involved in Pre-implementation providing guidance on security of financial information, testing of credit card payments and setting up security levels for users. Finance was not involved in the data migration as it required a manual transfer of the data by CRS staff. However, upon completion of the data migration of balances and credits, Finance was sent a final list of all adjustments made. After the go-live date, CRS worked with Finance to reconcile the applicable CRS accounts receivable ledger accounts as part of the annual general ledger reconciliation process. Communications and webmaster were also involved in release of information to public and ensuring smooth transition onto the city website. IT representative attended all meetings with Civic Rec including planning and system training/entry of information and post implementation. Finance was included in system training as well. CRS had been notified in 2014 that the CLASS "end of life" would be approaching soon. CRS requested funding for the software replacement during the FY15 budget process; however the package wasn't funded that year. The package was requested again for the FY16 budget process and again wasn't funded. However savings were realized in the FY17 budget for the Tyler implementation, so CRS was finally able to move forward with the RFP process. In November 2017, CRS replaced its recreation registration system (CLASS) with a cloud based system (Civic Rec). CLASS was implemented in 2005 and had reached end of life and would no longer be supported by Active Net. It was critical to select a company with software that met the requirements for financial accounting and PCI compliance as well as functional for CRS and HSCV to be able to accept registrations for activities, classes, leagues, facility rentals, point of sale items both in person and online for customers. This had to be complete prior to mid November 2017. In preparation to select a new vendor CRS began working on language and scope for the RFP process mid-2016. This scope was reviewed multiple times by multiple staff in IT, HSCV and Finance to develop a clear scope and requirements for the new software. The RFP went out early 2017 and a panel of staff including Finance, CRS, HSCV and IT ranked the various companies that responded to the RFP. In April 2017, two companies were selected to demo and the selection panel of staff that included IT, Finance, HSCV and CRS. Once a selection was made; CRS, HSCV, IT and Finance attended planning meetings with Civic Rec to go over pre implementation requirements. CRS communicated and involved multiple departments in the selection and implementation process.	N/A	Low
17	Finance Department	Procurement Purchasing Card - Continuous Review	2/5/2019	At least annually, the Finance Department should update P-Card records in Munis to allow for accurate record-keeping and monitoring. Updates to Munis should include, but are not limited to: a. Deactivating cards which are expired or no longer used. b. Updating Munis credit limits to align with authorized changes and BBVA recorded limits.	Closed	Finance Director: "We concur with the recommendation and will begin to update the MUNIS Purchase Card records immediately to match department head approvals and the BBVA records. We will also immediately begin deactivating any cards which are expired or no longer used. We will complete our review of the current P-Cards by February 28, 2019 and work to continuously update records on a going forward basis."	All former p-cards have been deactivated within Munis and procedures have been established to update P-Card records and credit limits within Munis. Updating of the old P-Card records and credit limits was completed as of February 28, 2019. The accounts payable team runs the necessary reports each month to ensure any lingering charges for employees that have been terminated are loaded into the system for reconciliation by the appropriate department.	N/A	Moderate

Audit Observation Risk Rating

High	Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to city assets.
Moderate	Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate potential risk of loss to city assets.
Low	Represents an observation for consideration by management for correction or implementation associated the process being audited. Low risk observations should be implemented to improve efficiency and effectiveness of operations.

Exhibit C
Not Implemented/NA - Audit Recommendations

Count	Division/ Department	Report Title	Report Date	Recommendation	Status as of May 22, 2019	2018 Management Update Comments April 6, 2018	Management Update Comments February 10, 2019	Management Update Comments May 22, 2019	Risk Level
1	City Clerk's Office	City Clerk's Public Records Request	8/14/2017	Develop and implement controls to enhance current procedures for managing the public records requests Excel spreadsheet. The controls should include, but not limited to: • Periodically reviewing the spreadsheet for accuracy, completeness, and training opportunities • Reconciling the fees column of the spreadsheet to the general ledger to ensure all fees assessed were correctly deposited promptly • Coordinate efforts with other departments when working on the same public records requests to • Use Excel Data Validation function to format spreadsheet and eliminate keying errors	Not Implemented-Change in procedures	This is still a work in progress. Right now, staff is reviewing the spreadsheet every other week to follow up with requestors and to balance the amounts due and received. Once implemented, the automated request tracking program will have monitoring capability, therefore the Excel spreadsheet will be eliminated. The automated system will also eliminate the issue of duplications between departments. Extend completion date to December 2018.	Once City Source is launched, the Excel spreadsheet will be eliminated. Extending completion to February/March 2019. In the meantime, these tasks are being reviewed every other week, and old requests are being reviewed with staff from Finance to verify if payment was received.	This step is no longer required with the automated records request program through City Source. This task completed.	Moderate

Audit Observation Risk Rating

High	Represents an observation requiring immediate action by management to mitigate risks associated with the process being audited. High risk observations should be implemented to mitigate current gaps in areas with a significant impact or high likelihood of loss or fraud related to city assets.
Moderate	Represents an observation requiring timely action by management to mitigate risks associated with the process being audited. Moderate risk observations should be implemented to strengthen or increase efficiency in the internal control framework and mitigate potential risk of loss to city assets.
Low	Represents an observation for consideration by management for correction or implementation associated the process being audited. Low risk observations should be implemented to improve efficiency and effectiveness of operations.