

AUDIT SERVICES THREE YEAR SUMMARY

December 16, 2020

City of Orlando
Office of Audit Services and Management Support

George J. McGowan, CPA
Director



TABLE OF CONTENTS



MEMORANDUM OF TRANSMITTAL..... 3

OVERVIEW OF OFFICE 5

SUMMARY OF AUDIT RESULTS 8

MEMORANDUM OF TRANSMITTAL



To: Honorable Buddy Dyer, Mayor

From: George J. McGowan, CPA
Director, Office of Audit Services and Management Support

Dates: December 16, 2020

Subject: Audit Services Three Year Summary

A handwritten signature in blue ink, appearing to be 'GJM', written over the 'From:' field.

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 of the Office and an overview of the work accomplished in the last three years, 2018-2020.

In these past three years, the Office issued a total of 60 reports. These included 18 performance audit reports, 14 follow-up reviews, and 28 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 \$1,163,385 in additional revenue to the City for the three-year fiscal period ending September 30, 2020. \$679,046 of this total 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
Heather Fagan, Chief of Staff
Kevin Edmonds, Chief Administrative Officer
Chris McCullion, Chief Financial Officer
Mayanne Downs, City Attorney
Jody Litchford, Deputy City Attorney

OVERVIEW OF OFFICE

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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.

INTERNAL AUDITING STANDARDS

Our Office performs audits in conformance with the International Standards for the Professional Practice of Internal Auditing. The standards are promulgated by the Institute of Internal Auditors in a document referred to as the “Red 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 five years.

The Office received a peer review in March 2017. The next peer review is due in early 2022.

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 five 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, budget, and the internal audit reports issued.

Currently, the Audit Board members are May Wong of MJ Tax and Consulting as Chair, Jose Delgado of The Trentham Santiago Group as Vice Chair, Jim Adamczyk of Fairwinds Credit Union, Michelle Scott of Verizon and Jessica Wight Kolb.

OFFICE BUDGET

The Audit Services and Management Support FYE 2020 budget was \$806,110. Actual expenditures for the year totaled \$669,672, a figure about 17% 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 2021 budget is \$818,974. The Office has 4 full-time professional staff, 1 part-time auditor and 1 part-time student intern. In 2020, all contracts for internal audit services expired. The Office issued an RFP for internal audit services and selected Carr, Riggs & Ingram, CBIZ Risk & Advisory Services, CliftonLarsonAllen, and RSM as our co-source partners for future audits.

SUMMARY OF AUDIT RESULTS

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

<https://www.orlando.gov/Our-Government/Departments-Offices/Executive-Offices/Audit-Services-and-Management-Support/Audit-and-Review-Reports>

OPD CRIMINAL INTAKE PROCESS

In accordance with our annual plan, with assistance from our co-source partner RSM, the Office of Audit Services and Management Support (ASMS) performed an audit of the processes and controls of the Criminal Intake Unit of the Orlando Police Department (OPD). The audit objectives were to perform an assessment of the intake process to understand the internal control design, opportunities for process improvements, and compliance with OPD and City policies and procedures.

We identified an opportunity to minimize the manual processing requirements of Criminal Intake's resources and allow a focus on quality assurance. We anticipated that this would ensure that the case packages and tasking responses submitted to the SAO are complete and accurate. These enhancements would incorporate detective controls (periodic reviews) around the completeness of case package submissions, to identify and track case files nearing the policy deadline, and taskings which are overdue or nearing the deadline.

LEU GARDENS FISCAL OPERATIONS

In accordance with our annual plan, ASMS performed an audit of the processes and controls over Leu Gardens Fiscal Operations. The audit objectives were to determine if reliable accounting data

is reported to management in a timely manner and determine if current policies and procedures for the Gardens' financial operations are sufficient.

We made seven recommendations to improve the controls and operations of the fiscal section of the Gardens. We recommended that the Accounting Specialist should act as an independent administrator of the gift shop and lead and approve the physical inventory and correct the records for the items carried in the gift shop inventory. In addition, we reported on the need for staff to be trained in the use of the financial software used by the Gardens and recommended that a policies and procedures manual be developed.

PERSONAL IDENTIFIABLE INFORMATION

ASMS performed an assessment of the City's management and control of Personal Identifiable Information (PII). The goal of this project was to identify what PII is currently collected by the City's departments and identify the electronic and manual systems which maintain this information. Another key aspect of this project was to perform a primary assessment of the City's controls over this sensitive data.

Florida Statutes (section 501.171) defines "personal information" and requires government entities to "...take reasonable measures to protect and secure data in electronic form containing personal information." We believe that the City is meeting the standards of Florida Statutes in the protection of personal identifying information and recommended development of City-wide policies and procedures for identifying and controlling PII, as well as regular training on the importance of protecting this information.

MAIN STREETS PROGRAM

ASMS, with major assistance from our co-source partner RSM, performed an assessment of the Main Streets Program. The primary objective of this project was to prepare and provide an informational matrix of the current state of each Main Streets district in the City. We also identified opportunities for improvement to the operations of the Main Streets Program and the individual districts.

RSM met with representatives from each Main Street district and these meetings resulted in recommending several improvements to both the program operation overall and each district's operations.

OFD EQUIPMENT AND SUPPLIES

ASMS performed an audit of the equipment and supplies of the Orlando Fire Department (OFD). The audit objectives were to assess the effectiveness and efficiency of the systems in place to acquire, use, control and replace the equipment and supplies of the City's fire stations. We recommended that OFD update its policies and procedures, use its automated systems to document all equipment out for repair, and finalize the acquisition and use of a vendor management system.

PARKS SUBCONTRACTOR PERFORMANCE

ASMS performed an audit of the Parks Division's oversight and management of subcontractor performance. The audit objectives were to determine whether the City parks were properly maintained by the Parks Division subcontractors. We found that Parks should enhance its oversight of subcontractor work and better enforce its contract terms.

OPD RECORDS

ASMS, with major assistance from our co-source partner RSM, performed a review of Orlando Police Department's (OPD) Records Section to evaluate the current processes and recommend improvements. The OPD Records Section's primary function is to maintain reports and supplementary information generated by the police officers in the course of their duties.

We found that the use of manual reporting processes has resulted in inconsistent methodologies for preparing and using electronic documentation which impacted staff productivity and efficiency. Our recommendations included exploring automation and technology enhancements, making modifications to workflow design, and development of standard operating procedures (SOPs) and training.

WATER RECLAMATION PREVENTATIVE MAINTENANCE

ASMS performed an audit of the processes and controls over the preventative maintenance of the assets under the control of the Water Reclamation Division. The audit objectives were to ensure that controls over preventative maintenance were adequate and operating effectively. The Water Reclamation Division is required to meet all state and federal standards for the reclamation of sanitary sewage and biosolids handling and disposal.

We made recommendations for improving the communication of procedures to staff and documenting preventative maintenance steps. The Division maintains a sophisticated automated work order system.

REVENUE AUDITS

Our revenue audits and activities are designed to review whether the City receives the revenues to which it is entitled on a timely basis. The audits and activities performed during the past three fiscal years ending September 30, 2020 resulted in revenue audit collections equaling \$1,163,385. This amount is about a 5 to 1 return on the cost of the salaries and benefits dedicated to our revenue audit activities.

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

Revenue Source	FY 17-18 Results	FY 18-19 Results	FY 19-20 Results
Unpaid Business Tax – New	\$ 5,112	\$ 31,230	\$ 16,724
Unpaid Business Tax – Renewals	97,169	68,432	71,664
Public Service Tax – New	99,938	46,566	47,504
Public Service Tax – Audits	125,601	205,313	38,320
Franchise Fee – Audits	265,512	9,929	34,371
TOTAL	<u>\$ 593,332</u>	<u>\$ 361,470</u>	<u>\$ 208,583</u>

FUTURE PLANS

Every year the Office of Audit Services and Management Support performs a “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 2018 - 2020

Performance Audits:

18-06 Orlando Tennis Center Cash Handling
18-09 OPD Criminal Intake Process
19-02 Leu Gardens Fiscal Operations
19-03 Administrative Leave Use
19-05 Annual Contract Procurement Phase II
19-06 Water Reclamation Business Section
19-09 School Impact Fees Assessment
19-10 Personal Identifying Information
19-12 Main Streets Program
19-13 Magic Contract Controls
19-14 Orlando Venues PCI Compliance
19-15 OFD Equipment and Supplies
20-01 PKZ Childcare Subsidies
20-03 Parks Subcontractors
20-05 OPD Records Processes
20-06 Orlando Community and Youth Trust
21-01 Traffic Sign Operations
21-02 Water Reclamation Preventative Maintenance

Revenue Audits:

18-06R Franchise Fee Audit of Global Rental Dumpsters
18-07R Franchise Fee Audit of Advanced Disposal

18-08R Franchise Fee Audit of Waste Management
18-09R Municipal Public Service Tax Audit of Infinite Energy
18-10R Municipal Public Service Tax Audit of Lake Apopka Natural Gas
18-11R Franchise Fee Audit of Randy Suggs
18-12R Municipal Public Service Tax Audit of Taft Water
18-13R Municipal Public Service Tax Audit of Gas South
19-01R Franchise Fee Audit of Action Recycling
19-02R Annual Review of Business Taxes
19-03R Franchise Fee Audit of Liberty Hauling
19-04R Municipal Public Service Tax Audit of Ferrellgas Propane
19-05R Municipal Public Service Tax Audit of Central Florida Propane
19-06R Franchise Fee Audit of Republic Services
19-07R Municipal Public Service Tax and Franchise Fee Audit of Duke Energy
19-08R Municipal Public Service Tax Audit of FPL Energy Services
20-01R Municipal Public Services Tax Audit of BJs Wholesale
20-02R Municipal Public Services Tax Audit of Discount Propane
20-03R Annual Review of Business Taxes
20-04R Franchise Fee Audit of Container Rental
20-05R Franchise Fee Audit of Waste Pro
20-06R Municipal Public Services Tax Audit of Amerigas
20-07R Municipal Public Service Tax Audit of Orange County Utilities
20-08R Municipal Public Service Tax Audit of 7-11 Franchises
21-01R Annual Review of Business Taxes
21-02R Municipal Public Service Tax Audit of 7-11 Privately Operated
21-03R Municipal Public Service Tax Audit of Home Depot
21-04R Municipal Public Service Tax Audit of Sams LP Gas

Follow-up Reviews:

18-07 Parking Division Cash Collections

18-08 OFD Training

18-10 Treasury Investments

18-11 Solid Waste Division Roll-Offs

19-01 Personnel Hiring Practices

19-04 Red Light Cameras

19-07 Forestry Program

19-08 Orlando Tennis Center Cash Handling

19-11 OPD Criminal Intake Process

20-02 Procurement Contracts Phase II

20-04 Leu Gardens Fiscal Operations

20-07 Main Streets Program

20-08 Orlando Venues PCI Compliance

20-09 OFD Equipment and Supplies