



Office of the City Auditor and Clerk

Remedial Action Update

Audit Project # 10-04

Detailed Report

September 30, 2009

Prepared by:

Annie Moore, MBA, CPA, CPCU, CISA, CFE, CIA
Manager, Internal Audit

Heather Riti, MPA, CIA
Senior Auditor

Final Report Issued November 2, 2009

BACKGROUND AND INTRODUCTION

Internal Audit is committed to providing semi-annual reports identifying outstanding open audit observations and management's responses and intended actions to Charter Officials and the City Commission to assist them in their decision-making and oversight role.

This report monitors all audit observations and their current statuses and highlights those that may remain open due to competing priorities, insufficient funding or other resource shortages. The report also highlights areas of noteworthy accomplishment by management in addressing audit concerns.

PROJECT SCOPE

Internal Audit followed up on the status of open audit observations through employee inquiries, observation and review of documents provided by management as of September 30, 2009.

PROJECT OBJECTIVE

The primary objective of this review is to provide the City Commission with the status of management action to adequately address observations previously noted by internal auditors.

AUDIT STANDARDS

The Internal Audit Department will have a peer review within the next three years by the Institute of Internal Auditors (IIA). While the Internal Audit Department strives to follow the guidance included in the IIA's International Professional Practices Framework, the *Standards* do not allow the department to note that the department is in accordance with IIA *Standards* until the peer review indicates such compliance.

PROJECT METHODOLOGY

Procedures for this review consisted of the following:

1. Internal Auditors updated the audit observation database to include all final audit reports issued between March 31, 2009 and September 30, 2009. The database currently includes all internal audit observations for years 2005-2009 and external auditor management letter findings for years 1999-2008 to allow for proper tracking and monitoring.
2. The Manager of Internal Audit provided the Charter Officials with a detailed listing of all outstanding recommendations within their respective areas and requested written updates on the status of each recommendation.

3. Upon receipt of written updates and supporting documentation, Internal Auditors conducted procedures necessary to verify that adequate corrective actions were taken by management for each outstanding recommendation.

For descriptions of audit status definitions, please refer to [Exhibit A](#).

OPEN AUDIT OBSERVATIONS BY CHARTER OFFICIAL

The table below outlines 64 report recommendations from 11 prior audits (35 recommendations from audits prior to 3/31/09 and 29 new recommendations since 3/31/09).

The results of our review indicate:

- Management has implemented 30 of the 64 recommendations (47%);
- 15 items are open (3 of which are partially implemented) (23%);
- 9 items are open pending re-audit (14%); and
- 10 will be elevated (16%) to the Charter Officials (through a separate communication).

Since the time of the last remedial actions update issued in June 2009, management has taken action to close 9 audit items.

Of the open audit items that require management action:

- 8 have management action dates that occur post- 9/30/09; and
- 7 have original action dates that are considered past-due as of 9/30/09.

Management's response to the FY 2008 Management Letter indicates that disagreements with audit observations will be resolved through a consensus of the Charter Officials. Based on that response, Internal Audit will elevate all "do not concur" audit items to the Charter Officials for a decision to either take action on the observation or accept the level of residual risk associated with taking no action.

For a detailed listing of prior audit recommendations and management responses that remain open, please refer to [Exhibit B](#). [Exhibit C](#) contains audit items that are considered open pending re-audit confirmation that action has been taken to address outstanding risks.

A breakdown of the progress in implementing recommendations by Charter Official is as follows:

City Manager

| <i>Department(s) Responsible</i> | <i>Report Date</i> | <i>Audit Number/Title</i> | <i>Total Report Items</i> | <i>C</i> | <i>OPR</i> | <i>O</i> | <i>D</i> |
|--|--------------------|--|---------------------------|-----------|------------------------------|--------------------------------|-------------------------|
| <i>Reports with open items on March 31, 2009 status report (and current status):</i> | | | | | | | |
| Information Technology/ City Manager | December 2002 | FY 2002 Management Letter- External Auditors | 5 | 4 | 0 | 1 (partially implemented) | 0 |
| Finance and Accounting | March 2008 | 08-01: Lessee Insurance Compliance | 7 | 6 | 1 (partially implemented) | 0 | 0 |
| Information Technology/ City Manager | April 2008 | IN 08-02: Internal Investigation of Alleged Fraud Involving IT | 5 | 1 | 3 | 1 | 0 |
| Van Wezel Performing Arts Hall | November 2008 | 08-09: Van Wezel Performing Arts Hall Sponsorships Follow-up | 9 | 4 | 2 | 0 | 3 |
| Sports Facilities: Ed Smith Stadium* | February 2009 | EX 08-03: 2005, 2006, 2007 Ed Smith Stadium AAU Tournaments Review | 7 | 7 | 0 | 0 | 0 |
| City Manager | February 2009 | FY 2008 Management Letter- External Auditors | 2 | 0 | 0 | 2 | 0 |
| <i>Reports added since previous status report:</i> | | | | | | | |
| Bobby Jones Golf Club | June 2009 | 09-04: Follow-up to BJGC Comprehensive Audit & Theft Investigation | 9 | 5 | 1 | 1 | 2 |
| Information Technology | July 2009 | 09-08: IT General Controls | 5 | 0 | 0 | 5 | 0 |
| City Manager | July 2009 | 09-02: Citywide Risk Assessment | 4 | 0 | 0 | 0 | 4 |
| Public Works | August 2009 | 09-09: Public Works COOP Drill Observation | 3 | 0 | 0 | 3 | 0 |
| Sports Facilities: Ed Smith Stadium | September 2009 | 09-11: Ed Smith Stadium 2009 AAU Tournament Follow-up | 8 | 3 | 2 | 2 (1 partially implemented) | 1 (partial disagree) |
| TOTAL RECOMMENDATIONS | | | 64 | 30 | 9 | 15 | 10 |

Notes:

- *Column headings in the above table refer to the status of audit items as follows: C= Closed; OPR= Open Pending Re-audit; O= Open; D= Do not Concur (these are elevated to the Charter Officials). See Exhibit B for definitions of audit statuses.*

**All items in audit report EX 08-03: 2005, 2006, 2007 Ed Smith AAU Tournaments Review were closed and re-opened under follow-up audit 09-11.*

***All items in audit report EX 08-02: BJGC Comprehensive audit were closed and re-opened under follow-up audit 09-04.*

City Attorney

The City Attorney's Office does not have any open items as of September 30, 2009.

City Auditor and Clerk

| <i>Department(s) Responsible</i> | <i>Report Date</i> | <i>Audit Number/Title</i> | <i>Total Report Items</i> | C | OPR | O | D |
|--|------------------------|---------------------------------|-----------------------------------|----------|------------|----------|----------|
| <i>Reports added since previous status report:</i> | | | | | | | |
| City Auditor and Clerk* | July 2009 | 09-02: Citywide Risk Assessment | 2 | 0 | 0 | 2 | 0 |
| TOTAL RECOMMENDATIONS | | | 2 | 0 | 0 | 2 | 0 |

**Due to the nature of the audit recommendations in audit 09-02, implementation requires consensus of both the City Auditor and Clerk and the City Manager. While the City Auditor and Clerk concurred with auditors, the City Manager did not concur. In order to resolve whether action can be expected concerning these items, they are included in a memo to the Charter Officials which requests that guidance be provided to auditors.*

OPEN ITEMS DUE TO COMPETING PRIORITIES OR RESOURCE SHORTAGES

Management's written updates on the status of open audit items did not indicate any audit recommendations that could not be implemented due to competing priorities or insufficient resources.

Exhibit A

Audit Item Status Definitions

Internal Audit classifies observations as follows:

- **Open (O)**- Management has not adequately addressed the audit observation to reduce risk to an acceptable level. Remedial action(s) may have been proposed with a future target date of completion (to be tested later) or parts of the recommendation have been addressed with some remaining areas still open.
- **Open pending re-audit (OPR)**- Management has indicated that action has been taken to address the audit observation. The item is considered open until Internal Audit has had the opportunity to confirm through follow-up testing that the stated actions have fully addressed prior recommendations.
- **Closed (C)**- Management actions in response to audit observations have been effectively implemented. Items are closed upon successful verification by Internal Audit (based on sufficient evidence or positive retesting of controls) that the item has been addressed. Internal Audit may also close an item if it is no longer relevant given organizational or other changes.
- **Do not Concur (D)**- This is a new classification to be used when management does not agree with Internal Audit's observation in the audit report. Per the March 23, 2009 response to the external auditor's 2008 governance letter, as part of each semi-annual report Internal Audit will elevate items where management provided a response of "Do not concur" to the Charter Officials for resolution in the form of written memo signed by the three Charter Officials indicating a consensus of whether they believe the item should remain on the semi-annual remedial action report.

It should be noted that each time Internal Audit begins a new audit engagement the preliminary survey includes a review of the current status of all previous audit recommendations in the audited area. Items that were previously considered closed may be re-opened if Internal Audit observes that the controls are not functioning as intended.

Exhibit B

EXHIBIT B

Open Audit Items

| Original Recommendation | Priority | Original Proposed Management Action | Expected Action Date | Revised Expected Action Date | Auditor Comment on Open Item Update |
|---|----------|--|----------------------|------------------------------|---|
| Audit #FY 2002 Management Letter- External Auditors | | | | | |
| 3a. Establish IT Steering Committee. | Medium | Concur. IT Steering Committee can be most effective if composed of a small number of internal & external members, such as IT executives in local government and other industries, other entities with which we engage in information sharing and dissemination, and other strategic partners in our e-government initiative. | 12/31/08 | 12/31/09 | Management was unable to provide evidence of committee activity other than the initial meeting request for the kick-off meeting. |
| Audit #IN 08-02: Internal Investigation of Alleged Fraud Involving IT | | | | | |
| 5. Signed equipment use forms should be signed by all employees and retained in HR files to ensure equipment is returned during exit interviews. | Routine | Concur. The memorandum referred to is limited to computer equipment and software. A more comprehensive memorandum concerning the use of all City-owned equipment is needed. | 6/14/08 | 5/31/09 | Management indicated that a draft policy has been written, but that a joint meeting between all Charter Officials is needed to address challenges before it can be made ready for release. |
| Audit FY 2008 Management Letter- External Auditors | | | | | |
| 1. We recommend the City centralize the monitoring of controls in significant transaction classes to assure key controls are operating effectively. | High | We concur with the finding and recommendation. The City's Internal Audit Department has been performing departmental risk assessments to identify high risk areas. With high risk areas identified, managers at the department level will be responsible to ensure that an effective internal control structure is functioning and monitored. Ongoing monitoring activities will include various management and supervisory activities that evaluate and improve the design, execution and effectiveness of the internal controls. Monthly reviews and reconciliation of subsidiary systems to the City's financial management system will be required. Documentation of all internal control procedures and monitoring will be retained by department management so that it can be provided to both the internal and external auditors. | 9/30/09 | 3/31/10 | Management indicated that Financial Administration is in the process of implementing new oversight procedures for all departments including the creation of cash receipts procedures, reconciliations of subsidiary systems to FMS, and semi-annual compliance testing by managers. |

Rows with gray shading indicate open audit items with original management action dates that have not yet occurred.
 NP= Not provided

Open Audit Items

| Original Recommendation | Priority | Original Proposed Management Action | Expected Action Date | Revised Expected Action Date | Auditor Comment on Open Item Update |
|--|----------|---|----------------------|------------------------------|--|
| Audit FY 2008 Management Letter- External Auditors (continued) | | | | | |
| <p>2. Best practices would centralize user access controls in the Information Technology Department. User access profiles can be designed by the user departments, but the initiation, termination and management of access should ideally be centralized. Similar to the preceding observation, monitoring controls over user access to computerized applications are also decentralized. We recommend that the City review their policies and procedures in this area.</p> | High | <p>We concur with the findings and recommendation. User access for all major software applications will transition from the user departments to the Information Technology Department (IT). The IT Department will become responsible for assigning, terminating and monitoring access to all software applications at the City. User access profiles will be designed by the departments for their software applications. The IT staff will then be trained on user security access for each software application and will assume the role of controlling and monitoring user access.</p> | 5/1/10 | 7/1/10 | <p>The management action date has not yet occurred.</p> |
| Audit #09-04: Follow-up to BJGC Comprehensive Audit and Theft Investigation | | | | | |
| <p>27a. IT assume full system administration duties and establish the proper security by determining user access need and reviewing set up with Jonas to ensure that security best practices are in place. IT notify Jonas in writing to send patches and upgrades to IT and change PIN and assign to IT.</p> <p>27b. Baseline system settings and their rationale should be documented. IT Support staff should be advised of the documentation location and provided training on the Jonas system.</p> <p>27c. In order to ensure that an audit trail of system changes made is retained, future changes to the baseline settings should go through the IT help desk during open hours, or the Jonas help desk which is open until 8 p.m. on weekdays. Jonas does have a 24 hour help line that is available for emergencies only, such as system unavailability or program crashes. If it is necessary to have on-site support to change passwords, recommend that it only happen during the hours the 2 help lines are closed.</p> | High | <p>Concur with follow-up observation. IT Director shall establish general controls; BJ General Manager shall establish role-based application controls. One approach to assuring auditor’s recommended level of control in the future is to create a Chief Security Office whose duties are to establish, monitor (i.e. log reviews) & enforce general security controls throughout the organization. On Aug. 18, 2008, IT Customer Svc. & Tech. Support Manager e-mailed confirmation to BJ General Manager the following: “The administrative account was removed from Jonas (PATSYS).” It was discovered in the follow-up audit that this was the incorrect account. On May 1, 2009, Jonas reassigned primary contact/administrator to IT.</p> | 5/1/09 | NP | <p>Management indicated that action had been taken to address this recommendation. However, management was unable to provide documented baseline settings to auditors.</p> |

Rows with gray shading indicate open audit items with original management action dates that have not yet occurred.
 NP= Not provided

Open Audit Items

| Original Recommendation | Priority | Original Proposed Management Action | Expected Action Date | Revised Expected Action Date | Auditor Comment on Open Item Update |
|---|-----------------|--|-----------------------------|-------------------------------------|--|
| Audit #09-08: IT General Controls | | | | | |
| 1a. Establish an internal department process for identifying and assessing risks outside of the annual City-wide Risk Assessment in which all staff members are solicited for input; and | Medium | a) Concur. An internal IT risk matrix, policy, and action plan will be established based on COBIT. (IT is control owner) | 12/31/09 | | The management action date has not yet occurred. |
| 1b. Develop a risk action plan to aid in effectively mitigating and addressing identified risks. | Medium | b) Concur. An internal IT risk matrix, policy, and action plan will be established based on COBIT. (IT is control owner) | 12/31/09 | | The management action date has not yet occurred. |
| 2a. Adopt full project management framework for large projects | Medium | a) Concur. The CM will draft an IT Project Management Policy based on PMI framework. (City Manager is control owner) | 10/1/09 | 12/31/09 | Management action date had not occurred as of the time of the remedial action update on 9/30/09. |
| 2b. Formalize and communicate the project management framework all affected departments, and | Medium | b) Concur. The CM will draft an IT Project Management Policy based on PMI framework. (City Manager is control owner) | 10/1/09 | 12/31/09 | Management action date had not occurred as of the time of the remedial action update on 9/30/09. |
| 2c. Involve IT during the needs assessment phase | Medium | c) Concur. The CM will draft an IT Project Management Policy based on PMI framework. (City Manager is control owner) | 10/1/09 | 12/31/09 | Management action date had not occurred as of the time of the remedial action update on 9/30/09. |
| 3. Develop, maintain and test an IT-specific continuity plan. To ensure that IT employees are adequately prepared for their roles, provide periodic continuity plan training. | High | Concur. An IT-specific COOP will be developed based on COBIT. (IT is control owner) | 10/1/09 | 6/1/10 | Management action date had not occurred as of the time of the remedial action update on 9/30/09. |
| 4. Develop, implement and monitor performance measures for critical IT processes. Ongoing performance management permits early identification and provides an opportunity to take action on deviations from performance targets. | High | Concur. Performance measures will be developed in accordance with COBIT recommendations. (IT is control owner) | 10/1/09 | 6/1/10 | Management action date had not occurred as of the time of the remedial action update on 9/30/09. |
| Ensure the City's IT Strategic Plan: 5a. Be based on the input and support of all key affected parties (ie. Charter Officials, Department Directors, etc) and organizational units; | High | a) Concur. The IT strategic plan will be based on the framework established by COBIT. (IT is the control owner) | 10/1/09 | 12/31/09 | Management action date had not occurred as of the time of the remedial action update on 9/30/09. |

Rows with gray shading indicate open audit items with original management action dates that have not yet occurred.
NP= Not provided

Open Audit Items

| Original Recommendation | Priority | Original Proposed Management Action | Expected Action Date | Revised Expected Action Date | Auditor Comment on Open Item Update |
|---|-----------------|--|-----------------------------|-------------------------------------|--|
| <p>Ensure the City's IT Strategic Plan:</p> <p>5b. Be reviewed and revised on a frequent basis (such as annually) based on the input of an Information Technology Steering Committee comprised of key decision-makers; and</p> | High | b) Concur. The strategic plan will be updated annually to be aligned with each fiscal year budget. (IT is the control owner) | 10/1/09 | 12/31/09 | Management action date had not occurred as of the time of the remedial action update on 9/30/09. |
| <p>Ensure the City's IT Strategic Plan:</p> <p>5c. Be supported by an approved, detailed, and up-to-date tactical plan outlining the resource needs, prioritization and scheduling of projects.</p> | High | c) Concur. A tactical plan will be developed with each year's strategic plan. The tactical plan will be a base document for all project plans (recom #2) stemming from the strategic plan. (IT is the control owner) | 10/1/09 | 12/31/09 | Management action date had not occurred as of the time of the remedial action update on 9/30/09. |
| Audit #09-09: Public Works COOP Drill Observation | | | | | |
| <p>1. Due to the City's geographical risk, Internal Audit recommends developing an action plan to perform a more comprehensive city-wide disaster recovery drill covering key functions. Internal Audit believes that a target goal of performing a comprehensive test within the next three to five years is both achievable and realistic. Senior management should pursue additional resources to support preparing for this effort, such as possible funding from the Department of Homeland Security.</p> | High | Staff will develop an action plan to perform a more comprehensive city-wide disaster recovery drill covering key functions with a target goal of performing a comprehensive test within the next three to five years (Complete by October 1). Staff will also pursue resource and grant opportunities to support this effort (On-Going). | 10/1/14 | | The management action date has not yet occurred. |
| <p>2. City IT staff should work with the County to resolve connectivity issues and fully test remote connectivity. It is also recommended that IT work with Public Works to test remote connection to the County periodically during the year (especially during hurricane season) to ensure it remains functional.</p> | High | The IT Department will resolve connectivity issues and fully test the connection periodically. | 9/1/09 | 12/31/09 | Management indicated that action to address this item is underway and had previously been stalled due to connectivity differences. |

*Rows with gray shading indicate open audit items with original management action dates that have not yet occurred.
NP= Not provided*

Open Audit Items

| Original Recommendation | Priority | Original Proposed Management Action | Expected Action Date | Revised Expected Action Date | Auditor Comment on Open Item Update |
|---|----------|---|----------------------|------------------------------|--|
| Audit #09-09: Public Works COOP Drill Observation (continued) | | | | | |
| 3. Re-test known deficiencies from previous drills to ensure they are fully resolved, preferably as soon as possible after drill exercise day. | High | The Duty Managers laptop has been periodically updated and presently serves as a good tool for managing incidents. After last year’s drill, Public Works identified some issues resulting from not having access to the Emergency Operations work order software. Since then, the Public Works department has successfully accessed and received training on the use of this software, thus enabling Public Works to have uncorrupted information transmitted to the field crews for mitigation. Additionally, Public Works will work with IT on certain connectivity issues related to the use of air-cards. | 9/1/09 | 12/1/09 | Management indicated that a service request was sent to IT to help resolve air card connectivity issues in July. |
| Audit #09-11: Ed Smith AAU Tournaments Review Follow-up | | | | | |
| 3a. Update Administrative Regulation No. 024.A007.0195 to reflect the current tiers of City purchasing limits. This Administrative Regulation should be updated on a timely basis for any future changes. | High | a) Concur. Action will be taken as suggested with Administrative Regulation prepared for execution by City Manager and City Auditor and Clerk (currently in draft stage by City Attorney). Future regulations will be addressed in a timely fashion. | 6/30/09 | 12/31/09 | Management indicated that the updated Administrative Regulation is currently under review by the City Attorney’s Office. |
| 8. The City Manager determine whether to pursue further action to remedy the \$635 discrepancy. | Medium | Concur. Management agrees with the finding. Due to the nature of the City agreement with the Snappers for the AAU Tournament whereby all net revenue (after expenses) is split on a 50/50 basis, the City will withhold an additional \$317.50 (City’s share of loss) from the Snappers’ Share, payable in accordance with the terms of the agreement. | 11/1/09 | 4/1/10 | Management indicated that the City is planning on withholding half of the discrepancy amount (\$317.50) from the total owed to the Snappers, which represents the City’s share of the incurred loss. |

Rows with gray shading indicate open audit items with original management action dates that have not yet occurred.
 NP= Not provided

Exhibit C

Open Pending Re-Audit

| Original Recommendation | Priority | Proposed Management Action | Expected Action Date | Revised Expected Action Date | Open Item Update |
|---|----------|---|----------------------|------------------------------|--|
| Audit #08-01: Lessee Insurance Compliance | | | | | |
| 7a. Form task force to strengthen insurance requirements. | Medium | Concur. The Administration will form a task force that will meet every 5 years starting in 2008. | 12/31/08 | 6/30/09 | Management indicated that the task force has met twice and will continue to meet annually for 5 years. Internal Audit will follow-up on this item. |
| 7b. Insurance Expert review work of task force. | Medium | Concur. Review of task force report. | 12/31/08 | 6/30/09 | Management indicated that action has been taken. Internal Audit will follow-up on this item. |
| Audit #IN 08-02: Internal Investigation of Alleged Fraud Involving IT | | | | | |
| 2. Formalize equipment use guidelines and have employees sign forms. | Routine | Concur. The Computer Equipment Issuance and Use Guidelines form is eight years old and should be reviewed for updating. Further changes may be required after undertaking a more thorough review. The form should be reviewed on a periodic basis for any modifications that may be required. | 6/14/08 | 5/1/09 | Management indicated that the IT Department has developed an internal policy for control of IT equipment, as well as an equipment loan policy and use form. Internal Audit will follow-up on this item. |
| 3. Strengthen inventory practices in IT, segregate duties and account for all items even small or obsolete ones. | Medium | Concur. IT will work with relevant parties to review existing processes in place and implement changes which more appropriately protect taxpayer investments in information technology assets. | 6/14/08 | 6/30/09 | Management indicated that segregation of duties has been revised. Internal Audit will follow-up on this item. |
| 4. Finance and Accounting periodically follow up on open SCRAP requests. | Routine | Concur. The SCRAP system involves multiple departments including the requesting department, the receiving department, General Services and Finance. A team review of the system will be scheduled. | 6/14/08 | 6/30/09 | Management indicated that action has been taken. Internal Audit will follow-up on this item. |
| Audit #08-09: Van Wezel Performing Arts Hall Sponsorships Follow-up | | | | | |
| 5c. Ensure that exchanges of sponsorship goods and services only occur after agreements have been fully executed. | Medium | c) Concur. While this is the intent of all sponsorships, there may be occasions where a partial exchange may occur before the signed agreement is in place. | NP | NP | Management has indicated that exceptions may include exchange of benefits related to advertising, where publishing deadlines must be met. Internal Audit will follow-up on this item. |

NP= Not provided

Open Pending Re-Audit

| Original Recommendation | Priority | Proposed Management Action | Expected Action Date | Revised Expected Action Date | Open Item Update |
|---|----------|--|----------------------|------------------------------|---|
| Audit #08-09: Van Wezel Performing Arts Hall Sponsorships Follow-up (continued) | | | | | |
| 7a. Continue to design and implement internal controls and exercise management oversight to account for items of value given/ received through sponsorship agreements (tickets, hotel rooms, catering services, etc.). | Medium | a) Concur. Will continue to be managed and overseen. | NP | NP | Management has indicated that action has been taken. Internal Audit will follow-up on this item. |
| 7b. Utilize pre-numbered Complimentary Ticket Request forms to track and account for these requests. For reconciliation purposes, this number should be referenced on the ticket receipt/pick-up form. | Medium | b) Do not concur. The current system of issuing comp tickets in triplicate lists the ticket seat number in two places. There are multiple existing controls in the system, and further controls are not needed. | NP | NP | Management has indicated risks associated with this observation are sufficiently controlled. Internal Audit will re-visit this item in the future due to risk of misuse. |
| Audit #09-04: Follow-up to BJGC Comprehensive Audit and Theft Investigation | | | | | |
| 40. Create record of orders placed by the initiator. A separate person should sign for the goods when delivered. Segregate duties or develop compensating controls. Perform three-way match of order form, receiving report and invoice prior to payment. | Medium | Concur with follow-up observation. Original recommendations were implemented on Sept. 12, 2008; Management will follow additional recommendation of three-way match whenever feasible. | 9/12/08 | NP | Although management has indicated that the ProShop Inventory Procedures manual identifies segregated duties for receipt of goods, the auditor noted that implementation was not in place at the time of the follow-up audit. Internal Audit will follow-up on this item. |
| Audit #09-11: Ed Smith AAU Tournaments Review Follow-up | | | | | |
| 5. Develop inventory control procedures (city-wide or by individual department) for each department responsible for managing and maintaining an inventory. | Medium | Concur. The Financial Administration Department has inventory procedures that are distributed annually to those departments that have inventory. Those procedures provide guidance in the preparation, counting and reporting of inventory. Custom written procedures for the specific event will be developed in advance, when the need arises. | NP | NP | Internal Audit will re-visit this item in the future as special events associated with any City department occur. |
| 6. Confirm that co-sponsoring organizations are registered to solicit donations to help avoid the appearance of improper solicitation or resulting loss of shared revenue. | High | Concur. Management agrees with finding. Management was not aware of such a state-wide requirement. On a global basis, the City will require such documentation on all events where the City agrees to co-sponsor. | NP | NP | Internal Audit will re-visit this item in the future as special events associated with any City department occur. |

NP= Not provided