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## Office of the City Auditor and Clerk

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### Remedial Action Update Audit Project # 10-04

### Executive Summary

September 30, 2009

Prepared by:

A handwritten signature in blue ink that reads "Annie Moore".

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Manager, Internal Audit

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Senior Auditor

Final Report Issued November 2, 2009

## EXECUTIVE SUMMARY

### Remedial Action Update

#### AUDIT SCOPE

Internal Audit performed a follow-up of the status of prior open audit observations as of September 30, 2009.

#### REPORT CONTENT AND LIMITATION OF USE

This executive summary report is limited in detail. In order to obtain the full background on a particular item, please contact Internal Audit prior to drawing conclusions based on the limited information contained in this report. Objective ratings indicate the levels at which the objectives were met; rating definitions are included in the appendix (page 5).

#### OVERALL CONCLUSIONS

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).

Internal Audit noted that management has taken action to close 9 audit items since the time of the last remedial actions update issued in June 2009.

The follow-up audit focused on the following objective:

Audit Objective	Objective Rating
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.	X

Significant remaining open audit observations are listed below. For a complete list of audit items and their statuses, refer to the detailed version of this report.

Significant Remaining Open Issues	
Observation	Original Priority
<i>Audit 09-04: #27-</i> Auditors have not yet been provided with evidence to show that baseline settings for the Jonas system have been documented.	High
<i>Audit 09-09: #2-</i> The ability to establish remote access to the County has not been successfully tested and, during a true emergency, could prove to be the only available method of access.	High
<i>Audit 09-09: #3-</i> The Public Works Department made some changes to the drill format this year and, as a result, did not re-test all known issues from their 2008 drill.	High
<i>Audit FY 2008 Management Letter: #1-</i> Monitoring of controls is not currently centralized to ensure key controls are operating effectively.	High
<i>Audit 09-11: #3a-</i> Administrative Regulation No. 024.A007.0195 should be updated to reflect the current purchasing threshold tiers.	High
<i>For the following items, management has committed to action and provided action due dates which have not yet occurred:</i>	
<i>Audit FY 2008 Management Letter: #2-</i> User access controls for computer applications city-wide should be centrally controlled.	High
<i>Audit 09-08: #3-</i> A finalized and fully tested plan for IT-specific business continuity has not been in place for the previous 12 months.	High
<i>Audit 09-08: #4-</i> The IT Director indicated that there are no clearly established performance targets for measuring IT service delivery, nor does the department utilize any benchmarking techniques.	High
<i>Audit 09-08: #5-</i> An IT Strategic Plan for the City was developed by the IT Director and received approval from the City Manager. Auditors were unable to obtain evidence that the plan had been reviewed and approved by the other Charter Officials or whether input of other key decision-makers was included in the drafting of the plan.	High
An IT Advisory Committee has been established; however, auditors were unable to determine the committee's responsibilities as they relate to prioritization of IT projects and investments and setting of strategy/ strategic planning.	
<i>Audit 09-09: #1-</i> The City has not yet determined its state of readiness for a real disaster, as it has not yet performed a comprehensive disaster recovery drill.	High

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).

Of the 15 open items, 8 have management action dates that have not occurred and 7 have action dates that are past-due.

### City Manager

Department(s) Responsible	Report Date	Audit Number/Title	Total Report Items	C	OPR	O	D
<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)
<b>TOTAL RECOMMENDATIONS</b>			<b>64</b>	<b>30</b>	<b>9</b>	<b>15</b>	<b>10</b>

*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

Department(s) Responsible	Report Date	Audit Number/Title	<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	<b>2</b>	0	0	2	0
<b>TOTAL RECOMMENDATIONS</b>			<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>

*\*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.*

## APPENDIX

### Audit Rating System

The audit ratings listed below are based on the auditor's assessment of whether the following control objectives have been met:

- Safeguarding of assets,
- Effectiveness and efficiency of operations,
- Reliability of financial and operating information, and
- Compliance with City policies, regulations or rules and/or other governmental laws and regulations.

**Red**- A red control rating denotes significant business risk or exposure to the City that requires immediate attention and remediation efforts. The controls reviewed do not appear to provide reasonable assurance that the control objectives are being met. The City is being exposed to a high level of business risk and exposure. Management is advised to immediately review the design and effectiveness of existing controls or consider implementing new or additional controls.

**Yellow**- A yellow control rating denotes opportunities for improvement exist relating to the controls reviewed. If this state of control is not improved, it could lead to a higher than acceptable level of business risk or exposure to the City. The controls reviewed provide some, but not sufficient assurance that control objectives are being met. Management is advised to review the design and effectiveness of existing controls or consider implementing new or additional controls on a priority basis.

**Green**- A green control rating indicates that the controls reviewed at the time of the audit indicated a satisfactory or acceptable state of control, where risk appears to be minimized and appropriately managed. Controls reviewed appear to provide a high degree of assurance that control objectives are being met. To maintain this rating management is advised to continue to assess the control systems and monitor existing controls for efficiency and effectiveness as business and organizational changes occur.