

CITY OF TULSA

OFFICE OF THE CITY AUDITOR

RFP 02-507

QUALITY ASSURANCE REVIEW

PROPOSAL INFORMATION

OCTOBER 31, 2002

Ron Maxwell, CIA, CFE
Chief Internal Auditor

Philip W. Wood, CFA, CIA
City Auditor

CITY OF TULSA
OFFICE OF THE CITY AUDITOR
REQUEST FOR PROPOSALS FOR PROFESSIONAL CONSULTANT SERVICES

I. Introduction

The City of Tulsa operates under the Mayor - Council form of government and provides the normal services of most large cities including police protection, fire protection, golf courses, parks, zoo, public facilities, traffic control, street construction, and street maintenance. Services which the City provides in cooperation with various Public Trusts, for which a fee from the user is collected, are water, wastewater, solid waste management, airports, transportation, parking, public events and recreation.

The City of Tulsa is governed pursuant to the City Charter. The Mayor is the chief executive officer of the City and is responsible for the administration of City services through the various city departments, trusts and authorities. The position of City Auditor is established by the City Charter and is an at-large elected position.

The Office of the City Auditor is created by Article IV of the City of Tulsa 1989 Charter effective May 8, 1990 and amended effective May 2, 1994, and June 21, 1996. The duties of the City Auditor are specified by Article IV and generally include examination of the accounts of all offices, divisions, departments, boards, authorities, commissions, and agencies of the City; and, reporting of the results of such examinations to the Mayor and Council.

Internal Auditing is a Division of the Office of the City Auditor. The objective of Internal Auditing is to assist elected officials and management of the City in the effective discharge of their responsibilities. Internal Auditing is responsible for conducting internal audits of City Departments, covered organizations, functions and operations as deemed appropriate by the City Auditor or directed by the City Council.

Certain policies and procedures adopted by the Office of the City Auditor require the operations of the Internal Audit Division to be conducted in accordance with internal auditing standards. Professional standards for conducting internal audits have been promulgated by the Institute of Internal Auditors (IIA) and published in the Standards for the Professional Practice of Internal Auditing (IIA *Standards*), revised effective January 1, 2002. One of the requirements contained in the IIA *Standards* is that internal audit organizations receive an external quality assurance review at least once every five years.

II. Scope of Services Required

The Institute of Internal Auditors has developed certain standards and guidelines for conducting and reporting the results of a quality assurance review of internal audit activities. The Quality Assessment Manual, Fourth Edition, (Review Manual) is to serve as the basis for the proposed services except as otherwise specified within this request for proposal. A copy of the Review Manual is available for the review of potential respondents (see page 37). The successful respondent will be expected to obtain the Review Manual which can be purchased for \$175 (IIA member: \$150) from the Institute of Internal Auditors, C.S. 1616, Alpharetta, Georgia 30009-1616 Fax (770) 442-9724, e-mail iiapubs@pbd.com or by calling the toll free number (877)-867-4957. Catalogue order no. 449.

- A. The services will include an external quality assurance review of the Office of the City Auditor for audits issued during the fifty-four month period ended June 30, 2002. The work performed in connection with this review should provide the basis for an opinion as to whether the internal quality control system provides reasonable assurance that applicable internal auditing standards are followed in the audit work and whether the Office of the City Auditor was in compliance with internal auditing standards during the fifty-four month period ended June 30, 2002. Review work may begin immediately upon contract approval and be completed by February 28, 2003 with a final report date of no later than March 31, 2003. Prior to issuance of the final report, a closing conference will be held between the review team leader, City Auditor and Chief Internal Auditor in accordance with requirements contained in the Review Manual. The final report will be issued on the reviewer's letterhead. Thirty copies of the report will be delivered to the City Auditor by March 31, 2003 who will be responsible for their proper distribution.
- B. A separate letter is to be submitted providing the details of deficiencies noted during the review. This letter will include the specific findings and related recommendations for strengthening the internal quality control system. This letter is to be issued on the reviewer's letterhead with the final report. Thirty copies of this letter will be delivered to the City Auditor who will be responsible for their proper distribution.
- C. During the course of the review, the reviewers will have full access to the Office of the City Auditor's policies and procedures, correspondence files, personnel files, audit reports, supporting working papers, and all other pertinent documents. Office of the City Auditor staff will also be available to the reviewers.

III. The Selection Process

The City of Tulsa has administrative guidelines and procedures for the selection of professional consulting services which will be followed as applicable.

- A. Each proposal will be scored using the Proposal Evaluation Checklist (Exhibit 1). The scoring will be completed by the Consultant Selection Committee composed of the City Purchasing Agent, a representative of the outside auditor, a CIA or CPA designated by the Mayor and a CIA or CPA designated by the City Council. The results of the scoring will be evaluated by the Consultant Selection Committee and a recommendation of the selected respondent submitted to the Mayor for review and approval.
- B. The Mayor will award the contract.

IV. Structure of Proposal

Proposals should be structured in substantially the same format and order listed below to facilitate the evaluation of the respondent's understanding of the services required and their capability to provide the required services:

- A. Table of Contents
- B. Scope. Clearly define your understanding of the scope of the services required.
- C. Personnel. Complete a Qualifications and Independence Statement (Exhibit 2) for each individual who will work on the audit. Specific local government and peer review experience should be indicated for each individual.
- D. Firm Profile
 - a. Describe the range of activities and audits performed by the local office in the governmental/internal audit area.
 - b. Describe the firm's participation in peer reviews and related programs, activities, and/or organizations.
 - c. Identify instances where your firm has provided or formally proposed to provide professional services to the City within the past five years and the nature of those services.

V. Fees

Proposals submitted in response to this Request for Proposal must include completed Fee Proposal Forms (Exhibit 3). The fee submitted is an all-inclusive, not-to-exceed figure, and therefore, includes any out-of-pocket expenses expected to be incurred in connection with this review.

EXHIBIT 1

**OFFICE OF THE CITY AUDITOR
PROPOSAL EVALUATION CHECKLIST**

Name of Proposing Firm

<u>Criteria</u>	<u>Possible Points</u>	<u>Score</u>
1. Does the proposal exhibit a clear understanding of the scope of services required?	0-20	
2. Do the review team members have experience conducting peer reviews?	0-15	
3. Do the review team members have local government internal audit experience?	0-10	
4. Does the review team possess adequate supervisory personnel with professional certification?	0-10	
5. Did each review team member submit an executed Independence Statement?	0-5	
6. Does the firm participate in a peer review program?	0-10	
7. Is the firm involved in organizations supporting governmental accounting, governmental auditing, internal auditing, and peer review?	0-5	
8. Is the independence of the firm not impaired from previous service proposals?	0-10	
9. Is the proposal neat and well organized, in the format and order recommended in the RFP, and did the firm follow all instructions in submitting the proposal?	0-5	
10. Fee.	0-10	
TOTAL	100	

EXHIBIT 2

QUALIFICATIONS AND INDEPENDENCE STATEMENT

This form is to be completed and signed by each review team member. It is intended to document the professional qualifications of each reviewer and ensure that he/she would have no personal impairments in conducting the review.

Audit Organization Under Review: Office of the City Auditor, City of Tulsa

TEAM MEMBER QUALIFICATIONS

Name: _____ Title: _____

Employer: _____ Phone: _____

Address: _____
Year of Experience:
Auditing _____
Management _____

Degrees: _____

Certifications: _____

Types of Audits Conducted: _____

Types of Entities Audited: _____

Brief description of audit, management, and peer review experience:

INDEPENDENCE STATEMENT

I _____ hereby certify that I hold no personal impairments that would restrict my independence in performing a quality assurance review of the Office of the City Auditor, City of Tulsa. I hold no personal relationships with any of the organization's officials or employees; I hold no preconceived ideas toward the organization or any of its employees; I have had no previous involvement in decision-making or management in the organization that could affect current operations; nor am I aware of any other possible impairments.

Signed: _____ Date: _____

EXHIBIT 3

**OFFICE OF THE CITY AUDITOR
FEE PROPOSAL FORM**

Name of proposing firm _____

Proposed fee for professional consultant services as specified _____

Name, address and phone number of firm representative regarding proposal:

Proposing firm, authorized signature

Date

NOTICE TO PROPOSERS

Notice is hereby given that the City of Tulsa (The City) will receive sealed proposals in the Office of the City Clerk, 200 Civic Center, Room 109, Tulsa, Oklahoma 74103, until 5:00 P.M. on Wednesday, December 4, 2002, for furnishing the following:

Professional Consultant Services for the Office of the City Auditor.

Proposals shall be made in accordance with the Request for Proposals which is on file and available in the Office of the City Clerk in the City Hall Building and is made a part of this notice as though fully set forth herein. The original sealed proposals must be filed with the City Clerk.

Proposals received after 5:00 P.M. on the above referenced date will not be accepted and will be returned to the proposers unopened. There will be no exceptions to this policy. All proposals shall remain on file at least 48 hours thereafter before an agreement may be made and entered into upon any of the proposals. The City reserves the right to reject any or all proposals. The City reserves the right to waive immaterial irregularities in the proposals.

Proposals will be opened at 8:30 A.M., on Thursday, December 5, 2002 by the Standards, Specifications and Awards Committee in the City Council Room, Plaza Level, City Hall, 200 Civic Center, Tulsa, Oklahoma 74103.

(SEAL)

Approved as to form and legality this _____ day of _____, 20

CITY ATTORNEY

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ARTICLE IVTHE CITY AUDITOR

SECTION 1. OFFICE OF CITY AUDITOR CREATED. There is hereby created the office of City Auditor which shall consist of the City Auditor, a Deputy City Auditor, and such assistants as the Council may provide. The City Auditor shall be elected as provided in Article VI of this amended Charter.

SECTION 2. SALARY. The salary of the City Auditor shall be seventy percent (70%) of the salary of the Mayor payable as employees of the city are paid.

SECTION 3. DUTIES. The City Auditor shall:

A. Examine periodically the accounts of all offices, divisions departments, boards, authorities, commissions, and agencies of the city charged with the receipt, disbursement, management, or custody of funds of the city and report in writing the results of such examinations to the Mayor and Council:

B. Make such other examinations and audits of the financial records, accounts, and inventories of properties of the city at such times as the City Auditor may deem necessary or as the Council shall direct to determine whether the financial records, accounts, and inventories of properties of the city are being kept and maintained in accord with applicable laws and in accord with generally accepted governmental accounting principles:

C. Make appraisals, comments, and recommendations to the Mayor and the Council on the systems and procedures for keeping and maintaining the financial records, accounts, and inventories:

D. Report to the Mayor and the Council the action taken by any office, employee, division, department, board, authority, commission, or agency on the recommendations of the City Auditor with respect to the systems and procedures for keeping and maintaining the financial records, accounts, and inventories:

E. Make available to the appropriate prosecuting attorney the results of any regular or special examination or audit which reveals irregularities or dereliction in the receipt, disbursement, management, or custody of funds or properties of the city which may be grounds for prosecution: and

F. Conduct such internal audits of city programs, activities, and functions as the Council may require by ordinance or resolution and report in writing the results of such audits to the Mayor and Council: and

G. Perform such other duties and services as the Council may require by ordinance or resolution.

1989 Amended Charter and Amendments

NOTE: This section was amended by adding a new paragraph Etc read as above and re-lettering the existing paragraph F as paragraph G by an amendment voted March 1, 1994, and approved by the Governor on May 2, 1994. There were 59,401 votes in favor of the amendment and 8,238 votes against the amendment. The title to this amendment read:

Shall the existing Charter of the City of Tulsa, as heretofore amended, be further amended to provide for the City Auditor to conduct such internal audits of city program activities, and functions as the Council may require by ordinance or resolution and report in writing the results of such audits to the Mayor and Council?

SECTION 4. BUDGET. The budget as adopted by the Council shall provide sufficient funds for the performance of the duties of the City Auditor. Appropriations for the office of the City Auditor shall not be subject to item veto or reduction by the Mayor.

SECTION 5. PRODUCTION OF RECORDS AND ACCOUNTS. All officers, employees, divisions, departments, boards, authorities, commissions, and agencies of the city shall produce and make available to the City Auditor any records, accounts, personnel, facilities, and inventories which the City Auditor may request or require.

NOTE~ This section was amended to read as above by an amendment voted February 13, 1996, and approved by the Governor on June 21, 1996. There were 49,766 votes in favor of the amendment and 7,834 votes against the amendment. The title to this amendment read:

Shall the existing charter of the City of Tulsa, as heretofore amended, be further amended to require all officers, employees, divisions, departments, boards, authorities, commissions, and agencies of the city to produce and make available to the City Auditor any records, accounts, personnel, facilities, and inventories which the City Auditor may request or require:

Prior to this amendment, this section read as follows:

SECTION 5. PRODUCTION OF RECORDS AND ACCOUNTS. All officers, employees, divisions, departments, boards, authorities, commissions, and agencies of the city shall produce and make available to the City Auditor any records, accounts, and inventories which the City Auditor may request or require.

OFFICE OF THE CITY AUDITOR

OVERVIEW AND MISSION STATEMENT

The Office of the City Auditor is created by Article IV of the City of Tulsa 1989 Charter effective May 8, 1990 and amended effective May 2, 1994, and June 21, 1996. The duties of the City Auditor are specified by Article IV and generally include examination of the accounts of all offices, divisions, departments, boards, authorities, commissions, and agencies of the City; and, reporting of the results of such examinations to the Mayor and Council.

Internal Auditing is a Division of the Office of the City Auditor. The objective of Internal Auditing is to assist elected officials and management of the City in the effective discharge of their responsibilities. Internal Auditing is responsible for conducting internal audits of City Departments, covered organizations, functions and operations as deemed appropriate by the City Auditor or directed by the City Council.

CITY AUDITOR'S MISSION STATEMENT

The people elect an auditor to keep an independent watch over city operations and the resources they have provided to the government. Citizens want accountability from the city government that resources are safeguarded and efficiently and effectively applied to the intended purposes. The mission of the City Auditor is to provide accountability of city government.

GOALS

To achieve this mission, the City Auditor's office will strive to:

- Recommend adequate controls and safeguarding of assets
- Assess compliance with regulations, statutes, ordinances and established practices
- Assist management in improving operations and reducing risk of loss or waste
- Review sensitive areas and report irregularities and dereliction of duties

METHODOLOGIES

The City Auditor's Office will follow the Standards for the Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors in performing audits and managing the Internal Auditing Department. To achieve the goals of our mission, we will:

- Perform internal audits as part of an annual plan including evaluation of internal controls and compliance with regulations, statutes, ordinances, and established practices
- Perform internal control reviews
- Review systems development activities

- Perform special projects
- Perform control self-assessments
- Provide consultation services

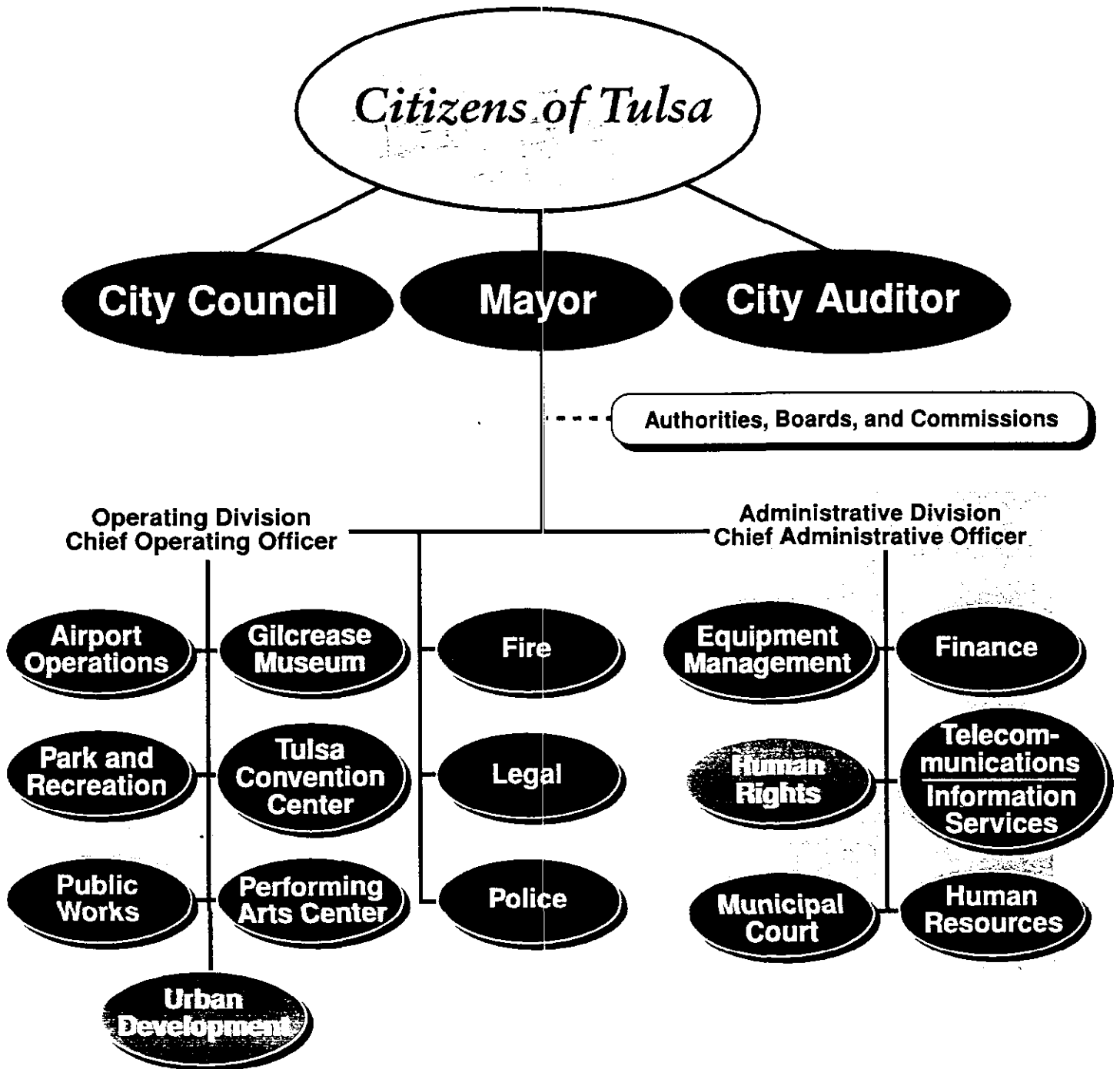
CURRENT STATUS OF SERVICE DELIVERY

An annual Internal Audit Program for the City of Tulsa is produced as approved by the City Auditor. The status of individual Internal Audit projects is reported and monitored by the City Auditor on a monthly basis.

DEPARTMENTAL APPROACH TO SERVICE DELIVERY

A comprehensive series of Internal Audit projects, special projects (as requested) and ongoing monitoring activities are performed in order to ensure the activities of the City are reviewed at appropriate intervals or as requested by elected officials and City management as approved by the City Auditor or as directed by the City Council.

ORGANIZATION CHART



● *Public Safety and Protection*

● *Social and Economic Development*

● *Administrative and Support Services*

● *Cultural Development and Recreation*

● *Public Works and Transportation*

● *Elected Officials*

LIST OF CITY OFFICIALS CONTACT INFORMATION

CITY OFFICIALS

Mayor Bill LaFortune	596-7411
Deputy Mayor Stephen Sewell	596-7708
Mayor's Audit Advisory Committee:	
Lisa Carr	481-3065
Terry Charles	495-4391
John Shearing	
Glenn Elliott	627-2286
Vacant	
Chief Administrative Officer (Acting), Michael Kier	596-7522
City Auditor Phil Wood	596-7511
Chief Internal Auditor Ron Maxwell	596-7845

CITY COUNCIL

Councilor Joe Williams, District 1	596-1990
Councilor Randi Miller, District 2	596-1990
Councilor David Patrick, District 3	596-1990
Councilor Tom Baker, District 4	596-1990
Councilor Sam Roop, District 5	596-1990
Councilor Art Justis, District 6	596-1990
Councilor Randall Sullivan, District 7	596-1990
Councilor Bill Christiansen, District 8	596-1990
Councilor Susan Neal, District 9	596-1990
Council Administrator Don Cannon	596-1990

DEPARTMENT HEADS

Airports, Brent Kitchen	838-5001
Equipment Management, Paul Payne	596-9838
Finance, Michael Kier	596-7522
Fire, Allen LaCroix	596-1790
Gilcrease Museum, Hilary Kitz (Acting)	596-2710
Human Resources, Michael Bates	596-7440
Human Rights, Dyanne Jones	596-7820
Legal, Martha Rupp Carter	596-7717
Library, Linda Saferite	596-7890
Municipal Courts, Anne Thompson	596-7760
Park and Recreation, Mary Anne Summerfield	596-2112
Police, Charlie Jackson (Acting)	596-9370
Performing Arts Center, John Scott	596-7120
Public Works, Charles Hardt	596-9608
Telecommunications & Information Services, Dale LeSturgeon	596-7778
Tulsa Convention Center, Bob Mayer	596-7177
Urban Development, Brenda Kay Miller	596-2600

OFFICE OF THE CITY AUDITOR
LOCATIONS AND ADDRESS INFORMATION

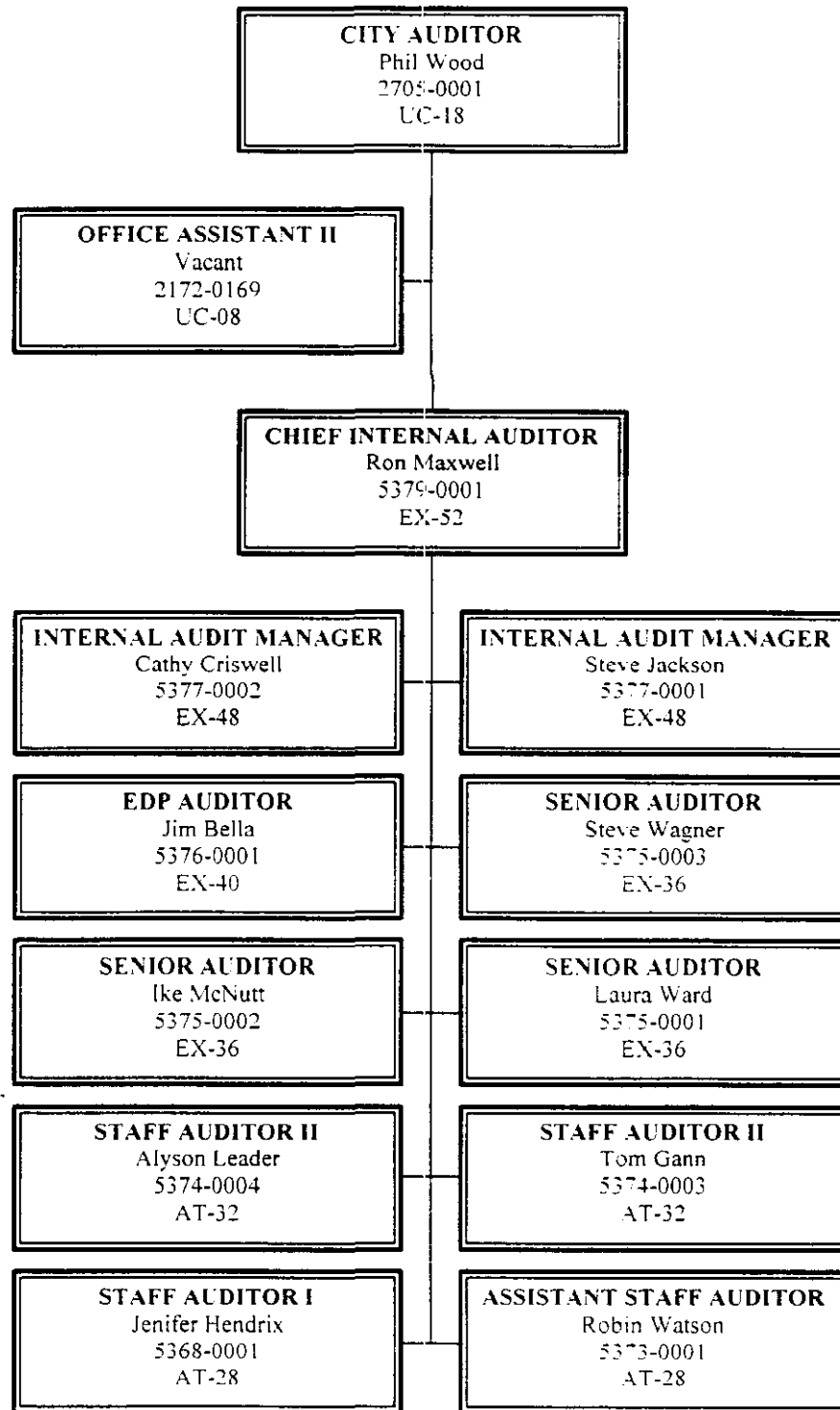
CITY AUDITOR'S OFFICE

Room 1133. City Hall
200 Civic Center
Tulsa, Oklahoma 74103

INTERNAL AUDITING DIVISION

Center Office Building
707 South Houston, Suite 300
Tulsa, OK 74127

CITY AUDITOR'S OFFICE - INTERNAL AUDITING
FY 2002 - 2003
13 Positions
Chart One



Name: RON MAXWELL

Title: Chief Internal Auditor

Years in Internal Auditing Department: 14

Years with the City of Tulsa: 14

Years of Auditing Experience: 26

Related position(s) and organization(s) before joining the Internal Auditing Department:

General Auditor with First National Bank of Tulsa
Commercial Audit Manager with First National Bank of Tulsa / Banks of Mid-America
Senior Internal Auditor with Bank of Oklahoma
Internal Auditor with Bank of Oklahoma

Years of College Education: 4

Educational degree(s), institution(s) granting the degree(s), and major(s):

B.S.B.A.	Oklahoma State University	Accounting
Major		

Professional certification(s): CFE and CIA
Control

Area of specialization: Internal

Professional Affiliation(s):

Institute of Internal Auditors
Board of Governors 1992 – Present
Research Contributions Chairperson 1990-1997
CIA Exam Instructor 1991 – 1994
Tulsa Chapter Auditor of the Year 1993/1994
Tulsa Chapter President 1998-1999
CIA Exam Chairperson 1984-1985, 1999 – Present
Research Foundation Associate Trustee 1990 – 1997, 1999 – Present

University of Tulsa Conference of Accountants
Planning Committee Member 1993-1999
Advisory Board Member 1999 –Present
Conference Chairperson 2001

Association of Certified Fraud Examiners
Member 1998 - Present

Name: CATHY CRISWELL **Title:** Internal Audit Manager
Years in Internal Auditing Department: 13 **Years with the City of Tulsa:** 14
Years of Auditing Experience: 16

Related position(s) and organization(s) before joining the Internal Auditing Department:

Arthur Young and Company, Senior Accountant
Coopers and Lybrand, Staff Accountant

Years of College Education: 4

Educational degree(s), institution(s) granting the degree(s), and major(s):

B.S.B.A. University of Tulsa Accounting

Professional certification(s): CPA and CIA **Area of specialization:** None

Professional Affiliation(s):

Institute of Internal Auditors - Distinguished Faculty Member of Volunteer Seminar Leader Program
Institute of Internal Auditors – International Seminars Committee
Tulsa Chapter IIA – Newsletter Editor and Nominating Committee Chairman
Tulsa Area United Way – Chairman, Audit Review Committee
University of Tulsa Conference of Accountants – Advisory Board Member

Name: STEVE JACKSON **Title:** Internal Audit Manager
Years in Internal Auditing Department: 14 **Years with the City of Tulsa:** 14
Years of Auditing Experience: 24

Related position(s) and organization(s) before joining the Internal Auditing Department:

Frates Equities, Senior Accountant
Buckeye Gas Products, Internal Audit Director
Cities Service Company, Audit Manager
Touche Ross and Co., Senior Auditor

Years of College Education: 4

Educational degree(s), institution(s) granting the degree(s), and major(s):

B.S. Arkansas State University Accounting

Professional certification(s): CPA **Area of specialization:** Local Government
Real Estate Accounting
Oil & Gas

Professional Affiliation(s):

American Institute of Certified Public Accountants

Institute of Internal Auditors:

Second Vice-President 1995-1996

Membership Development & Admissions Committee Chair 1995-1996

Audit Committee Chair, 1993-1994, 1996-1997, 1997-1998, & 1998-1999

Governmental Relations Committee Chair 1992-1993

Name: JIM BELLA

Title: EDP Auditor

Years in Internal Auditing Department: 12 **Years with the City of Tulsa:** 12

Years of Auditing Experience: 12

Related position(s) and organization(s) before joining the Internal Auditing Department:

Associates Bancorp, Inc., Lead Systems Analyst; Project Leader

Continental Bank, Systems Analyst

Continental Bank, Manager, Equipment Planning Analyst, and Systems Assurance Analyst

Military, Captain; Air Traffic Controller type duties; Administrative Commander, and Personnel Administrative Officer

Years of College Education: 6

Educational degree(s), institution(s) granting the degree(s), and major(s):

B.S. Purdue University Industrial Management Computer Science
Masters of Management Northwestern University Finance, Data Processing, Org. Behavior

Professional certification(s): CISA **Area of specialization:** EDP/IS

Mediation Training

Professional Affiliation(s):

Real Estate License – State of Illinois (previously held)

Insurance License – State of Indiana (previously held)

Institute of Internal Auditors (IIA)

Information Systems Audit & Control Association (ISACA), Tulsa Chapter President

Tulsa Early Settlement Volunteer

Name: STEVE WAGNER **Title:** Senior Internal Auditor

Years in Internal Auditing Department: 14 **Years with the City of Tulsa:** 26

Years of Auditing Experience: 26

Related position(s) and organization(s) before joining the Internal Auditing Department:

City of Tulsa, Finance/Auditing Department, Grants Accounting Division, Accountant II

Years of College Education: 4

Educational degree(s), institution(s) granting the degree(s), and major(s):

B.S.	University of Oklahoma	Accounting
B.A.	Olivet University	Zoology, Psychology

Professional certification(s): None **Area of specialization:** None

Professional Affiliation(s):

Institute of Internal Auditors – Arrangements Chairman

Name: IKE MCNUTT **Title:** Senior Internal Auditor

Years in Internal Auditing Department: 9 **Years with the City of Tulsa:** 9

Years of Auditing Experience: 14

Related position(s) and organization(s) before joining the Internal Auditing Department:

Oklahoma Corporation Commission, Audit Supervisor
Ceja Corporation, CPA
Standard Oil Company of Indiana (Amoco), Revenue Accountant
Deloitte, Haskins & Sells, Tax Accountant
Oklahoma Tax Commission, Tax Accountant and Auditor

Years of College Education: 6.5

Educational degree(s), institution(s) granting the degree(s), and major(s):

B. A.	Oklahoma City University	Liberal Arts
	University of Tulsa	Accounting

Professional certification(s): CPA **Area of specialization:** None

Professional Affiliation(s):

Institute of Internal Auditors
American Institute of Certified Public Accountants (AICPA)

Name: LAURA WARD **Title:** Senior Internal Auditor

Years in Internal Auditing Department: 1 **Years with the City of Tulsa:** 1

Years of Auditing Experience: 8

Related position(s) and organization(s) before joining the Internal Auditing Department:

Assistant Vice President & Trust Audit Supervisor, Bank of Oklahoma
Senior Trust Auditor, Bank of Oklahoma
Regional Management Information Specialist, Western Canada, Canada Trust
Auditor I, Prairie Audit Region, Canada Trust
Operations Manager, The Broadmoor

Years of College Education: 4.5

Educational degree(s), institution(s) granting the degree(s), and major(s):

B.S.	The University of Oklahoma	Education
Assoc. of Arts	Tulsa Junior College (now TCC)	Psychology

Professional certification(s): CIA Candidate **Area of specialization:** Trust Audit
Operational Auditing

Professional Affiliation(s):

Institute of Internal Auditors – Tulsa Chapter Historian

Name: ALYSON LEADER **Title:** Staff Auditor

Years in Internal Auditing Department: 1 **Years with the City of Tulsa:** 1

Years of Auditing Experience: 3

Related position(s) and organization(s) before joining the Internal Auditing Department:

Staff Accountant, KPMG
Summer Internship, State Farm Internal Auditing Department

Years of College Education: 4

Educational degree(s), institution(s) granting the degree(s), and major(s):

B.S	Oklahoma State University	Accounting
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Professional certification(s): CIA Candidate **Area of specialization:** None

Professional Affiliation(s):

Institute of Internal Auditors – Member

Name: JENIFER HENDRIX **Title:** Staff Auditor

Years in Internal Auditing Department: New **Years with the City of Tulsa:** New

Years of Auditing Experience: 1.75

Related position(s) and organization(s) before joining the Internal Auditing Department:

Fixed Asset Accountant, TXU Communications
Staff Auditor, Axley & Rode, LLP
Staff Accountant – Fixed Asset Department, Duke Energy

Years of College Education: 5

Educational degree(s), institution(s) granting the degree(s), and major(s):

BBA Texas Tech University Accounting

Professional certification(s): None **Area of specialization:** None

Professional Affiliation(s):

Institute of Internal Auditors - Joining as a Member, October, 2002

Name: TOM GANN **Title:** Staff Auditor II

Years in Internal Auditing Department: 1 **Years with the City of Tulsa:** 1

Years of Auditing Experience: 1

Related position(s) and organization(s) before joining the Internal Auditing Department:

Software Developer, Tax and Accounting Software
Business Analyst, Pricewaterhouse Coopers

Years of College Education: 5

Educational degree(s), institution(s) granting the degree(s), and major(s):

B.A. Northwestern State University Accounting
B.S. Northwestern State University Marketing

Professional certification(s): CPA Candidate **Area of specialization:** None

Professional Affiliation(s):

Institute of Internal Auditors

Name: ROBIN WATSON **Title:** Assistant Staff Auditor

Years in Internal Auditing Department: 14 **Years with the City of Tulsa:** 14

Years of Auditing Experience: 8

Related position(s) and organization(s) before joining the Internal Auditing Department:

Fitzgerald, DeArman and Roberts Brokerage Firm, Account Transfer Specialist
American Airlines, Tariff Auditor and Accounting Disbursements Assistant

Years of College Education: 5

Educational degree(s), institution(s) granting the degree(s), and major(s):

B.S.	OSU – Tulsa	Business Administration
Associates in Science	Tulsa Community College	Accounting

Professional certification(s): CIA Candidate **Area of specialization:** Administration
Communication
Operational Audits

Professional Affiliation(s):

Institute of Internal Auditors

**CITY OF TULSA
OFFICE OF THE CITY AUDITOR
APPROVED BUDGET
DEPARTMENTAL SUMMARY
FY 2002-2003**

Total Personal Services	\$754,000.00
Total Materials and Supplies	13,000.00
Total Other Services and Charges	37,000.00
Total Capital Outlay	<u>17,000.00</u>
TOTAL BUDGET	<u>\$821,000.00</u>

INTERNAL AUDITING ANNUAL AUDIT PROGRAM PLANNING PROCESS

INTRODUCTION

The Office of the City Auditor is responsible for discharging the duties set forth in Article IV of the City of Tulsa 1989 Amended Charter, including the following:

- Examine the accounts of all offices, divisions, departments, boards, authorities, commissions, and agencies of the City.
- Make appraisals, comments, and recommendations on the systems and procedures for keeping and maintaining the financial records, accounts, and inventories.
- Report the results to the Mayor and Council.

In order to meet this responsibility, Internal Auditing develops and executes an annual audit program. The program is designed to allocate limited audit resources to the most beneficial purposes. The following explains the process for selecting audit projects.

RISK ASSESSMENT PLANNING PROCESS

Internal Auditing uses an annual risk assessment technique called the **FOCUS** approach, **F**actors **O**perating to **C**reate **U**ltimate **S**uccess, which forms the basis of the audit planning process.

Identification and prioritization of key activities - Each year, Internal Auditing updates a list of potential audit projects by meeting with managers throughout the city to discuss the activities in their areas. During these meetings, each activity is scored using the *FOCUS* approach. This method involves management and auditors working together to evaluate activities based on six criteria, outlined in the next section. The process identifies key activities for management's and Internal Auditing's attention.

Allocation of audit resources - Internal Auditing estimates the number of staff hours available in the fiscal year. These hours are allocated first to complete the audit projects in process and the ongoing audit functions carried out each year. Next, hours are set aside for requests from management and elected officials for unplanned special projects. The remaining time is available for allocation to new audit projects and control assessments.

FACTORS CONSIDERED IN RISK ASSESSMENT

Selection of the new audit projects is based primarily on *FOCUS* evaluations involving the following six factors:

- SIZE
- SECURITY
- TRUST
- SIMPLICITY
- STABILITY
- RESPONSIBILITY

These FOCUS factors are evaluated, weighted and produce a total activity score used in prioritizing audit projects.

Other factors affecting project selection include previous audit date, audit coverage in particular departments, management requests, elected official requests, and auditor judgment.

AUDIT REPORT PROCESS

Internal Auditing uses two formats for reporting audit results, full or condensed reporting. A full report includes an introduction or background, the audit scope and objectives, audit methodology, a summary and conclusion(s), detail audit findings and recommendations, and management responses. A condensed report includes the audit scope, overall risk exposure, conclusion, significant results and management response.

Audit findings are communicated using Corrective Action Plans (CAPS), distributed during the audit as findings arise. This process lets management act quickly even before the audit is completed.

A certain amount of flexibility in the method of reporting is desirable to permit the report to be adapted to the uniqueness of the area audited. Whether a full or condensed report format is used, the report process follows general steps as outlined below:

1. Prepare a Corrective Action Plan (CAP) for each audit finding. Obtain Internal Audit Manager review of CAPS.

2. Distribute each CAP to the Auditee contact as soon as possible. Consider whether further discussion of the CAPS with the Auditee contact is necessary.
3. Obtain responses to the CAPS and evaluate the adequacy of the responses. Consider whether preparation of auditor comments is necessary.
4. Prepare a first draft audit report for review by Internal Audit Manager and Chief Internal Auditor.
5. Include review comments in first draft report.
6. Provide copy of first draft to City Auditor for review.
7. Include any changes recommended by City Auditor.
8. Consider whether to conduct an exit conference. If an exit conference is not conducted, issue the draft audit report to Auditee management.
9. As applicable, hold exit conference with Auditee and discuss preliminary draft.
10. Incorporate any changes resulting from the exit conference, or from Auditee management's review of the draft report, in a second draft for review by Audit Manager and Chief Internal Auditor.
11. Prepare the Draft Audit Report Control Approval Form and Report Distribution Form. Obtain Chief Internal Auditor and City Auditor signatures on the forms.
12. Issue the final report using the Distribution List.
13. Present the final report to the Audit Committee.

July 1, 2001 -June 30, 2002 PROJECTS	
Audits	Report Date
Internal Quality Assurance Review	08/15/2001
Changes to Construction Contracts	09/11/2001
Back-up and Recovery of Data Programs/Files	10/31/2001
FY2000 Sensitive Payments Review	06/18/2002
FY2001 Sensitive Payments Review	06/18/2002
Contract Database	06/30/2002
Control Assessments	Report Date
Revenue Forecasting	11/15/2001
General Ledger	04/10/2002
Termination Process/Pay	06/30/2002
Follow-up Reviews	Report Date
FY2001 Report of Management Actions	10/23/2001

Capital Projects/Construction Contracts Administration	01/15/2002
Special Projects	Report Date
Revenue/Cash Control - Phase 3	01/31/2002
Municipal Budget Act	03/18/2002
Accounts Payable Check Conversion	03/31/2002
Quantification of Change Orders	04/16/2002

July 1, 2000 - June 30, 2001 PROJECTS	
Audits	Report Date
RecWare - Turner Park	02/01/2001
Permits & Licenses - Development Services	02/28/2001
RecWare - Maxwell Park	04/01/2001
RecWare - Whiteside Park	05/01/2001
Tulsa Zoo Friends Contract Compliance	06/30/2001
Accounting Systems - Purchasing/Accounts Payable	06/30/2001
Purchasing Cards	06/30/2001
Control Assessments	Report Date
Telephone System Operation & Security	01/24/2001
Deferred Compensation	03/28/2001
Warrants	05/04/2001
Follow-up Reviews	Report Date
Report of Management Actions	01/31/2001
Penetration Audit - Follow-up	05/31/2001
Special Projects	Report Date
Remote Auditor Access	10/31/2000
Mohawk Golf Course	11/09/2000
CDBG Compliance	06/30/2001

January 1, 1999- June 30, 2000 PROJECTS (18 mos.)

Audits	Report Date
Mail Room/Postage Control	02/08/1999
Employee Leave Systems	02/23/1999
Grants Accounting	03/24/1999
Control of Weapons and Special Equipment	11/30/1999
Accounting Systems – Personnel/Payroll	01/31/2000
1998 Internal Quality Assurance Review	02/29/2000
Unix Security	03/13/2000
FY98 Sensitive Payments Review	06/15/2000
FY99 Sensitive Payments Review	06/15/2000

Revenue/Cash Control – Park & Recreation Department	06/30/2000
Revenue/Cash Control – Radio Services Division of Telecommunications	06/30/2000
Control Assessments	Report Date
Cash Flow Position/Forecasting	06/30/1999
Street Maintenance	08/09/1999
Contracts Monitoring – Human Rights	12/02/1999
Emergency Warning Systems	12/31/1999
Computer Operations	02/07/2000
Equipment Repair – Outside Contracts	05/03/2000
Supplies Inventory – Airport	05/04/2000
Building Maintenance	05/25/2000
Follow-up Reviews	Report Date
Report of Management Actions on Internal Audit Recommendations	4/15/1999, 03/15/00
Special Projects	Report Date
Take Home Vehicle Task Force	06/30/1999
Council Investigation	09/30/1999
Tulsa Cable Television Permit	03/14/2000
Revenue/Cash Control – Self-assessment- Performing Arts Center	06/30/2000
Revenue/Cash Control – Self-assessment- Park Reservations/Miscellaneous Property Rentals	06/30/2000
Revenue/Cash Control – Self-assessment- Tulsa Airport Authority	06/30/2000
Revenue/Cash Control – Self-assessment- Human Resources, Benefits Division	06/30/2000
January 1 - December 31, 1998 PROJECTS	
Audits	Report Date
Long-term Debt	03/15/1998
FY97 Sensitive Payments Review	09/01/1998
Grants Monitoring - Urban Development	11/15/1998
Internal Quality Assurance Review	11/24/1998
Follow-up Reviews	Report Date
Workers Compensation	07/30/1998
Special Projects	Report Date
Annual Planning/Risk Assessment	11/28/998
MTTA Expense Reimbursement	07/24/1998
Fax Gate Security	7/30/998

TYPES OF AUDIT ACTIVITIES

AUDITS

Full scope audit projects are comprehensive in nature and include background/planning (preliminary survey), a control evaluation, a summary of internal controls, fieldwork, reporting and follow-up. The phases of the audit are aligned with the framework from the IIA's *Standards for the Professional Practice of Internal Auditing*. Full scope audits require significant resources that may range from 500 to 2,500 hours to accomplish the project's objectives. A number of projects are first-time audits that require more resources applied to the audit's background/planning phase.

The scope and objectives of audits completed during the 54-month review period are contained in pages 25 - 36.

CONTROL ASSESSMENTS

The control assessment process uses a high-level approach based on the tools in the *Internal Control – Integrated Framework* publication. The focus of these assessments is on the five critical components necessary for good internal control. When all five components are in place the organization has a better chance of meeting its operating objectives. The five components are the control environment, risk assessment, control procedures, information/communication, and monitoring. Control assessment methodology involves interviewing personnel in the area being reviewed and examining relevant documentation. Detailed testing is generally not performed on control assessments. This process allows completion of a limited scope evaluation in a shorter time than a full scope audit requires.

FOLLOW-UP REVIEWS

Annually, Internal Auditing completes the Report on Management Actions on Internal Audit Recommendations ("ROMA"), distributing inquiries on all audit findings with pending corrective action. The objective is to determine the current status of corrective action management agreed to implement in their responses to audit recommendations. A validation follow-up review is completed as needed or upon request.

SPECIAL PROJECTS

Time is reserved in the annual audit plan to meet requests by elected officials and/or department management for special projects. The scope of such projects will be determined based on the specifications of the request.

**INTERNAL AUDITS COMPLETED FOR THE FIFTY-FOUR MONTH PERIOD
ENDING JUNE 30, 2002**

(96-14)

LONG-TERM DEBT

Scope:

Review and evaluate the City's internal controls and procedures for bonds and notes payable included in long-term debt as of February 1997. The scope did not include vested compensated absences, judgement and amounts due to the Oklahoma Department of Transportation. Interviews and testing were conducted in the Office of the Director of Finance and Budget, Special Accounting and Treasury Divisions of the Finance Department.

Objectives:

- Determine whether procedures and controls ensure that all debt is authorized, identified, and recorded.
- Determine if there are procedures to ensure the City complies with provisions of the debt agreement and indenture requirements.
- Determine if there are procedures to ensure that debt service expenditures are properly classified, recorded and reported.

Hours: 1429

(97-04)

SENSITIVE PAYMENTS REVIEW

Scope:

This project included a review of transactions related to executive operations in the areas of compensation, travel, official entertainment, unvouchered expenditures, contracting and consulting services, speaking honoraria and gifts, and executive perquisites. Ethics and conflicts of interest were considered for expenditures made in each of the tested areas during the fiscal year ended June 30, 1997. Applicable laws, policies and procedures were identified and an evaluation was made of the related internal control structure.

Objectives:

- Document and evaluate the adequacy of the system of internal controls over sensitive payments.
- Determine compliance with applicable laws, ordinances, policies and procedures regarding sensitive payments.
- Determine that executive expenses are properly authorized and approved.
- Determine that executive expenses are accurately and promptly recorded and reported.
- Determine whether corrective action has been taken on prior year audit report findings.

Hours: 524

(97-12)

GRANTS MONITORING – URBAN DEVELOPMENT

Scope:

Review and evaluate internal controls related to monitoring grant funds.

Objectives:

- Determine whether grant recipient eligibility requirements and grant awarding procedures comply with laws, regulations, and management's policy.
- Determine if there are procedures to monitor grant recipient performance in accordance with contracted goals and objectives and if there are follow-up procedures for nonperformance.
- Determine if there are procedures to monitor grant expenditures to ensure compliance with eligibility and financial reporting requirements.
- Determine if there are procedures to periodically substantiate and evaluate subgrantee records.
- Determine if there are procedures to safeguard and account for fixed assets purchased with grant funds.

Hours: 1,724

(97-08)

INTERNAL QUALITY ASSURANCE REVIEW

Scope:

This project was limited to a review of the audits completed during calendar year 1996. The review was conducted according to The Institute of Internal Auditor's Quality Assurance Review Manual for Internal Auditing, Second Edition.

Objectives:

- Determine whether the Internal Auditing Department was in compliance with the Standards.
- Determine compliance with applicable departmental policies and procedures.
- Determine the level of audit effectiveness and efficiency.
- Follow up on prior quality assurance review findings (both internal and external).
- Identify and suggest areas for improvement.

Hours: 1,502

(98-15)

MAIL ROOM/POSTAGE CONTROL

Scope:

Review and evaluate the internal controls over processing mail.

Objectives:

- Determine whether mail and postage are adequately safeguarded.
- Determine whether mail processing is efficient and effective.

Hours: 391

(97-10)
EMPLOYEE LEAVE SYSTEM

Scope:

Examination and evaluation of the adequacy and effectiveness of the system of internal control in place for tracking and reporting employee leave. Review of the quality of performance in carrying out assigned responsibilities within the employee leave system. Assess reliability and integrity of financial and operating information. Review system to determine compliance with policies, procedures, ordinances and applicable laws. The time period evaluated for this audit was July 1, 1996 through December 31, 1996.

Objectives:

- Determine whether leave is recorded and reported accurately and timely.
- Determine whether employee leave is accounted for consistently in all departments in accordance with established leave policies.
- Review the reliability of leave information generated by the personnel/payroll computer system.

Hours: 2,149

(97-11)
GRANTS ACCOUNTING

Scope:

Review grant accounting procedures for three grants:

- ◆ Community Development Block Grant
- ◆ Joint Training Partnership Act
- ◆ Home Investment Partnership Program

Objectives:

- Determine whether CDBG grant applications are properly prepared and approved.
- Determine whether accounting records are accurate and complete.
- Determine whether grant funds are used only for eligible activities.
- Determine whether grant reports are accurately and consistently completed and filed timely.

Hours: 592

(97-14)

CONTROL OF WEAPONS AND SPECIAL EQUIPMENT

Scope:

Review all firearms used by police officers in discharging their duties. It also includes all special equipment used by support teams, which provide services to other officers.

Objectives:

- Determine that adequate procedures exist to safeguard weapons and special equipment for loss or misappropriation.

Hours: 1,122

(98-18)

ACCOUNTING SYSTEMS - PERSONNEL/PAYROLL

Scope:

Review and evaluate internal controls related to personnel/payroll cycle.

Objectives:

- Determine if employees are paid accurately and timely.
- Determine if payroll disbursements are made only for work authorized and performed.
- Determine if payroll withholdings are properly submitted to the appropriate entities.

Hours: 1,193

(99-08)

INTERNAL QUALITY ASSURANCE REVIEW

Scope:

The scope of this Internal Quality Assurance Review for the calendar year 1998 is to determine whether the Internal Auditing Division procedures conform with the *Standards* prescribed by the Institute of Internal Auditors. The scope also included an assessment of the professional practices of the Internal Auditing Division taking into account the expectations of the audit customers, an evaluation from the Chief Audit Executive, and the planning and scope functions of the audit life cycle.

Objectives:

- Assess the efficiency and effectiveness of Internal Auditing in light of its customer satisfaction (for the period January 1, 1998 through June 30, 1999) and the Chief Audit Executive's expectations and evaluation of current needs and goals of Internal Auditing.
- Identify opportunities, offer recommendations for improvement, and provide counsel to the Chief Audit Executive and staff for improving their performance and promoting the image and credibility of Internal Auditing.

- Assess conformance with the Standards of the Institute of Internal Auditors and provide an opinion as to whether Internal Auditing generally conforms with them (for the calendar year 1998 period).

Hours: 358

(99-15)

UNIX SECURITY

Scope:

Internal Auditing contracted with Canaudit, Inc., a recognized information systems consulting firm specializing in systems security expertise, to co-source execution of the audit. The audit was conducted by a joint team of Canaudit and City of Tulsa Internal Auditing. Review Unix Operating System Server Environment including software analysis and Internet testing.

Objectives:

- Identify specific risks in the Unix server environment and City network.
- For the operating systems selected, the audit will include review and assessment of:
 - System administrative procedures
 - Server environment
 - Client environment
 - Network environment

Hours: 496

(98-04, 99-04)

SENSITIVE PAYMENTS REVIEW

Scope:

Review the system of internal controls and test sample transactions for expenditures pertaining to compensation, travel, official entertainment, perquisites of elected officials and executive management; unvouchered expenditures, contracting and consulting services, and speaking honoraria and gifts. Ethics and conflicts of interest are considered in reviewing transactions in these areas.

Objectives:

- Document and evaluate the adequacy of the system of internal controls over sensitive payments.
- Determine compliance with applicable laws, ordinances, policies and procedures regarding sensitive payments.
 - Determine that executive expenses are properly authorized and approved.
- Determine that executive expenses are accurately and promptly recorded and reported.
- Determine whether corrective action has been taken on prior year audit report findings.

Hours: 568

(99-16)

REVENUE / CASH CONTROL

Scope:

Review revenue/cash handling on a citywide basis. This project was a joint project by the Finance Department and Internal Auditing to address the procedures and controls over processing of revenue and cash.

Objectives:

- Identify all areas in the city where revenue and/or cash are processed.
- Determine if all fees, service charges, and other sources of revenue are billed and/or collected based on requirements of city charter and ordinances.
- Identify areas to improve controls promoting accuracy, completeness and timeliness of recording revenue and cash.
- Develop recommendations for citywide revenue and cash policies.
- Develop a training certification program for employees who process revenue and/or cash.

Hours: 773

(01-10)

**COMPUTER SYSTEMS RECWARE - PARKS
TURNER PARK
MAXWELL PARK
WHITESIDE PARK**

Scope:

Review and evaluate the automated controls for the RecWare computer system

Objectives:

- Determine whether data input acquisition and processing are accurate and complete.
- Determine whether information generated by the system is reliable.

Hours: 714

(99-11)

PERMITS & LICENSES – DEVELOPMENT SERVICES

Scope:

Review and evaluate the internal controls related to development services in four areas: revenue processing, plan review, permitting, and inspections.

Objectives:

- Determine whether the PALS system is balanced to the financial system.
- Determine whether building inspections are done in accordance with established criteria.

- Determine whether fees are properly assessed and collected before permits/licenses are issued.
- Determine whether information on fees and inspections is consistently input into the system.
- Determine whether inspection fees are properly assessed.
- Determine the timeliness of the permit and licensing process.
- Recommend improvements if appropriate.

Hours: 1,767

(01-14)

ZOO FRIENDS CONTRACT COMPLIANCE

Scope:

Review and evaluate Tulsa Zoo Friends (TZF) compliance with provisions contained in the 2000-2001 contract.

Objectives:

- Determine whether TZF revenue reporting procedures: 1) ensure accurate and timely reporting of revenues, and 2) safeguarding of gate and admissions revenues.
- Determine if the procedures comply with contract requirements.
- Determine if gate and admissions expenditures comply with contract provisions.
- Determine if competitive bidding procedures are followed when securing contracts for custodial and grounds care.
- Review Park's procedures to report and monitor funds received by TZF.

Hours: 302

(99-14)

ACCOUNTING SYSTEMS – PURCHASING / ACCOUNTS PAYABLE PURCHASE CARDS

Scope:

Review internal controls related to purchasing/accounts payable cycle. Review and evaluate the Purchase Card Program's internal controls, and evaluate cardholders' compliance with Program policies and procedures.

Objectives:

- Determine if purchases of goods and services are made in accordance with established criteria.
- Determine if disbursements are made only for goods and services authorized and received.
- Determine if disbursements are authorized, accurate, and timely.

Hours: 2,735

(01-08)

INTERNAL QUALITY ASSURANCE REVIEW

Scope:

For the period July 1, 1999 through June 30, 2001, determine whether the Internal Auditing Division procedures conform with the Standards prescribed by the Institute of Internal Auditors. The scope also included an assessment of the practices of the Internal Auditing Division taking into account the expectations of the audit customers, an evaluation from the Chief Audit Executive, and a review of certain audit functions performed during the audit life cycle.

Objectives:

- Assess the efficiency and effectiveness of Internal Auditing in light of its customer satisfaction for the period reviewed and the Chief Audit Executive's expectations and evaluation of current needs and goals of Internal Auditing.
- Identify opportunities, offer recommendations for improvement, and provide counsel to the Chief Audit Executive and staff for improving their performance and promoting the image and credibility of Internal Auditing.
- Assess conformance with the Standards of the Institute of Internal Auditors and provide an opinion as to whether Internal Auditing generally conforms with them for the period reviewed.

Hours: 250

(99-13)

CHANGES TO CONSTRUCTION CONTRACTS

Scope:

Review and evaluate internal controls related to the issuance, approval, recording, and monitoring of changes to construction contracts. Audit testing is restricted to changes originated through the Public Works Department.

Objectives:

- Determine whether procedures ensure compliance with applicable statutes, contracts, and policies and procedures for changes to construction contracts.
 - Analyze the accuracy and reliability of recorded data.
 - Analyze the efficiency and economy of processing changes to construction contracts.
- Test controls that assure changes to construction contracts to accomplish the goals of competitive bidding.

Hours: 2,294

(97-13)

BACK-UP AND RECOVERY OF DATA PROGRAMS/FILES

Scope:

Review of the control procedures relevant to back-up and recovery for systems supported by Telecommunications and Information Services Department (T&ISD).

Objectives:

- Determine whether T & ISD has established procedures to identify and prioritize all the computer programs/files they support.
- Determine whether T & ISD has established accurate and complete back-up procedures for the systems they support.
- Determine whether T & ISD has procedures to match the extent of back-up procedures to the criticality of the file/program.
- Determine whether T & ISD has established a proper methodology for timely recovery of back-up files.
- Determine whether T & ISD has established procedures to properly train employees in back-up and recover procedures.
- Determine whether back-up files are properly safeguarded.

Hours: 1,326

(00-04, 01-04)

FY2000, 2001 SENSITIVE PAYMENTS REVIEW

Scope:

This project included a review of transactions related to executive operations in the areas of compensation, travel, official entertainment, unvouchered expenditures, contracting and consulting services, speaking honoraria and gifts, and executive perquisites. Ethics and conflicts of interest were also considered for expenditures made in each of the tested areas during the fiscal year ended June 30, 2000 and June 30, 2001. Applicable laws, policies and procedures were identified, and an evaluation was made of the related internal control structure.

Objectives:

- Evaluate the adequacy of the system of internal controls over sensitive payments.
- Assess compliance with applicable laws, ordinances, policies and procedures regarding sensitive payments.
- Determine whether executive expenses are properly authorized and approved.
- Determine whether executive expenses are accurately and promptly recorded and reported.
- Evaluate the corrective action taken on prior year sensitive payments findings.

Hours: 607

(02-10)

CONTRACT DATABASE

Scope:

Review the database used by the Legal Department to keep track of contract information.

Objectives:

- Determine how planned changes in records management will affect the database.
- Determine whether the database is the most effective and efficient method for tracking contract information
- Determine whether there is a method in place to ensure all contracts are recorded.

Hours: **261**

OTHER INFORMATION AVAILABLE

INTERNAL AUDITING POLICIES AND PROCEDURES MANUAL

The Policies and Procedures Manual is available to check out by contacting Robin Watson, Assistant Staff Auditor, Internal Auditing (918) 596-7844.

INTERNAL AUDIT QUALITY ASSURANCE REVIEW GUIDE

The Quality Assessment Manual, Fourth Edition, is available through the Institute of Internal Auditors, (877)-867-4957, toll free. Internal Auditing has the manual in its library. To review the manual, please contact Robin Watson at (918) 596-7844.

STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The *Standards* can be viewed and printed through the Institute of Internal Auditor's website: www.theiia.org (Guidance Tab). The Professional Practices Framework, January, 2002, which contains the *Standards*, can be checked out through Robin Watson, Assistant Staff Auditor, Internal Auditing, (918) 596-7844.

PROFESSIONAL SERVICES CONTRACT

This Professional Services Contract, made and entered as of the date hereinafter set forth, by and between THE CITY OF TULSA, Oklahoma, a municipal corporation (“City”), 200 Civic Center, Tulsa, Oklahoma 74103-3827 and (_____), a corporation (“Firm”) (address).

WITNESSETH:

WHEREAS, the City, pursuant to policies and procedures adopted by the Office of the City Auditor on May 1, 1989 and revised as of November 30, 1995 requires the operations of the Office of the City Auditor to be conducted in accordance with the Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors; and

WHEREAS, pursuant to said internal auditing standards, audit organizations are required to receive an external quality assurance review (Quality Assurance Review) at least once every five years; and

WHEREAS, the Firm has no interest, direct or indirect, in the fiscal affairs of said City.

NOW, THEREFORE, in consideration of the covenants herein contained, it is mutually agreed by the Parties hereto as follows:

1. **Engagement**

The City hereby appoints and engages the Firm to perform a Quality Assurance Review of the Office of the City Auditor for the fifty-four month period ended June 30, 2002.

2. **Scope and Schedule of Engagement**

A. The Institute of Internal Auditors (IIA) has developed certain standards and guidelines for conducting and reporting the results of a quality assurance review of internal audit entities. The Quality Assessment Manual, Fourth Edition (Review Manual) is to serve as the basis for the proposed services except as otherwise specified herein.

B. The work performed in connection with the Quality Assurance Review should provide the basis for an opinion as to whether the internal quality control system provides reasonable assurance that applicable internal auditing standards are followed in the audit work and whether the Office of the City Auditor was in

compliance with internal auditing standards during the fifty-four month periods ended June 30, 2002. Review work may begin immediately upon contract approval and be completed by February 28, 2003 with a final report date of no later than March 31, 2003. Prior to issuance of the final report, a closing conference shall be held between the review team leader, the City Auditor and Chief Internal Auditor in accordance with requirements contained in the Review Manual. The final report shall be issued on the reviewer's letterhead. Thirty copies of the report shall be delivered by March 31, 2003 to the City Auditor, who shall be responsible for their proper distribution.

- C. A separate letter is to be submitted providing the details of deficiencies noted during the review. This letter shall include the specific findings and related recommendations for strengthening the internal quality control system. This letter is to be issued on the reviewer's letterhead with the final report. Thirty copies of this letter shall be delivered to the City Auditor, who will be responsible for their proper distribution.
- D. During the course of the Quality Assurance Review, the reviewers shall have full access to the Office of the City Auditor's policies and procedures, correspondence files, personnel files, audit reports, supporting working papers, and all other pertinent documents. Office of the City Auditor staff shall also be available to the reviewers.

3. Compensation

The Firm shall be compensated in an amount not to exceed \$_____ for completion of the services contemplated herein and is an all-inclusive, not-to-exceed figure, and, therefore, includes any out-of-pocket expenses incurred in connection with this engagement. Periodic billings not to exceed \$_____ may be submitted as the Quality Assurance Review

progresses with final payment after the final report has been delivered to the City Auditor.

4. Engagement Documentation

The Firm shall maintain the Quality Assurance Review working papers for seven years from the date of the final report. The working papers shall be made available during this period for review during normal working hours at the request of the Office of the City Auditor.

5. Nondiscrimination

The Firm agrees, in connection with the performance of work under this Contract, as follows:

- A. Firm shall not discriminate against any employee or applicant for employment because of race, creed, color, sex, age, national origin or ancestry. Firm shall take affirmative action to ensure that employees are treated without regard to their race, creed, color, sex, age, national origin or ancestry. Such actions shall include, but not be limited to the following: employment, upgrading, demotion, or transfers, recruiting or recruitment, advertising, lay-off, termination, rates of pay or apprenticeship. Firm agrees to post in a conspicuous place, available to employees and applicants for employment, notices to be provided by the City Clerk of the City setting forth provisions of this section.
- B. Firm shall include this nondiscrimination clause in any subcontracts connected with the performance of this Contract.
- C. In the event of Firm's noncompliance with the above nondiscrimination clause, this contract may be canceled or terminated by the City. Firm may be declared by the City ineligible for further contract with the said City until satisfactory proof of intent to comply shall be made by the Firm.

6. Laws

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oklahoma.

7. Notices

Notices to the City shall be in writing, personally served or sent by registered mail to the:

City Clerk
The City of Tulsa
200 Civic Center
Tulsa, Oklahoma 74103

or to such other official address as the City may from time to time specify in writing. Notice to the Firm shall be in writing, personally served or sent by registered mail to the Firm's address:

or to such other official address as the Firm may from time to time specify in writing.

8. Complete Agreement

Except as provided by paragraph 12, this Agreement expresses the entire understanding and complete agreement of the City and the Firm concerning the subject matter hereof and all agreements between the City and the Firm, and neither the City nor the Firm has made or shall be bound by any agreement or any representation to the other concerning the subject matter hereof which is not set forth in this Agreement.

9. No Waiver or Modification

No waiver or modification of this Contract or any covenant, condition or limitation herein contained shall be valid unless by written amendment duly executed by the parties, and no evidence of waiver or modification shall be received in evidence of any proceedings or litigation between the parties hereto arising out of or affecting this Contract, or the rights or obligations of the parties hereunder, unless such waiver or modification is in writing, duly executed as aforesaid, and the parties further agree that the provisions of this section shall not be waived except as herein set forth.

10. Cancellation

The City may cancel this Contract upon five (5) days written notice to the Firm. Such notice shall be deemed to have been received when deposited in the United States mail, with proper address and sufficient postage thereon. Upon cancellation hereof, the City shall pay Firm all fees earned up to date of cancellation and Firm will turn over to the City copies of all documents in its possession pertaining to the services rendered hereunder which become City property by the terms of this Contract. The City shall give the Firm fourteen (14) days notice prior to any Council hearing regarding such cancellation, provided the Firm shall commence no new projects during said fourteen (14) days and, at the City's option, shall suspend all operations.

11. Assignment

This Contract shall not be assigned or transferred in any manner whatsoever unless approved in writing by the City.

12. Incorporations

The City's Request for Proposals dated October 31, 2002, together with the Firm's Proposal for Professional Consultant Services, dated _____, are incorporated herein by reference. When inconsistent with each other, the Request for Proposals shall control over the Firm's proposal for Professional Consultant Service. This Contract shall control over any inconsistent provisions in either the Firm's Proposal or the Request for Proposals.

IN WITNESS WHEREOF, this Contract is executed by the parties, in triplicate,
at Tulsa, Oklahoma, this _____ Day of _____, 20_____.

THE CITY OF TULSA

MAYOR

ATTEST:

CITY CLERK

APPROVED:

CITY ATTORNEY

FIRM

PRESIDENT

ATTEST:

TITLE

Office of the Mayor
Tulsa, Oklahoma

Executive Order No. ___
May 8, 1990

ADMINISTRATIVE PROCEDURE FOR OBTAINING
PROFESSIONAL CONSULTANT SERVICES
FOR THE CITY OF TULSA

By virtue of the power vested in me as Mayor of the City of Tulsa, it is hereby ordered:

Section 1. PURPOSE. To establish an open and fair process for entering into contracts for professional consultant services.

Section 2. ORGANIZATIONS AFFECTED. All City Departments, Trust *and* Authorities.

Section 3. DEFINITIONS. “Professional *consulting services*” shall mean all services involving advice and assistance provided, for a fee, to any City Department, Trust or Authority by an outside individual, firm or organization, when the advice or assistance results in a report or other deliverable service delineating the alternative courses of action and recommendations based upon the expertise possessed by the outside individual, firm or organization.

- 3.1 “Professional consulting services” shall not mean any of the following:
- 2.1.1 Federal, State or City awards to nonprofit corporations for the design and or administration of approved programs;
 - 3.1.2 Medical services mandated for City clientele;
 - 3.1.3 Consultant services donated to the City or for which there is no cost to the City;
 - 3.1.4 Legal services and services of consultants to be used as witnesses in legal proceedings;
 - 3.1.5 Any consultant services that can be obtained by award of a contract pursuant to competitive bids;
 - 3.1.6 Architectural and engineering services including, licensed architectural and landscape architectural, registered engineering, and registered land surveying services.

Section 4. POLICY.

- 4.1 The City requires that the Legal Department approve,
as to for-in, all contracts.
- 4.2. All contracts shall be approved by the Mayor
- 4.3. Each department shall use the Selection Committee for solicitation and evaluation of proposals and for recommendation of qualified professionals.
- 4.4 The Mayor is responsible for reviewing the professional services selection process and approving the firm recommended by the Selection Committee.
- 4.5 The Mayor :Ls responsible for approving any exceptions to this policy.

Section 5. PROCEDURES.

- 5.1.1 A Selection Committee consisting of the Purchasing Agent, the Department Head of the requesting department or their designees, and any others, from inside and outside the City deem necessary or helpful.
- 5.1.2 A statement o:r need for professional services shall be prepared by the department before proposals are solicited.
- 5.1.3 A gt~tpmpn* qL...tha....sr-npo nf tar"-lc to be performed will be prepared.
- 5.1.5 The requesting department shall send to each potential consultant a Request for Proposal.
- 5.1.6 The Request for Proposal should be directed to a minimum of t~ree qualified exnerts.
- 5.1.7 The Selection Committee shall negotiate a fee with the Consultant chosen.
- 5.1.8 A letter of exception shall be prepared for approval by the Mayor in any instance where the procedures outlined in this document cannot be followed.

5.2 Written Contract

There will be a written contract for professional services which specifies a definite duration and a maximum compensation.

5.3 Project Monitoring and Documentation

5.3.1 Each contract shall be assigned to a particular individual *for* oversight and monitoring.

5.3.2 A contract file for each professional service shall be maintained by the department.

5.4 Accounting and Reporting

5.4.1 Funds for professional services shall be budgeted and encumbered for each contract.

5.4.2 Each contract shall be reviewed to assure that there is a continuing need for the service, that tens are being complied with and that the work is progressing satisfactorily.

5.4.3 A performance review will be prepared at the end of each professional service contract.

5.5 Guidelines

section 6. EFFECTIVE DWX~ This Order shall take effect immediately.

All departments shall utilize the guidelines which follow for implementation of this document.

ATTEST:

Rödger A. Randle
MAYOR

City-Clerk

GUIDELINES YOR IMPLEMENTATION 0? ADMINISTRATIVE REGULATION
POR
PROFESSIONAL CONSULTANT SERVICES

Assessment of Need

Departments should clearLy assess and determine the need for professional consulting services. “professional consulting services” shall mean all serv:Lces involving advice and assistance provided, for a fee, to any City Department, Trust or Authority by an outside individual, firm or organization, when the advice or assistance results in a report or other deliverable service delineating the alternative courses of action and recommendations based upon the expertise possessed by the outside individual, firm, or organization. Professional consulting services are generally used to obtain the following:

- * an opinion, advice or skill which is needed only temporarily and is not readily available within the department or from another department;
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- * use of specific professional disciplines in an advisory, planning or evaluative capacity to comply with statutory or obligatory mandates;
- outside expertise to provide a broader perspective or objective opinion on critical or sensitive issues;
- benefits of developments in industry, university or foundation research;
- opinions of experts whose established prestige can contribute to the success of important projects;
- performance of one—time tasks or activities of limited duration that do not warrant additional permanent staff;
- performance of one—time tasks or activities of limited duration that require augmentation of permanent staff in order to comply with deadlines imposed by third parties.

Professional consulting services shall not be used to:

- make policy or managerial decisions that are the direct responsibility of department management;
- circumvent personnel ceilings, pay limitations, or competitive procedures;
- supervise permanent employees, except necessary to complete a short—term project;
- perform routine, long—term tasks that are normally the responsibility of permanent employees.

Professional consulting services shall not include:

federal, state or City *awards* to nonprofit corporations for the design and/or administration of approved programs;

- medical services mandated for City clientele;
- * “consultant services donated to the City or for Which there is no cost to the City;
- legal services and services of consultants to be used as witnesses in legal proceedings;
- consultant services that can be obtained by award of a contract pursuant to competitive bidding;

architectural and engineering services, including licensed

architectural, landscape architectural, registered engineering and registered land surveying services.

Selection Process

There shall be a Selection Committee composed of the Purchasing Agent, the Department Head of the requesting department, or their designees. The two designated persons may appoint additional, temporary members to the committee if their skills and background would contribute to the evaluation of a specific project.

The Purchasing Division of the Finance Department shall maintain a file of qualified consultants, who have expressed interest in contracting with the City. The Purchasing Division shall invite firms to submit a completed consulting firm questionnaire. The Purchasing Agent shall periodically update the file. The file shall contain the following information on professional consultants:

- *name
- *size of firm;
- *specific qualifications;
- *specialties;
- *previous experience with the City.

Quality of service and maintenance of the public safety should be the primary considerations in the selection of professional consultants.

Some projects will be developed in phases. Certain consultants may be qualified for several or all phases. In such cases the estimated scope or cost of all phases may determine the selection process rather than just the right phase. If it is then desired to pursue subsequent phases with the same consultant the selection process need not be repeated.

The following selection process should be followed:

- a statement of need shall be prepared by the requesting department;
- the requesting department shall submit to each potential consultant a Request for Proposal including the following information:

- I. conditions and timetable for submission;
2. conditions and timetable for presentation of proposal;
3. proposal evaluation process;

architectural and engineering services, including licensed architectural, landscape architectural, registered engineering and registered land surveying services.

4. post award review;
5. general price range or limit for services requested; F
6. deadline for completed work;
7. project description;
8. project constraints;
9. specifications of the approach the consultant is expected to utilize and the extent to which the department will participate in the performance of any tasks;
10. requirement for a schedule of performance and reporting for each phase of the project and overall completion of the project;
11. requirement of estimates of the man hours to perform each task;
12. basis for award of the contract and evaluation criteria.

The Selection Committee should interview the firms submitting proposals unless the Selection Committee can make its selection based on the proposals submitted. The following minimum information should be presented by each firm at the selection interview:

1. approach to the assignment and any unusual problems anticipated;
2. availability of resources and capability to meet the completion schedule;
3. name, resume and background of the managing professional and other key individuals to be associated with the assignment;
4. management capacity and procedures for management of the engagement.

The Selection Committee should rank each proposal based on the criteria contained in the Request for Proposal and such other criteria as the committee deems necessary including:

1. professional qualifications, specialized experience and technical competence of the firm with respect to the types of service required;
2. capacity and capability of the firm with respect to such factors as cost control, quality of work and ability to meet schedules;

3. record of past performance with the city and other jurisdictions;
4. proximity to and familiarity with the area of service;
5. qualifications and experience of the principals of the firm, managing professional and key staff professionals selected for the *project*;
6. size and experience of the professional and technical staff with respect to the magnitude of the assignment;
7. financial standing;
8. estimated schedule for completion of the project.

The Selection Committee shall rank each proposal based on the criteria outlined above and in the Request for Proposal.

The Selection Committee shall negotiate a contract with the proponents in the order of their ranking.

Written Contract

Each professional service agreement should be governed by a written contract, fully executed and encumbered before work is initiated. The contract should contain the following:

- mandated standard clauses;
- scope and nature of services to be provided by the consultant;
- designation of the responsibilities of both parties;
- schedule for completion of major phases and overall deadline for project;
- type, content and frequency of reports to be submitted;
- method, schedule and total amount of fees and payments, including progress payments related to phases of the project; a specific amount may be withheld until all conditions of the contract are satisfied; procedures for resolving disputes;
- procedures for amending or canceling the contract.

All contracts must be approved, as to form, by the Legal Department. Contracts must be approved by the Mayor. A copy of the contract should be attached to the fact sheet accompanying the request for approval. The proposal for all contracts should be accompanied by a list of firms solicited. Projecting Monitoring

Each engagement should be closely monitored and supervised to ensure that the

professional adheres to the conditions of the contract and that the department derives maximum benefit from the contract. Each contract should be assigned to a particular individual in the department for oversight and monitoring.

Documentation

Each contract should be carefully documented in a file. All proposals and documentation relating to cost, whether successful or unsuccessful, must be maintained in the City Clerk's Office for five (5) years from the date of operating or three (3) years from completion of the contract, whichever is longer. In addition, the department shall maintain a file as a part of the department's records for a minimum of five (5) years following completion. The file should contain the following information:

- definition of the assignment;
- statement of need;
- minutes of formal selection committee meetings, where applicable;
copy of written request for statement of interest, qualifications and/or proposal, where applicable;
- minutes of interviews and statement of selection;
- department director's approval of recommended contractor;
- approved letters of exception, where applicable; copy of the contract;
- calendars;
- status reports, where applicable;
- daily time records, where applicable;
- correspondence;
- vendor invoices, payrolls and other financial documentation.

NOTE: The official copy of these items will be kept on file in the Finance Department.

Accounting

In order to provide for consistent and uniform accounting, funds for all contracts should be budgeted and encumbered.

Reporting

At the close of the fiscal year, each organization which has utilized professional services during that fiscal year should submit a written report to the Finance Director on all contracts. The report should contain the following information: Summary of the purpose for any professional services utilized, including the project name, contract number, name of the firm and the contract amount.

Each organization utilizing contractual commitments for professional services shall prepare a written performance review to be kept at the end of each contract in the assignment file. The performance review should evaluate strengths or weaknesses of the study or plan, cost and/or time variances and other pertinent factors.

Office of the Mayor
Tulsa, Oklahoma

Executive Order No. 90-12
June 5, 1990

AMENDING EXECUTIVE ORDER NO. 90-08

By virtue of the power vested in me as Mayor of the City of Tulsa, Oklahoma, it is hereby ordered:

Section 1. Executive Order No. 90-08 establishing an administrative procedure for obtaining professional consulting services is hereby amended to exclude contracts costing less than \$5,000.00.

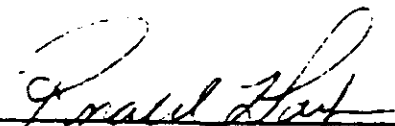
Section 2. There shall be an aggregate limit of \$10,000.00 per contractor per fiscal year after which no further awards shall be made to said contractor, regardless of the amount, except through compliance with Executive Order No. 90-08.

Section 3. EFFECTIVE DATE. This Order shall take effect immediately.

Dated this 5 day of June, 1990.



Rodger A. Randle
M A Y O R



Ronald L. Payne
City Clerk