



# Audit Follow-Up

## Period Ending March 31, 2022

Report #AR-2204  
July 29, 2022

## Audit of the City's Ethical Culture

### Issued May 6, 2021

#### Summary from Original Report #2103

We conducted this audit to determine: 1) whether City employees understood the City's ethical values and could apply those values in their daily activities, and 2) the extent of compliance with key ethics-related policies and procedures. Additionally, we evaluated the culture and ethical environment of the City. The evaluation was based on principles established within the Internal Control Guidelines, Administrative Policy and Procedure 630 (APP 630). The scope of our audit included the years 2009-2019, with specific policy and documentation reviews for fiscal year 2019.

As part of our audit, we conducted a survey of City employees to assess the City's ethical culture and the results of the survey indicate City employees could apply ethical values to daily activities. We also noted the City has many of the components recommended for a comprehensive ethics and compliance program, including a code of ethics, oversight and compliance activities for ethical behavior, required ethics training, processes for reporting violations of the City's Ethics Code, and required annual reviews of the City's Ethics Code and critical policies by employees. However, we noted the following areas could further improve the City's ethics program:

1. establishing Anti-Fraud and Whistleblower policies,
2. continuing communication of management's expectations for employees to conduct themselves in an ethical manner,
3. codifying management's directions regarding critical policy review and annual ethics training,
4. implementing review procedures for outside employment forms,
5. documenting reasons when conflict of interest forms are not signed by procurement evaluation committee members, and
6. revising the Purchasing Procedures Manual to include vendor ethical standards.

A total of 10 action plan steps were established by management in response to our audit recommendations; 9 steps were completed in this period with no further action required and 1 step remained in progress. This is the 1<sup>st</sup> follow-up on audit report #2103.

**Complete**  
9

**In Progress**  
1

**Needs Attention**  
0

### **Action Plan Step 1.1**

The City Manager and Inspector General will work together to develop a City Commission policy that will expand on the Whistleblower provision included in the ordinance that established the Office of Inspector General. Specifically, the policy will encourage the reporting of suspicions of fraud, waste, abuse, or gross mismanagement. The Inspector General will be responsible for the maintenance of the Whistleblower policy.

#### **Action Plan Status: COMPLETE**

City Commission Policy 181 *Whistleblower Policy* was adopted on 12/8/2021. The policy encourages the reporting of suspicions of fraud, waste, abuse, or gross mismanagement and designates the Inspector General as the responsible official for investigating complaints of misfeasance, malfeasance, mismanagement, waste of public funds, and neglect of duty. Additionally, the policy designates the Inspector General as the responsible official for its maintenance.

### **Action Plan Step 1.2**

The City Manager and Inspector General will develop a City Commission Anti-Fraud policy. The policy will, at a minimum, include elements to:

- a. guide employees on actions that would be considered fraudulent,
- b. delineate responsibilities for management of fraud,
- c. explain measures that should be in place to deter fraud, and
- d. outline the process employees should take if fraud is suspected.

#### **Action Plan Status: COMPLETE**

City Commission Policy 180 *Anti-Fraud Policy* was adopted on 12/8/2021. The policy includes all elements listed in management's action plan.

### **Action Plan Step 2.1**

The City Manager will arrange for communication to be made to the City's Leadership Team regarding ethical behavior expectations and require City leadership to communicate those expectations to all City employees.

#### **Action Plan Status: COMPLETE**

The City Manager communicated ethical behavior expectations to the City's Leadership team with instructions to communicate those expectations to their staff.

**Action Plan Step 2.2**

Information related to ethics and ethical behavior expectations will be provided to the City's Independent Ethics Officer to assist in the development of future ethics training for City employees.

**Action Plan Status: COMPLETE**

Current employee ethics training reflects the City Manager's expectations.

**Action Plan Step 3.1**

The City Manager will determine if existing directives related to annual ethics training and critical policy reviews will remain in effect.

**Action Plan Status: COMPLETE**

The City Manager determined existing directives related to annual ethics training and critical policy reviews will remain in effect.

**Action Plan Step 3.2**

If existing directives related to annual ethics training and critical policy review are continued, they will be codified into policy or procedure. Such policy or procedure will identify training requirements, penalties (if any), and specify how the policy or procedure applies to employees governed by collective bargaining agreements or step progression plans. If the directives are not continued, they will be formally withdrawn.

**Action Plan Status: IN PROGRESS**

Codification of the approved cost of living adjustments (COLA) into the Annual Critical Policy requirements is in progress. Management anticipates completion of this task prior to the next follow-up audit.

**Action Plan Step 4**

Procedures will be developed for reviews of outside employment forms to ensure outside employer relationships are properly disclosed and do not present an actual or perceived conflict of interest.

**Action Plan Status: COMPLETE**

An electronic *Outside Employment Form* was implemented via PeopleSoft Self-Service. The form is routed to the employee's supervisor for approval and email confirmation is provided to the employee. Additionally, Working Conditions (APP 706.06) requires any employee with outside employment to file a report with the City disclosing such outside employment annually or within 30 days of first engaging in outside employment.

**Action Plan Step 5**

In instances where conflict of interest forms are not signed by all Request for Proposal/Quote (RFP/RFQ) evaluation committee members, the reasons such signatures were not obtained will be documented.

**Action Plan Status: COMPLETE**

Management implemented an RFP/RFQ closeout process that includes ensuring all solicitation items, such as Conflict of Interest forms, are completed.

**Action Plan Step 6.1**

The Purchasing Procedures Manual will be revised to include vendor ethical standards and the consequences for vendors who do not adhere to the standards.

**Action Plan Status: COMPLETE**

The Purchasing Procedures Manual was revised.

**Action Plan Step 6.2**

Development and implementation of vendor conflict of interest and vendor review forms as described by the Procurement Services Manager.

**Action Plan Status: COMPLETE**

Vendor Conflict of Interest and Vendor Review forms were developed and implemented in May 2020 and March 2020, respectively.

**Conclusion**

Management developed 10 action plan steps to address the recommendations in the original audit report #2103. As of the end of this follow-up period, March 31, 2022, management successfully completed 9 steps and 1 step remained in progress. We will follow up and report on the status of the remaining action plan step as part of the 2023 follow-up reporting cycle.

### Appointed Official's Response

*City Manager:* We appreciate the opportunity to work together on a thorough review of the City's Ethical Culture. As the report reflects, there are several strong programs, policies and trainings that we have put in place since I have become City Manager that continue to be reinforced by the leadership across the organization. I am pleased to see that all additional recommendations to further enhance the City's ethics program have been completed or are on track to be completed prior to the next follow-up audit. We continue to make an ethical culture a priority and appreciate your support in building a strong organization.

### Acknowledgements

We appreciate the cooperation and assistance provided by management and staff during this audit follow-up.

### Project Team

**Engagement conducted by:** Chathya Chandler, MaCC  
Senior Auditor

**Engagement reviewed by:** Jane Sukuro, CPA  
Deputy Inspector General

**Approved by:** Dennis R. Sutton, CPA, CIA, CIG  
Inspector General

### Statement of Accordance

The Office of Inspector General's mission is to advance integrity, accountability, transparency, and efficiency and effectiveness within City government by providing professional, independent, and objective audit and investigative services.

We conducted this audit follow-up in conformance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Please address inquiries regarding this report to the Office of the Inspector General at (850) 891-8397 or [inspector.general@talgov.com](mailto:inspector.general@talgov.com).

<http://www.talgov.com/transparency/inspectorgeneral.aspx>

