

Office of  
Public  
Integrity  
Annual  
Report

June 30

2020

FY 2019-20 Highlights

Audit,  
Investigations,  
Ethics

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# Executive Summary

The mission of the Office of Public Integrity (OPI) is to provide objective, independent audit and investigative services to deter and detect fraud, waste, and abuse within City government. As a result of the audits and investigations, OPI identifies deficiencies and provides recommendations for improvement. In addition, OPI develops and provides employee training on topics such as ethics awareness, internal control, and risk management.

The following are highlights of the work performed by OPI during the fiscal year ending June 30, 2020:

- Filled vacancy for Senior Field Auditor/Investigations position with a licensed Certified Public Accountant (CPA).
- Office of Public Integrity representative appointed to the City's Data Governance Committee.
- Staff members attended City sponsored *Undoing Racism Training* and the Institute of Internal Auditor's Winter Summit.
- Completed the City of Rochester 2019-20 Risk Assessment.
- Dedicated 660 hours to data analytics training, research and related projects.
- Evaluated 43 complaints received via walk-ins, telephone or email hotline, and other sources.
- Finalized 10 audits and issued 6 findings and recommendations.
- Concluded 32 administrative investigations and issued 8 findings and recommendations.
- Conducted 13 professional ethics training sessions to new and current employees.
- Completed 14 consultations with City department heads, managers and private sector professionals.
- Staff completed 261 hours of professional development training focused on internal audit and investigations.
- Maintained coordinated efforts with the New York State Comptroller's Office regarding the City of Rochester Ethics Oversight audit.
- Administered the City's Board of Ethics and annual Financial Disclosure Program.

Over the past year, OPI remained responsive to City management and strived to provide timely, accurate, objective audits, reviews and investigations in an effort to foster accountability and transparency throughout City government. OPI audits and investigations were conducted in accordance with standards set forth by the United

States Government Accountability Office, the Institute of Internal Auditors, and the Association of Inspectors General<sup>1</sup>.

## Authority and Responsibilities

OPI was established by statute in 2006 and its purpose, authority, and responsibilities are codified in Section 3-13 of the Rochester City Charter:

*Section 3-13. **Director of the Office of Public Integrity.** The head of the Office of Public Integrity shall be the Director of the Office of Public Integrity. Under the supervision of the Mayor, he or she shall articulate the standards of business conduct for the City and shall coordinate the analysis, investigation and resolution of concerns and complaints involving City government operations. The Director shall oversee the Manager of Internal Audit and the internal audit staff, which shall develop and conduct an internal audit program on a timely basis. Such program shall examine the financial records and procedures of all city departments, bureaus and their subdivisions in accordance with accepted auditing principles and practices.*

The mission of the Office of Public Integrity (OPI) is to examine management controls to deter and detect fraud, waste and abuse, and to promote efficiency and effectiveness in the programs and operations of the City of Rochester. OPI also provides leadership and guidance in promoting compliance with the City's Code of Ethics. OPI accomplishes its mission through research and data collection, audits and investigations.

### Investigations

- Conduct preliminary inquiries and full investigations into allegations of fraud, waste, and abuse involving City employees, contractors, grantees, and other recipients of funds relating to City programs and operations.
- Conduct investigations of City employees, contractors, grantees, and other recipients of City funds to ensure compliance with City policies and procedures as well as the City's Code of Ethics.
- Provide strategic investigative services to City leadership to resolve concerns of impropriety, non-compliance, conflict of interest, or other allegations of wrongdoing.

### Internal Audit

- Conduct internal audits of City programs and operations in accordance with generally accepted auditing standards.
- Issue audit reports to include findings of deficiency and recommendations for improvement to City leadership.

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<sup>1</sup> Quality of Standards for Offices excluded

- Provide support to the independent CPA firm contracted to conduct annual audits of the City's financial statements.
- Identify internal control weaknesses and provide recommendations for improvement to City operations.
- Conduct forensic audits and provide analysis in support of OPI investigations.
- Develop and implement cost effective risk management strategies to reduce the City's exposure to fraud, waste, and abuse.
- Provide consulting services to City departments.
- Review City-wide policies and procedures to improve operations and mitigate risks.
- Provide guidance and training to City departments in proper cash handling procedures, the safeguarding of City assets, and other enterprise risk mitigation strategies.

### **Ethics**

- Act as a clearinghouse for ethical issues raised by City employees, residents, and businesses.
- Coordinate with the City's Ethics Board to resolve complex ethical issues and provide recommendations for Code revisions when appropriate.
- Provide employee ethics training and promote overall awareness and understanding of the City's Code of Ethics to ensure compliance.
- Coordinate with Employee Safety to evaluate Workplace Violence Reports.

## **Structure and Staffing**

In accordance with the City Charter, the Director of OPI is appointed by the Mayor and is a member of the Mayor's Senior Management Team. Organizationally, the office is a component of the Office of the Mayor and the OPI Director reports to the Mayor. OPI's staff is comprised of experienced internal auditors, investigators and administrative personnel.

During Fiscal Year 2020 the Office of Public Integrity was comprised of the following staff:

- Director (1)
- Executive Assistant (1)
- Auditor (3)
- Senior Field Auditor/Investigations (1)
- Integrity Compliance Officer (1 part-time)

# Professional Development, Qualifications and Certifications

OPI conducts audits, investigations, reviews and other special projects in compliance with the following auditing and investigating standards:

- *Government Auditing Standards* of the United States Government Accountability Office.
- *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors (IIA).
- *Principles and Standards for Offices of Inspector General* of the Association of Inspectors General.<sup>1</sup>

## **Audit Staff Qualifications**

OPI audit staff is required to meet the occupational requirements for the GS-11 Auditing Series. The basic requirements for this series include a degree in accounting or related field that is supplemented by 24 semester hours of college-level accounting courses, or a combination of education and experience with specific background requirements. Additionally, all staffers are required to meet the continuing professional educational requirements required by the Government Auditing Standards (Yellow Book).

## **Professional Certifications**

Staff members assigned to OPI hold the following professional certifications:

- Certified Government Auditing Professional (CGAP) -1
- Certified Public Accountant (CPA) -2
- Certified Inspector General (CIG) - 1
- Certified Fraud Examiner (CFE) -1
- Certified Inspector General Auditor (CIGA) - 1
- Certified Management Accountant (CMA) - 1

## **Professional Development**

Professional development is critical to success and over the past year OPI committed to expanding office personnel knowledge in areas such as risk assessment, internal controls, information technology, public sector auditing, and internal audit best practices.

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<sup>1</sup> Quality of Standards for Offices excluded

Staff earned 261 hours of continuing professional education (CPE) in the following areas:

- Technology
- Information Cyber Security
- Government Auditing Standards
- Internal Audit
- Ethics and Compliance
- Fraud and Corruption Risks
- Forensic Accounting
- Data Analytics
- Covid-19 Related Issues

### **Professional Organization Affiliations**

OPI is a member of or affiliated with the following professional organizations:

- American Institute of Certified Public Accountants
- New York State Society of Certified Public Accountants
- Association of Certified Fraud Examiners
- Association of Inspectors General
- The Institute of Internal Auditors

## **Budget**

OPI's yearly budget is funded by the City's general fund and is a sub-component of the Office of the Mayor's budget. OPI's amended budget for fiscal year (FY) 2020 was \$633,000 with actual expenditures of \$562,579. The Office of Public Integrity's approved budget for FY 2021 is \$634,400. OPI's FY 2021 budget represents 0.12% of the City's total budget.

## **Risk Assessment**

OPI developed a Risk Assessment Model to identify areas that posed the greatest risk and liability to the City. The end product of this risk assessment was an audit plan that concentrated on areas identified as the highest risk.

Risk assessment is a process used to score potential audits based upon specific risk factors related to an entity's operations, internal controls, and estimated liability to the City. Examples of specific risk factors used to formulate the Risk Assessment Model include external market and reputation, financial, operational, legal and regulatory, strategic, technology and systems, people and culture, fraud, time-lapse since last audit, and previous audit findings.

The development of an audit plan, using the Risk Assessment Model as an integral component, is a dynamic process. Audit planning allows the Internal Audit unit of OPI to attain current information about City departments for use in the risk assessment

process. Risk factors and scoring methodologies are periodically reviewed by OPI personnel and refined as needed.

### **Principles for the Risk Assessment Model**

In order to provide practical guidance and a framework for the development of the Risk Assessment Model, the Risk Management Team utilized the following principles:

- Consideration to unique situations and circumstances (i.e., special audits) which would supersede scheduled audits with higher risk scores.
- Recognition that audit resources are limited, which prohibits 100% audit coverage each year. This limiting factor is inherent in the concept of utilizing a risk assessment model to help prioritize audits.
- The risk assessment criteria used in the ranking of the audits places an emphasis on perceived or actual knowledge of the particular area's system of internal controls.
- The audit plan is developed with an understanding that there are inherent risks and limitations associated with any method or system of prioritizing audits. We will periodically evaluate and modify the risk factors and scoring process in order to improve the audit plan.

## **Audits**

The Office of Public Integrity helps improve City operations and programs by providing management with timely and independent audits.

An audit examines a City program or activity, and recommends solutions to issues, if warranted. OPI conducts both financial and performance audits. Financial audits include annual examinations of the costs incurred on grants and contracts, indirect costs, and internal controls. Financial statement audits determine whether the financial statements of an entity are fairly presented.

Performance audits include economy and efficiency audits and program audits. Economy and efficiency audits assess whether entities are managed with regard for program and financial integrity, effectiveness measurement, and compliance with applicable laws, regulations and grant provisions. Program audits measure achievement of desired results or benefits.

### **Major Areas Covered by OPI Audits**

Audits focus on areas intended to enhance the management and overall performance of the City, review the City's oversight of programs, and assess the City's progress toward achieving its strategic goals.

Typical audits include examinations of financial statements, grant funding received, grants awarded by the City, and other operational areas.



The OPI Audit Section also conducts performance audits, which take a broader view of City programs and procedures and provide useful, timely and reliable information to management with the goal of effecting positive change. Performance audits combine the best features of various disciplines, including traditional program and financial evaluations, survey research, operational auditing, program monitoring, compliance reviews, and management analysis. These audits make extensive use of City documents and data, interviews with employees, grantee and sub-grantee personnel.

### **OPI Audit Selection**

Auditing is a risk-based process where specific audits are determined by a range of factors. The OPI Audit Section develops an audit plan triennially, which identifies the audits scheduled for the next three fiscal years. The plan includes any legislatively mandated audits and a number of discretionary audits. Each year, the OPI Audit Section reviews the audit plan to ensure that it still reflects the current risk landscape.

Discretionary audit work is prioritized based on a number of factors including:

- Areas of emphasis by the Mayor, Senior Management Team members, or other stakeholders;
- Issues that pose a threat to public health and safety;
- Programs or processes identified as susceptible to fraud, manipulation, or other irregularities;
- Newness, changed conditions, or sensitivities of program activities;
- Dollar amounts or personnel resources involved in the audit area;
- Adequacy of internal controls.

While the OPI three year audit plan allocates all resources for each of the next three fiscal years to specific audit assignments, it is a flexible document that will also incorporate high-priority assignments that may arise during the course of the year.

### **Steps in the OPI Audit Process**

All audits begin with objectives that initially determine the type and scope of the work to be performed. The following steps are used in each OPI audit:

**Notification Letter:** OPI will usually notify the auditee, or subject of the audit, in writing, prior to the scheduled start date of an audit; however, there are circumstances where no advance notification will be provided.

**Survey:** Early in the process, the auditors gain an understanding of the program by obtaining background information on the auditee's mission, resources, responsibilities, key personnel, operating systems and controls.

**Developing the Audit Program:** The program provides a plan of the work to be done during the audit and is a set of procedures specifically designed for each audit. The program also assists in assigning and distributing work to auditors

working on the engagement, assists in controlling the work, and provides a checklist to guard against the omission of necessary procedures.

**Entrance Conference:** Held at the beginning of each audit, its purpose is to provide auditee management with information on the function or activity being reviewed, and a description of the audit scope and objectives. Other areas covered include time frames for completing the audit; access to necessary records, information and personnel; and introduction of the audit team members. The entrance conference also provides a forum to answer questions about the audit process and establishes lines of communication among all parties.

**Fieldwork:** This phase consists of applying the audit procedures described in the audit program and any modifications thereto, and reviewing the work performed. The review documents that audit procedures have been properly applied, that the work is satisfactory, that working papers are complete and adequate, and that all procedures have been completed.

**Draft Report:** After fieldwork is completed, a Draft Audit Report is prepared. This report will normally be issued to auditee and City officials with a request that they provide written comments within 30 days. The Draft Audit Report is a “work-in-progress” and is not a public document.

**Exit Conference:** This is conducted at the end of audit fieldwork, and after completion of a Draft Audit Report. OPI may provide a draft copy of the audit report to City and auditee officials before the exit conference to facilitate a full and open discussion of the audit’s findings and recommendations. It also provides City and auditee officials with an opportunity to confirm information, ask questions, and provide clarifying data.

**Final Report:** At the end of the 30-day response period, and after reviewing and assessing the auditee’s and City’s written responses to the Draft Audit Report, OPI issues the Final Audit Report for resolution of the recommendations. The Final Audit Report aims to provide a fair, complete and accurate picture of the audited area at the time the audit took place. This report usually includes a description of the scope, objectives, and methodology of the audit, and a description of the findings and recommendations for corrective action. It also includes, as appendices, the written responses to the Draft Audit Report by City and auditee officials.

## **Audit Plan**

The Office of Public Integrity (OPI) recognizes that an overall strategy and audit plan is important to meet the goals, objectives, and mission of our office. We use a dynamic risk-based approach for selecting and prioritizing audits. The audit plan also facilitates the efficient allocation of OPI's resources and ensures our office remains focused on those areas which pose the highest risk to the City.

An audit plan benefits the organization by:

- Establishing what departments, contracts, or other areas will be prioritized for audits on an annual basis.
- Permitting an efficient allocation of limited resources.
- Providing a flexible basis for managing audit personnel.

We utilize several techniques to identify and prioritize audits in the three year plan. These techniques include:

- Input from the Administration and the City Council.
- Knowledge of operations and internal controls derived from previous audits.
- Utilization of risk assessment criteria.

Audits considered for the audit plan are compiled from suggestions by OPI staff, Administration staff, City Council as well as complaints and other sources of information. We evaluate and rate the suggestions using a risk assessment matrix. The audits selected for the plan are based on the impact the audit would have (the problems or risks it would address and the likely types of findings and recommendations to result); the sensitivity, complexity, and difficulty of the project compared to its likely impact; staff qualifications and other resources available. Additionally, we try to display a presence across all City departments.

We devote part of the annual plan to follow-ups. A follow-up audit assesses the progress made on issues identified in a previous audit, one or more years after its release.

The following chart lists the audits that were included in this fiscal year's audit plan, along with the hours worked on these assignments and their status. Additionally, the chart captures audits that were not on the original plan but were conducted at the request of members of Senior Management and/or the Mayor.

**Office of Public Integrity  
Summary of Audits  
For the Fiscal Year Ended June 30, 2020**

Department	Audit	Hours thru 6/30/20	Status
Police	Auto Pound Operations	263.5	Completed*
DRYS	Public Market	353	Completed*
Finance	Freed Maxick Audit of City FY'19	93	Completed
Administration	Risk Assessment	493.5	Completed
DES	Water Bureau Inventory	91	Completed
Library	Central Library Cash Collections	419	Completed
DES	Equipment Services Inventory	167.5	Completed
DES	Building Services Inventory	126	Completed
NBD	Freedom Community Enterprise Grant	115	Completed
Fire	NYS Homeland Security Program Administration	276.5	Completed
Finance	Data Analytics Duplicate Vendor Payments	353	Ongoing
Finance	Freed Maxick Audit of City FY'20	20	Ongoing
Finance	Travel Audit	70	Ongoing
DHRM	Training & Safety Audit	227.5	Ongoing
Finance	Review of Traffic Violations	386.75	Ongoing

\* Field work started in previous fiscal year

## Audit Results

### REVIEW OF AUTO POUND OPERATIONS

#### Executive Summary

The Office of Public Integrity (OPI) examined the adequacy and effectiveness of the Rochester Police Department (RPD) Auto Pound internal control procedures and compliance with approved policies and practices. The results of the review indicate that internal controls over Auto Pound operations are adequate, reported revenues are accurate and Auto Pound personnel comply with City and departmental policies. We were able to account for all revenue collected during our test period.

- We did not note any material or significant findings during this review.

#### Management Response

The Rochester Police Department is in agreement with the results of this review.

### REVIEW OF PUBLIC MARKET CASH HANDLING ACTIVITIES

#### Executive Summary

The Office of Public Integrity (OPI) examined the accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City policies in the Department of Recreation and Youth Services (DRYS), Public Market.

- The results of this review indicate adequate internal control procedures over the Market's operations and compliance with City policies. Additionally, we were able to account for all reported cash collections for the test period without exception.

#### Management Response

The Department of Recreation and Youth Services acknowledges receipt of the findings and will continue to operate the Public Market in full compliance with the policies set forth by the City of Rochester.

### BUREAU OF WATER STOCKROOM INVENTORY OBSERVATION

#### Executive Summary

The Office of Public Integrity (OPI) observed the annual physical inventory of the Department of Environmental Services (DES), Bureau of Water on October 25 and October 26, 2019. This inventory includes the Water stockroom, the Street

Lighting stockroom, the Department of Recreation and Youth Services (DRYS), Bureau of Recreation inventory and the DES Cemeteries inventory maintained by the Bureau of Water. The results of the inventory indicate that the Bureau of Water maintains excellent inventory control.

- OPI did not note any variances in the Water stockroom inventory items indicative of the differences between the physical counts and the quantities recorded in the perpetual records. The previous inventory resulted in a sample error rate of 0%.
- OPI did not note any variances in the Street Lighting stockroom inventory items indicative of differences between the physical counts and the quantities recorded in the perpetual records. In the previous inventory we noted an error rate of 0%.
- OPI did not note any variances in the DRYS, Bureau of Recreation inventory items indicative of differences between the physical counts and the quantities recorded in the perpetual records. In the previous inventory, we noted a sample error rate of 0%.
- OPI did not note any variances in the DES, Cemeteries inventory items. We also did not note a variance in the previous inventory.

❖ Recommendation

Bureau management should continue to make inventory control a priority.

Management Response

I have reviewed the report that was prepared by the Office of Public Integrity (OPI) for the October 25 and 26, 2019 audit of the Water Bureau's Felix Street stockroom annual physical inventory.

There were zero (0) variances noted in the audit for all of the stockrooms at this location, which consists of Water, Department of Recreation & Youth Services (DRYS), Street Lighting and Cemeteries. Similar results were reported in last year's audit.

I concur with OPI's assessments that ".....the Bureau of Water maintains excellent inventory control" and that "The results of this physical inventory indicate that Water Bureau personnel have continued to maintain strong control over the inventories."

Please be assured that the Department of Environmental Services will continue to make inventory control a priority. Thank you for your continued work in ensuring that the department has appropriate management controls in place.

# ROCHESTER PUBLIC LIBRARY CENTRAL LIBRARY CASH HANDLING REVIEW

## Executive Summary

In this review, the Office of Public Integrity (OPI) examined the accountability of reported cash collections, the adequacy of internal control procedures and compliance with City and Library cash handling policies at the Central Library. We accounted for all reported cash receipts within the test period. Additionally, the results of this review indicate, in general, adequate internal control procedures over the location's operations and compliance with City and Library cash handling policies. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policies.

- OPI noted that library personnel do not always utilize serially numbered receipts to record cash received for lost items and processing fees. Additionally, they do not always use the cash register key designated for lost items and processing fees when they enter these transactions into the cash register.

- ❖ Recommendation

Library personnel should comply with Library policy and utilize receipts as the method to record collections for lost items and processing fees. Additionally, management should remind personnel to use the cash register designated key for these collections to enable reconciliation between the cash register, the CARL system and the manually written receipts.

- OPI noted several instances in which library staff did not properly document fee waivers.

- ❖ Recommendation

Library personnel should properly document all waived and cancelled fees in accordance with Library policy.

## Management Response

The audit noted that 13 (or 6%) of transactions did not include serially numbered receipts totaling \$178.11, representing 4% of transaction value for FY19. Lost items and processing fees are collected through the Central Library circulation desk (2 locations), which generate dual receipts from the cash register and manually generated via serially numbered receipt book. On average the Central Library has turnover of three to five part-time circulation staff per fiscal year; while the training program is robust, and a supervisor is present during all hours of operation, a 6% rate of secondary serial receipt oversight or loss is reasonable. The Library has reviewed its training procedures and checklists for lost or damaged items and has made checklist adjustments to reinforce serial receipt documentation and placement in the register.

The audit noted that 644 waivers (8% of waiver instances, 6% of waived fee value) were not documented on the Fines and Fees Waiver form. For control purposes, the Circulation Supervisor and Assistant have CARL (library system) waiver authority for Central Library. Clerk III staff can waive fines and fees but cannot negotiate fee reductions with clients or modify fees. However, the Library Automation Department cancels aged, uncollected fine and fee balances when purging accounts older than seven years as part of CARL system maintenance. This cancellation documentation process occurs at the start of the calendar year, but any discrepancy with the report results in a manual cancellation that Automation Department staff have processed as a waiver. These have not been reported to the Circulation Supervisor previously. Going forward, either Library Automation will manually cancel these additional account fees in CARL, or will report the waiver activity to the Circulation Supervisor.

These manual waivers via Library Automation do not represent the entirety of the 644 waivers; in several instances documentation on the waiver form was inadvertently omitted during the waiver process, as the log is maintained in Excel on the secure network connected to the Supervisor and Assistant Supervisor's Office. These omissions, which represent approximately 2-3% of waiver instances, are considered reasonable by the Library. However, the Circulation Supervisor and Assistant have reviewed and reinforced procedures that ensure waiver requests are processed directly in the log.

## BUREAU OF EQUIPMENT SERVICES STOCKROOM INVENTORY OBSERVATION

### Executive Summary

The Office of Public Integrity (OPI) observed the annual physical inventory of the Department of Environmental Services (DES), Bureau of Equipment Services auto parts stockrooms on September 14, 2019. The results of the inventory indicate that Equipment Services maintains adequate inventory control. The Office of Public Integrity noted variances in 1.9% of our sample selection of the main auto parts inventory indicative of differences between the physical counts and the quantities recorded in the perpetual records. In the previous inventory, we noted a 1.5% variance in this stockroom.

- The Office of Public Integrity did not note any variances in the tire room. In the previous inventory we also did not note any variances in this stockroom.
- The Office of Public Integrity did not note any variances in the police auto parts stockroom inventory. We did not note any variances in this stockroom during the previous inventory.
- The Office of Public Integrity did not note any variances in the quick lube service cabinets. This stockroom was counted for the first time. It was recently created in the inventory system with items from the main stockroom to allow quick accessibility for mechanics.



❖ Recommendation

Bureau management should continue to make inventory control a priority.

Management Response

I have reviewed the audit report for Equipment Services Bureau's stockroom. I agree with your assessment that Equipment Service personnel have maintained adequate inventory control.

The inventory that took place on September 14, 2019 resulted in a variance of 1.9% of the sample selection. Out of the 4,599 items total in stock, 452 items were tested in the sample, and variances existed in 5 of those sampled items.

Equipment Services Division enhanced its inventory control strategy. This added control levels to the monthly cycle counts completed by our consultant.

Environmental Services will continue to make inventory control a priority in the department.

BUREAU OF BUILDINGS & PARKS BUILDING SERVICES DIVISION STOCKROOM INVENTORY OBSERVATION

Executive Summary

The Office of Public Integrity (OPI) observed the annual physical inventory of the Bureau of Buildings and Parks, Building Services Division stockroom on November 22, 2019. The results of the review indicate that Building Services maintains adequate inventory control.

- The Office of Public Integrity noted four variances in our sample selection indicative of differences between the physical counts and the quantities recorded in the perpetual records. The result is a variance rate of 2%. In the previous inventory, we noted a 1.6% variance in this stockroom.

❖ Recommendation

Building Services should continue to make inventory control a priority.

Management Response

I have reviewed the attached audit report regarding Building Services Inventory conducted on Friday, November 23, 2019.

I agree with the assessment that Building Services personnel has maintained adequate inventory control of the 182 items in the sample, 4 variances were noted. Building Services will continue to make inventory control a priority.

## CITY FOCUSED INVESTMENT STRATEGY- COMMERCIAL BUSINESS ASSISTANCE PROGRAM REVIEW OF THE FREEDOM COMMUNITY ENTERPRISE INC. GRANT

### Executive Summary

At the request of the City's Department of Neighborhood Business and Development (NBD), OPI performed a review of Contract 124792 between the City of Rochester and Freedom Community Enterprises Inc. We examined invoices submitted, along with all supporting documents provided, for compliance and the propriety of reported expenses. However, we noted the following finding that requires management attention to improve administrative and internal controls and to ensure compliance with prescribed policy and contract requirements.

- Fifty-one of the fifty-nine invoices submitted by the grantee for reimbursement for subcontractor labor did not include detail of work performed. The remaining eight included work for Northeast Area Development (NEAD) that was outside of the scope of this agreement and performed at different NEAD properties.

### ❖ Recommendation

City personnel should ensure that the grantee complies with all terms of the agreement and retains complete supporting documentation as required. Grantee should submit only those expenses that related to the grant project defined in the agreement.

### Management Response

Although, as noted on page seven of the audit report, the total substantiated expenses were valued at \$205,312 which is more than the total value of the grant award of \$140,000, and while it is duly noted on page 6 of the report that the contractor utilized the grant funding in compliance with the agreement, we agree and support that we need to take the following steps to ensure better grant administration.

1. Ensure all invoices capture the specific work activity for which the funding is being requested.

To this end I have immediately instructed NBD Grant Management staff to only process invoices where there is a clear description of the work activity and verification that the detailed work activity is properly covered by the contract.

2. Only accept and include in the file Invoices that are clearly covered in the grant award contract.

To this end I have immediately instructed NBD Grant Management staff to not accept non-grant covered invoices, even if those invoices supersede the value of the grant award or are in addition to the work covered under the contract. Only invoices where the detailed work activity is in line with the contractual scope of work will be accepted and placed into the file.

In summary, the City of Rochester's Department of Neighborhood and Business Development manages the federal entitlement funding which is inclusive of CDBG, Emergency Solutions Grant (ESG), Housing Opportunities for People with Aids (HOPWA) and the Home program. Collectively, the department is managing in excess of thirteen million dollars in annual allocations as part of these federally funded programs. In addition to internal auditing, each of these programs are subject to monitoring/auditing by HUD. NBD spends a great deal of time dedicated towards ensuring the associated processes and polices are in line with programmatic federal laws and expectations. Like all NBD programs and processes we are always attempting to improve the efficiency and effectiveness of the programs, including our ability to ensure quality control. We believe the steps outlined in this response are in line with those aspirations.

## REVIEW OF THE NEW YORK STATE HOMELAND SECURITY PROGRAM AGREEMENT

### Executive Summary

In this review, the Office of Public Integrity (OPI) reviewed the New York State Homeland Security Program (SHSP) agreement between the City of Rochester and the New York State Division of Homeland Security and Emergency Services (DHSES). The purpose of SHSP is to support the implementation of risk driven, capability-based State Homeland Security Strategies to address capability targets set in Urban Area, State, and regional Threat and Hazard Identification and Risk Assessments (THIRAs). In general, the results of the review indicate that City personnel utilized grant funding in compliance with the terms of the agreement.

- In general, the results of the review indicate that RFD utilized grant funding in compliance with the terms of the agreement. We noted that all expenses examined were proper, allowable under the terms of the agreement, and substantiated by supporting documentation. Additionally, when applicable, RFD personnel obtained supporting bids from multiple vendors and selected the lowest cost provider without exception.

## Management Response

The Fire Department has reviewed this report and is in agreement with its findings.

# Customer Service Satisfaction Survey

As part of OPI's quality assurance process, and to facilitate auditees' involvement, if appropriate, a Customer Service Satisfaction Survey is sent to key personnel of the area audited at the conclusion of each audit. The criteria assessed are:

- Pre-audit notification to auditee of audit purpose and scope
- Feedback auditors provided to auditee on emerging issues during the audit
- Professionalism of auditors
- Objectivity of auditors
- Duration of audit
- Opportunity given to discuss findings in the audit report
- Accuracy of the audit findings
- Practicability of implementing audit recommendations
- Usefulness of the audit in improving business process and controls

Additionally, the Customer Service Satisfaction Survey also includes two open ended questions to give the recipients additional opportunities to provide feedback to OPI.

The objective of requesting an independent assessment of audit relationships and results is continuous improvement of audit services. OPI recognizes that certain audit situations and circumstances will result in unfavorable ratings. Some City personnel will rate higher than their peers. Judgment will be required in the interpretation of all replies. It is also recognized that recipients of the surveys are our customers, and we must work to improve our product and how it is delivered. Each staff member should work to market the audit activity and make each audit assignment a favorable working relationship.

**Office of Public Integrity  
Customer Service Satisfaction Survey**

Please rate the Internal Audit Activity for \_\_\_\_\_

**Section 1: Specific Audit Questions**

	-----Select ONE-----					N/A
	Excellent 5	Good 4	Average 3	Fair 2	Poor 1	
1. Pre-audit notification to you of audit purpose and scope.						
2. Feedback auditors provided to you on emerging issues during the audit.						
3. Professionalism of auditors.						
4. Objectivity of auditors.						
5. Duration of the audit.						
6. Opportunity given to discuss findings in the audit report.						
7. Accuracy of the audit findings.						
8. Practicability of implementing audit recommendations.						
9. Usefulness of the audit in improving business process and controls.						

**Section 2: Open-ended Questions (Enter text in the box)**

10. Was there anything about the audit and interaction with auditors that you especially liked or disliked?

11. Do you have any recommendations for improvements in future audits?

12. Additional comments:

**Thank you,**  
*The Office of Public Integrity*  
 Please email, mail, or fax this Survey:  
 Deborah Cole  
 Executive Assistant  
 85 Allen Street - Suite 100  
 Rochester, NY 14608  
 Phone: (585) 428-7245  
 Fax: (585) 428-7972  
 E-mail: [Coled@cityofrochester.gov](mailto:Coled@cityofrochester.gov)

Following are the results of the FY 2020 OPI Customer Satisfaction Surveys:

Average Scores - FY 2020 Audits

**Section 1: Specific Audit Questions**

Survey Questions	Average Scores
1. Pre-audit notification to you of audit purpose and scope.	4.67
2. Feedback auditors provided to you on emerging issues during the audit.	4.67
3. Professionalism of auditors.	4.83
4. Objectivity of auditors.	4.83
5. Duration of the audit.	4.33
6. Opportunity given to discuss findings in the audit report.	4.67
7. Accuracy of the audit findings.	4.67
8. Practicability of implementing audit recommendations.	4.60
9. Usefulness of the audit in improving business process and controls.	4.50

**Number of audits included: 8**

**Number of surveys sent to auditees by OPI: 21**

**Number of completed surveys returned to OPI: 6**

## Complaints, Tips and Information

OPI receives numerous complaints, tips and information throughout the year. This information is obtained via phone/OPI hotline, walk-ins, employee and/or OPI e-mail, USPS mail, and referrals.

During Fiscal Year 2019-20 OPI received the following:

Hotline/phone	23
E-mail	11
USPS mail	2
Walk In	1
Referrals	6

# Investigations

Investigations are conducted in response to allegations of wrongdoing by City employees or individuals and companies that do business with the City. OPI investigations may include interviews, document reviews, surveillance, and data research and analysis. Investigations are conducted in close coordination with Human Resource Management, the Law Department and Labor Relations. If during the investigation internal control weaknesses are identified, OPI then provides recommendations to strengthen controls. These recommendations often fall into one of the following categories:

- Correct the identified deficiencies.
- Clarify applicable policy, law, or regulation.
- Strengthen the internal controls within the impacted department.

When investigative findings identify potential criminal conduct, the matter is referred to the appropriate law enforcement authorities for review and appropriate action.

OPI utilizes the following categories to issue findings:

Sustained:

- The allegations are validated, and there is sufficient evidence to justify a reasonable conclusion the actions occurred and there were violations of law, policy, rule or contract.

Unfounded:

- There is sufficient evidence to justify a reasonable conclusion the alleged actions did not occur, or there were no identified violations of law, policy, rule, or contract.

Not Provable:

- The allegations are not validated, and there is insufficient evidence to prove or disprove the allegations.

Exonerated:

- There is sufficient evidence to justify a reasonable conclusion the actions did occur, and they were lawful and in compliance with policy, rule or contract.

Office:

- Insufficient information is available regarding the allegation, and no further action is taken until new information is brought the attention of our office.

## **Investigation Results**

During the fiscal year, OPI conducted 32 administrative investigations. The investigations addressed allegations of the following:

- Fraudulent Billing Practices
- Unprofessional/Unethical Conduct
- Violation of City Policy
- Security Breach
- Questionable Procedures
- Favoritism/Discrimination
- Conflict of Interest
- Wrongful Termination

The completed investigations resulted in the following dispositions:

- Sustained           9
- Unfounded       11
- Not Provable     9
- Office             1
- Referral           7

\* Three investigations resulted in more than one disposition.

## **Ethics**

OPI is responsible for the development and delivery of ethics awareness training to City employees. This training is focused on the City's Code of Ethics and provides guidance and recommendations on how employees can remain in compliance. OPI acts as a clearinghouse for ethical issues raised by City employees and City residents. When appropriate, issues are referred to the City's Ethics Board for Advisory Opinions. The Director of OPI serves as Secretary of the City's Ethics Board.

During the fiscal year, OPI provided 13 ethics training sessions to employees in the following offices:

- Communications
- Emergency Communications Department
- Environmental Services Department
- Finance
- Fire Department
- Human Resource Management
- Information Technology
- Law Department
- Mayor/Administration
- Neighborhood and Business Development
- Office of Community Wealth Building
- Office of Innovation



- Office of Management and Budget
- Police Department
- Recreation and Youth Services
- Rochester Public Library

### **Confidentiality/Whistleblower Protection**

After the receipt of a complaint or information from any City of Rochester employee, OPI shall not disclose the identity of an employee without their consent unless OPI determines that it is unavoidable during the course of an investigation.

The City of Rochester established a Confidential Hotline Program to provide a secure means of reporting suspicious activity to OPI concerning City programs and operations. To enhance the Confidential Hotline Program, OPI implemented a Whistleblower Protection Policy to protect employees who report a belief that their organization is engaged in or willfully permits unethical or unlawful activities. Suspicious activity may include instances of fraud, waste, and abuse, mismanagement, or a danger to the public's health and safety. The Office of Public Integrity confidential hotline number is **(585) 428-9340**.

Persons may also contact OPI directly by telephone **(585 428-7245)**, e-mail to: [opi@cityofrochester.gov](mailto:opi@cityofrochester.gov) or surface mail to: Office of Public Integrity, 85 Allen Street, Suite 100, Rochester, New York, 14608.