Office of Public Integrity Annual Report

June 30

2023

FY 2022-23 Highlights

Audit, Investigations, and Ethics

City of Rochester
Malik D. Evans, Mayor

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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, 2023:

- Evaluated and procured internal audit management software to automate and streamline the internal audit process.

- Onboarded two City Fellow interns to support audits, investigations and related projects

- Principal Auditor selected for the City's Team of Leaders Program and attended quarterly leadership working group sessions.

- OPI attended monthly meetings as a member of the City's Data Governance Committee.

- Staff completed 16 courses in data analytics training, research and related projects.

- Evaluated 184 complaints, tips, and information received via walk-ins, telephone or email hotline, and other sources.

- Finalized 11 audits and issued twelve findings and recommendations.

- Conducted 41 administrative investigations and issued 29 findings and recommendations.

- Provided 17 ethics training sessions for new employees and RFD management personnel.

- Staff completed 244 hours of professional development training focused on internal audit and investigations.

- Administered the City's Board of Ethics to include the Financial Disclosure Program.

- OPI participated in quarterly meetings as part of the Mayor's Office of Budget Equity Team.

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[1].

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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[1] 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.

<u>Ethics</u>

- 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 2023, 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.[1]

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) -1
- Certified Inspector General (CIG) - 1
- Certified Fraud Examiner (CFE) -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.

Staff earned 244 hours of continuing professional education (CPE) in the following areas:

- Technology
- Information Cyber Security
- Government Auditing Standards
- Internal Audit
- Ethics and Compliance

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[1] Quality of Standards for Offices excluded

- Fraud and Corruption Risks
- Forensic Accounting
- Data Analytics
- Diversity and Inclusion

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) 2023 was $ 662,600 with actual expenditures of $ 657,000. The Office of Public Integrity's approved budget for FY 2024 is $ 731,900. OPI's FY 2024 budget represents 0.11% 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 Unit 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 Unit 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 Unit 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 and Projects
For the Fiscal Year Ended June 30, 2023

Department	Audit	FY '23 Hours	Status
NBD	Property Code Violations 2022	88	Completed~
NBD	Homebuyers Purchase Assistance Program	316	Completed
Finance	Rochester Living Wage Ordinance 2022	258	Completed
DES	Building Services Inventory	80	Completed
DES	Equipment Services Inventory	59	Completed
DRHS	Facility Permits Review	618	Completed
Administration	Financial Disclosure Conflict Review FY23	55	08/31/23**
DES	ROC City Skate Park Grant	+	Completed*
Finance	Washington Square Garage	79	Completed*
Finance	Traffic Violations Agency Corrective Action	508	Completed*
Library	Winton Branch Library Cash Handling Audit	70	Completed*
DHRM	Health Benefits Review	88	08/31/23**
Fire	RFD Payroll Review	712	08/31/23**
DRHS	Review of Genesee Valley Ice Rink	194	Completed
Finance	Freed Maxick Audit FY22	179	Completed*/
Administration	Annual Financial Disclosures	116	Ongoing

*   Started in previous fiscal year

/   OPI provides 200 hours of audit support (per contract)

~   Office Projects

** Estimated completion date

Audit Results

WINTON BRANCH 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 Winton Branch 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 follow the cash deposit procedures outlined in the City's and Library's cash collection policies. Library personnel deposited revenue collected on 9 of the 195 days in the test period beyond the period required by City and Library policy.

♦Recommendation

Library personnel should deposit cash collections in accordance with City and Library policies.

Library policy requires that library personnel take cash register "x-reads" on all days branch libraries are in operation for more than six hours. We noted that library personnel did not take these x-reads for 87 of the 174 days required during our test period

♦Recommendation

Library personnel should take "X" reads and count and verify the cash in the register in accordance with the Library's Cash Handling Policy.

Management Response

This memo is a follow up to the Winton Branch Library cash handling review for a period of January 1, 2021 through December 1, 2021. We appreciate the review meeting virtually today and agree with the findings of adequate internal controls and compliance with City and Library cash handling policies. With respect to X-read recommendations, we wish to note that the period of survey was a continuation of the limited operations of Library branches due to the COVID pandemic. Hours of operation were truncated, and staffing was limited due to isolation and quarantine during this time. Several dates of deposit were delayed due to staff illnesses or absences during the period of observation.

Prior procedural documentation noted a library shift as six (6) hours, and f or some

periods during COVID (and Saturdays) the Winton branch was open less than that. As a result, the Winton Branch staff did not consistently consider an X-read as they did not consider the day of business the whole shift. Branch administration has clarified this with staff communications and procedure updates, noting that <u>end of day</u>, regardless of hours within shift, the X-read is run.

Since the cash handling observation from OPI, the Library has offered a Cash Handling training for all members of the Monroe County Library System, based on existing training materials and sample best practice documents available on our system ePortal. For Rochester Public Library staff, our Cash Handling Policy, forms and recording of this training is readily available.

We appreciate the time and professionalism of OPI staff during the review process.

ROC CITY SKATE PARK GRANT

Executive Summary

In this review, the Office of Public Integrity (OPI) examined the ROC City Skatepark construction agreement between the City of Rochester and C.P. Ward Inc. The Roc City Skatepark was created as a space where skateboarders, rollerbladers, BMXers and other sport enthusiasts can gather and practice their sport. In general, the results of the review indicate that City personnel utilized grant funding in compliance with the terms of the agreement.

Management Response

I have read the Office of Public Integrity's review of the ROC City Skatepark construction agreement between the City of Rochester and C.P. Ward Inc. The results of the review are consistent with the expectations of the Department of Environmental Services' leadership and those of the taxpayer: the utilization of grants from multiple sources were conducted in a manner that resulted in proper expenditures that were allowable under the agreement and substantiated with proper documentation.

Please be assured that the Department of Environmental Services will continue to make adherence to our contractual agreements for both funding provided to the City and for expenditures to vendors a priority. Thank you for your continued work in ensuring that the Department is advancing its contractual work activities consistent with agreements between the City and outside entities.

WASHINGTON SQUARE PARKING GARAGE

Executive Summary

In this review, the Office of Public Integrity (OPI) examined records and internal control procedures at the Washington Square Parking Garage. We accounted for all reported cash receipts within the test period. However, we noted the following findings that require

management attention to improve administrative and internal controls and to ensure compliance with City policy.

• OPI noted one instance in which a special event cash deposit totaling $1,377 was not recorded in MUNIS.

• OPI noted that the parking software is not being utilized to reconcile revenue reported in MUNIS to parking activity in the garage.

• The receipt amounts reported by the bank are not reconciled to the actual parking equipment.

• Daily reports of vehicles entering and exiting the garage did not provide the information needed for testing. Personnel were unable to explain the data contained in the reports. Some reports did not provide the amounts paid.

• Parking Administrative Services does not currently utilize an aging report to determine whether monthly accounts are due. Previous audits have shown some accounts up to one year past due. This is an import step in collections. The parking software system is not an accounting software. Parking staff state that the vendor did not provide the training necessary to utilize the reporting features of this system.

• The City sends out monthly bills for parking validations. OPI requested a list of validations for June 2021. The report provided only allowed us to trace the monthly total amounts to MUNIS. We were unable to reconcile each entry and exit recorded in the system to the report.

♦Recommendations

The Parking Administrative Services should reconcile the deposit information provided by the bank to the information entered into MUNIS to ensure they have accurately reported all revenue to the City's financial system.

Parking Services Administration personnel should receive the necessary training to generate reports and interpret the data provided within the current software system. If no enhancement can be made to the billing, PARIS billing, still used in another City parking garage, may want to be considered as an option to generate aging reports and reconcile monthly parkers and validations to actual receipts.

Management Response

I have reviewed the audit and subsequent comments and recommendations from the Office of Public Integrity related to the administrative reporting of transactions at the Washington Square Garage. The audit provides critical information and guidance necessary for the Bureau of Parking and its adherence to City cash collection policies.

Responses to each point is as follows:

A. Deposit Not Recorded in MUNIS

A deposit of $1,377 (from special event parking operations) was prepared and sent to the bank but never entered into MUNIS. This was, in fact, a clerical oversight. To prevent this from occurring again, staff will include in daily tasks the reconciliation of receipts from special event parking to MUNIS receipts and bank deposit receipts to identify possible omissions.

B. Parking Software Utilization

 OPI noted that the parking software is not utilized to generate reports and reconcile the actual parking activity in the garage to the bank and MUNIS records. • A reconciliation of daily transient revenue is not completed; rather, reports from IQ payment processor and M&T Bank are used to prepare MUNIS entries. The Parking Bureau has identified the necessary reports within the software and has begun utilizing the reports to reconcile with bank records. • Monthly key cards are deactivated automatically by the software system for non-payment; this feature functions correctly for individual customers, and occurs prior to the start of each month, thereby eliminating receivables. However, group accounts are set up by this particular software system as, "third party" accounts. Third parties are billed for the key cards issued to a group of people. The software does not include an automatic feature that disables the key cards of members of a group when the third party does not pay the invoice. To overcome this software shortcoming, staff will generate a, "past due" report, sort through the report to determine which of the past due accounts are group accounts, then will manually deactivate the key cards associated with that account. The Parking Bureau will ask the software vendor, T2 Systems, to create an automated process to accomplish this task.

• OPI asked for a list of validations for June 2021. The report provided to OPI allowed only for tracing the total monthly amounts. Subsequent to this audit, a report has been identified that lists each validation ticket redeemed, the duration of the parking session, the entry date/time, the exit date/time, and the amount due for the session. (Sample below.) The report does not show, however, the customer account that is invoiced for redeemed validations. The ticket number in the report will have to be traced backwards through the system to determine which customer issued the validation, and then whether or not the correct fees were assigned to the correct account. • Recommendation OPI has recommended that the Parking Bureau receive training to generate reports and interpret the data provided within the current software system. We have provided T2 Systems our list of needs related to their system, and associated training. If these requests cannot be satisfactorily met by our current vendor, we will begin discussions related to replacing the current system at Washington Square Garage with a proven Parking Access Revenue Control system, such as PARIS.

Thank you again for bringing these matters to my attention. We will work to ensure all recommendations are instituted and followed.

ROCHESTER LIVING WAGE ORDINANCE 2021

Executive Summary

In this review, the Office of Public Integrity (OPI) examined compliance with Rochester Living Wage Ordinance No. 2001-36. The results of this review indicate that, in general, internal controls are adequate, and contractors are complying with the Living Wage Ordinance. OPI noted that all vendor request payments for payroll included documentation to support wages paid to employees and that the rate paid was in accordance with the Living Wage Ordinance without exception.

♦Recommendation

City personnel should continue to ensure that vendors submit wage certifications and that they comply with all directives per the City Ordinance

Management Response

I have read the audit and subsequent comments and recommendations from the Office of Public Integrity related to the Rochester Living Wage Ordinance audit, and concur with the recommendations. I thank you for the thorough review, and time committed to this audit.

TRAFFIC VIOLATIONS AGENCY CORRECTIVE ACTION PLAN FOLLOW-UP

Executive Summary

The Office of Public Integrity (OPI) recently completed a follow-up review of the Traffic Violations Agency (TVA). OPI initiated this review in response to an audit that we concluded in May of 2021, which resulted in the creation of a corrective action plan by the TVA.

As of March 2023, the TVA has fully implemented the recommendations in eleven out of the thirteen deficiencies identified during the initial review. One out of the two recommendations in the remaining issue areas has an implementation status of partially implemented. The remaining recommendation has an implementation status of not applicable due to the system limitations of SEi.

♦Recommendations

OPI recommends that TVA management immediately remove the above mentioned contractor's program access since he is no longer scanning in the daily mail. Additionally, OPI recommends that the WA continue its efforts to implement semiannual SEi user access reviews.

Finally, as a best practice, OPI recommends that the results of completed user access reviews be documented and maintained on file.

I have reviewed the report, comments, recommendations from the Office of Public Integrity related to the Rochester Traffic Violations Agency audit, and concur with the recommendations. Below you will find responses:

A. Improper Access Granted to SEi Users Per the SEi user/password record, as of March 6, 2023, the contractor has access to all program features with the exception of levels 001 (password access), 036 (autofill amount paid), 044 (edit name), and 046 (edit checkbook). Resolved contractor has been removed.

The collaborative performance review and time commitment to this audit helped RTVA to become more efficient and effective. Thank you.

DES BUILDING SERVICES INVENTORY

Executive Summary

The Office of Public Integrity (OPI) observed the annual physical inventory of the Bureau of Buildings and Parks, Building Services on February 24, 2023. Results of the review indicate that Building Services maintains adequate inventory control.

The Office of Public Integrity noted three 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 1.7%. In the previous inventory, we noted a 2% variance in this stockroom.

♦Recommendation

Building Services should continue to make inventory control a priority.

Management Response

I have reviewed the report prepared by the Office of Public Integrity (OPI) for the annual physical inventory of the Bureau of Buildings and Parks, Division of Building Services that was conducted on February 24, 2023.

As noted in the report, adequate control over the inventory has continued to be maintained by Division of Building Services' personnel. This is reflected in the observed variance rate of 1.7% between the physical counts and the quantities recorded in the perpetual records, which is within the generally accepted threshold for an inventory commensurate with that maintained and managed by the Division of Building Services,

Please be assured that, per the recommendation of OPI, the Department of Environmental Services (DES) will continue to make inventory control a priority in the

Division of Building Services and within the other bureaus of DES. Thank you for your continued work in ensuring that the Department is following the proper policies and procedures.

DRHS REVIEW OF GENESEE VALLEY ICE RINK

Executive Summary

In this review the Office of Public Integrity (OPI) examined cash collection activity at the Genesee Valley Park Sports Complex ice arena. We examined the accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City and Bureau policies. We accounted for all cash receipts reported within the scope period. Additionally, the results of this review indicate adequate internal control procedures over ice rink operations and, in general, compliance with City and Bureau cash handling policies.

Management Response

I have reviewed the audit and subsequent comments and recommendations from the Office of Public Integrity related to the Genesee Valley Ice Rink Ordinance audit, and concur with the recommendations. Thank you for the thorough review, and time committed to this audit.

DES EQUIPMENT SERVICES INVENTORY

Executive Summary

The Office of Public Integrity (OPI) observed the annual physical inventory of the Department of Environmental Services, Equipment Services auto parts stockrooms on May 13, 2023. The results of the review indicate that Equipment Services maintains adequate inventory control.

• The Office of Public Integrity noted variances in 1.9% of the main auto parts sample selection indicative of differences between the physical counts and the quantities recorded in the perpetual records. In the previous inventory we noted a 1.9% variance.
• The Office of Public Integrity noted one variance in the tire room for a true error rate of 1%
• The Office of Public Integrity noted one variance in the machine shop. The true error rate is 1.2%.

♦Recommendation

Bureau management should continue to make inventory control a priority.

Management Response

I have reviewed the report prepared by the Office of Public Integrity (OPI) for the annual physical inventory of the Bureau of Buildings and Parks, Division of Building Services that was conducted on February 24, 2023.

As noted in the report, adequate control over the inventory has continued to be maintained by Division of Building Services' personnel. This is reflected in the observed variance rate of 1.7% between the physical counts and the quantities recorded in the perpetual records, which is within the generally accepted threshold for an inventory commensurate with that maintained and managed by the Division of Building Services,

Please be assured that, per the recommendation of OPI, the Department of Environmental Services (DES) will continue to make inventory control a priority in the Division of Building Services and within the other bureaus of DES. Thank you for your continued work in ensuring that the Department is following the proper policies and procedures.

DRHS FACILITY USE PERMITS

Executive Summary

In this review, the Office of Public Integrity (OPI) examined the Department of Recreation and Human Services (DRHS) permit activity to determine the adequacy of internal control procedures, the accountability of reported revenue collections and compliance with City and departmental policies. The results of the review indicate that, in general, internal controls over DRHS permits are adequate, reported revenues are accurate and DRHS personnel comply with City and departmental policies. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policy.

• OPI noted variances between the DRHS rate schedule and the actual amount charged for seven of the 148 permits selected for detail testing. This is an error rate of 4.7%. This included five undercharges totaling $420.00 and 2 overcharges totaling $42.00 for a net variance of -$378.00. This is a significant improvement when compared to the previous audit report of DRHS permits issued in 2018 where this testing resulted in an error rate of 19.3%.

• DRHS refunded one of six permit refunds twice. Each refund was for an amount greater than what the cancellation policy allows. The overpayments total $262.50.

• OPI could not trace three permit payments to the City's MUNIS financial system. The total of all payments was $1,053.18,

♦Recommendations

DRHS personnel should continue to exercise care and diligence when determining permit

fee rates and they should charge all customers the correct permit fees. Although we recognize refunds are infrequent and this is an isolated incident, we recommend DRHS personnel exercise care, diligence when calculating, and processing refunds.

Staff should reconcile all permit revenue collected in person and in Perfect Mind to MUNIS to ensure they have accurately reported all revenue to the City's financial system.

<u>Management Response</u>

In response to the Office of Public Integrity (OPI) examination of the Department of Recreation and Human Services (DRHS) permit activity, it was reported that the in general the department's internal controls over DRHS permits are adequate, reported revenues are accurate and DRHS personnel comply with City and departmental policies.

However, some items required management attention to improve administrative and internal controls and to ensure compliance; therefore, DRHS will implement the corrective action as follows:

Rate Variance — DRHS will add holiday charges to R-Central to automatically charge customers for holiday fee in lieu of the current manual process to ensure all customers are charged a holiday fee if applicable.

Refund Paid Twice Amounts Incorrect — DRHS is working with City's finance department to allow the use of R-Central automatic credit card refund feature to avoid manual refund process errors.

Deposit Not Recorded in MUNIS — DRHS is working with the City's finance department to implement a MUNIS-XPlor integration to avoid any discrepancy between MUNIS and the payments.

<u>NBD HOMEBUYERS PURCHASE ASSISTANCE PROGRAM</u>

<u>Executive Summary</u>

In this review, the Office of Public Integrity (OPI) examined the adequacy of internal control procedures and compliance with City Home Purchase Assistance Program (HPAP). Neighborhood and Business Development administers this program. We selected a sample of properties sold under this program during fiscal year 2022. The results of this review indicate, in general, adequate internal control procedures over the operations and compliance with NBD policies and procedures related to the program. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with program requirements.

• OPI noted two $3,000 checks issued to buyers who did not close on the home sale remained outstanding.

- NBD did not provide OPI with the post education certificates for ten of ten randomly selected buyers.

- One buyer transferred ownership of the property in less than five years of receiving the grant. There was no documentation to support any repayment or attempt to collect.

♦Recommendation

OPI recommends documented communication regarding outstanding checks when a buyer does not close on the sale. All checks should be safeguarded and the location known by the originating department.

Management Response

Pending

PROPERTY CODE VIOLATIONS REVIEW

The City Code of Ethics {City Charter, Section 2-18(C) (9)} requires City employees to maintain their properties in compliance with appropriate State and Local Codes. Specifically, the City Code of Ethics states:

> "No City officer or employee shall own in person or through an agent or broker, or be a principal in any corporation, partnership or other business entity which owns, any real property within the City of Rochester that is in violation of City or State laws or regulations. Property shall be deemed to be in violation when a reasonable and proper notice and order to correct violations duly issued has not been obeyed in a timely manner".

Violation of the Code of Ethics can subject City employees to disciplinary proceedings pursuant to Section 2-18(E) of the City Charter.

In cooperation with the City's Neighborhood and Business Development's (NBD's) Code Enforcement, OPI identified City employees with property code violations that have been outstanding in excess of one year. Once identified, the Director of OPI emailed each senior management member who had an employee(s) in violation of the Code. As part of this email communication, the Director asked that they notify their employee(s) of the violation(s) and encourage their prompt attention to this matter. OPI also provided senior managers with draft language to consider when preparing a notification letter to the employee(s) in violation. This draft language indicates that a plan to correct the outstanding violation(s) should be communicated to NBD within the specified time frame.

FINANCIAL DISCLOSURE REVIEW

The City Charter requires personnel occupying certain positions to file annual financial disclosure statements. The Financial Disclosure statement seeks to capture the individual as well as their spouses and any un-emancipated children's sources of income, affiliation with associations and organizations, and ownership of City and non-City real estate. The financial disclosure process is designed to capture potential violations of the City's Code of Ethics, including conflicts of interest.

Completed financial disclosure statements are submitted to, reviewed by, and retained by the Secretary of the Board of Ethics for the City of Rochester (i.e. the Director of OPI).

In an audit by the Office of the New York State Comptroller, which was completed in calendar year 2020, it was concluded that although historical annual financial disclosure forms were reviewed for completeness, they were not adequately analyzed for potential conflicts of interest. Based on this finding, the Comptroller's Office recommended that a list of City vendors be obtained from the accounts payable department to reference while reviewing submitted disclosures, as the list would help to identify potential, pre-existing conflicts of interests. Additionally, the Comptroller's Office recommended that, upon completion, the compiled list of filers' outside business interest be supplied to the purchasing department for their use in identifying potential conflicts of interests as new contracts are being created.

Based on the Comptroller's Office recommendations, the submitted financial disclosure statements are still preliminarily reviewed by the Director of OPI but also reviewed by OPI staff. The review conducted by OPI staff identifies if a filer has listed outside business interests and, if so, such interests are compared against the City's master vendor file. OPI reviewed activity falling within the financial disclosure reporting period if the listed interest corresponded to a City vendor. The office maintains a detailed record of filers review.

Customer Service Satisfaction Survey

As part of OPI's quality assurance process, and to facilitate auditees' involvement, if appropriate, we send 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 give higher ratings than their peers will give. Judgment will be required in the interpretation of all replies. We also recognize that recipients of the surveys are our customers, and we must work to improve our product and how we deliver it. 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

	Excellent 5	Good 4	Average 3	Fair 2	Poor 1	N/A
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:
Barbara Campbell
Executive Assistant
85 Allen Street - Suite 100
Rochester , NY 14608
Phone: (585) 428-7852
Fax: (585) 428-7972
E-mail: Barbara.Campbell@cityofrochester.gov

Following are the results of the FY 2023 OPI Customer Satisfaction Surveys:

Average Scores - FY 2023 Audits

Section 1: Specific Audit Questions

Survey Questions	Average Scores
1. Pre-audit notification to you of audit purpose and scope.	4.80
2. Feedback auditors provided to you on emerging issues during the audit.	4.00
3. Professionalism of auditors.	4.50
4. Objectivity of auditors.	4.50
5. Duration of the audit.	3.50
6. Opportunity given to discuss findings in the audit report.	4.50
7. Accuracy of the audit findings.	4.30
8. Practicability of implementing audit recommendations.	4.50
9. Usefulness of the audit in improving business process and controls.	4.20

Number of audits included: 8

Number of surveys sent to auditees by OPI: 25

Number of completed surveys returned to OPI: 6

Data Analytics Program

The Office of Public Integrity began the planning and research process for the creation of a data analytics program. OPI collaborated with internal and external organizations to identify best practices as well as software and applications that could be useful. Additionally, members of OPI staff attended training specifically on the topic of data analytics, implementing a data analytics program, and software and applications to assist in analyzing data. Training on this topic will be ongoing, as staff skills in this area expand and industry applications of such a program expand.

OPI will continue its effort to enhance the offices understanding of analytics features available within Excel as well as whether additional resources would be helpful in order

to further the data analytics program. Although analytic software is not required to complete certain analytics projects such software would allow for additional testing to be conducted that could enhance the efficiency and effectiveness of the program.

Additional data analytics projects have been identified and will be considered in coordination with other office assignments as staff availability arises.

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 2022-23 OPI received the following:

Hotline/phone	31
E-mail	137
USPS mail	13
Walk In	3

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 examinations, review of policies and procedures, and data 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 41 administrative investigations. The investigations addressed allegations of the following:

- Unprofessional/Unethical Conduct
- Violation of City Policy
- Questionable Procedures
- Favoritism/Nepotism
- Conflict of Interest
- Falsification of Documentation
- Misuse of City Resources
- Improper Hiring Practices

The completed investigations resulted in the following dispositions**:

- Sustained   4
- Unfounded   16
- Not Provable   8
- Office   2
- Referral   24
- Exonerated   0
- Other   1

*Two investigations pending at year end
**Several investigations have multiple dispositions

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. OPI refers issues to the City's Ethics Board for Advisory Opinions when appropriate. The Director of OPI serves as Secretary of the City's Ethics Board.

During the fiscal year, OPI provided ethics training materials for 17 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
- 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 or surface mail to: Office of Public Integrity, 85 Allen Street, Suite 100, Rochester, New York, 14608.