

**Office of
Public
Integrity
Annual
Report**

June 30

2016

FY 2015 -16 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 past fiscal year ending June 30, 2016:

- Established an Internal Audit Charter, Quality Assurance Improvement Program, and Audit Policy and Procedures Manual.
- Prepared draft legislation to convert OPI to Office of Inspector General.
- Transitioned from sworn law enforcement to civilian investigative staff. Hired two part-time civilian investigators.
- Increased one part-time auditor position to full-time status.
- Strengthened research capabilities with LexisNexis Accurint for Government database.
- Created a Customer Service Satisfaction Survey to evaluate audit performance.
- Evaluated 39 complaints received via walk-ins, telephone or email hotline, and other sources.
- Conducted 15 audits and issued 29 findings and recommendations.
- Conducted 21 administrative investigations and issued 9 findings and recommendations.
- Referred 3 investigations to law enforcement.
- Provided 15 ethics awareness presentations.
- Conducted 16 consultations with City department heads and their managers.
- Received 256 hours of Continuing Professional Education (CPE).
- Evaluated 5 Workplace Violence Incident Reports.

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.

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.
- 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, i.e., selection committee for the new payroll system, etc.
- 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.

The Office of Public Integrity is comprised of the following staff:

- Director (1)
- Executive Assistant (1)
- Audit Manager (1)
- Auditor (3)
- Integrity Compliance Officer (3 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.¹
- *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors (IIA).²
- *Principles and Standards for Offices of Inspector General* of the Association of Inspectors General.³

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).

The audit staff has 71 years combined internal audit experience with the City of Rochester.

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 259 hours of continuing professional education (CPE) in the following areas:

- Technology
- Information Cyber Security
- Government Auditing Standards
- Internal Audit
- Enterprise Risk Management

¹ External Peer Review included

² External Peer Review excluded

³ Quality of Standards for Offices excluded

- Fraud and Corruption Risks
- Forensic Accounting

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 budget for fiscal year (FY) for 2016 was \$622,700 with actual expenditures of \$586,739. The approved budget for FY 2017 is \$638,300. OPI's FY 2017 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 assign a number or score to potential audit areas based upon specific risk factors related to a department's operations, internal controls, and liability to the City. Examples of specific risk factors used to formulate the Risk Assessment Model include failure to meet organizational goals, financial exposure, public image, control environment, regulatory environment, 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, grants made 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, and interviews with employees and grantee and sub grantee personnel.

OPI Audit Selection

Auditing is a risk-based process where specific audits are determined by a range of factors. Each year the OPI Audit Section develops an Annual Audit Plan that identifies the audits scheduled for the coming year. The plan includes any legislatively mandated audits and a number of discretionary audits.

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 Annual Audit Plan allocates all resources for the coming year 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 annual 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 annual 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.

Following is our projected audit plan for the fiscal year. We estimated the number of hours per audit based on the average of hours spent on previous audits. The Audit Plan was comprised of 21 audits with a projected resource demand of 5,490 hours. The audit plan's resource demand was approximately equal to the estimated available audit hours (5,558).

**Annual Audit Program
For the Fiscal Year Ended June 30, 2016**

Department	Audit	Projected Hours	Status
DES	Cemetery Audit	20	Completed
Fire	Fire Department Sick and Injury Time	15	Completed
Library	Maplewood Branch Library Audit	35*	Completed
Mayor's Office	East End Garage	360*	Completed
DES	Review of Contract #126571 - 2014 Maintenance Repairs to City Bridges and Misc. Facilities	280*	Completed & Issued in FY'17
DES	Review of Contract #124983 - Two Bridge Preventative Maintenance Project	280*	Completed & Issued in FY'17
Mayor's Office	Unannounced Cash Count (Parking)	65*	Completed
Finance	Freed Maxick Audit of City	200	Completed
DES	Hemlock Operations Center Inventory	80	Completed
DES	Building Services Inventory 2016	80	Completed
DES	Water Bureau Inventory	160	Completed
DES	Equipment Services Inventory	160	Completed
DES/DRYS	Employee Field Checks	80	Completed
DRYS	Public Market Cash Handling	450	Completed
Police	Property Clerk Cash Handling	550	Completed
Administration	Human Resources Audit	550	**
DRYS	Grant Audit (Grant TBD)	600	**
NBD	Grant Audit	600	Ongoing
Various	MWBE Program Audit	375	Ongoing
Various	Change Order Audit	450	**
Various	Petty Cash Audit (10 funds)	100	Completed
DRYS	Bureau of Recreation Payroll Review	***	Completed
Police	SIS Major Confidential Fund	***	Completed

* Field work started in previous fiscal year.

** Audit to be performed in FY 16-17.

*** Not on original audit plan. Added due to management request.

Audit Results

DES DIVISION OF CEMETERIES CASH HANDLING REVIEW

Executive Summary

The Office of Public Integrity (OPI) examined the adequacy of procedures in recording sales, the effectiveness of internal controls in the cash collections process, and compliance with approved policies and practices in the Department of Environmental Services, Office of the Commissioner, Division of Cemeteries.

OPI was able to account for all reported cash collections for the test period. However, we noted certain deficiencies, both of an operational and of an internal control nature that require management attention to ensure compliance with City and Department policy.

- The Division of Cemeteries does not always deposit cash in a timely manner in accordance with the City's Cash Collection Policies.

- **Recommendation**

The Division of Cemeteries should deposit cash collections in accordance with City policies.

- OPI determined that the recording of revenue collected at the Cemeteries does not comply with the City's Cash Collection Policies.

- **Recommendation**

The Division of Cemeteries should comply with the City's Cash Collection Policies and record all cash when they receive it. Cemeteries personnel should prepare a receipt for all collections received at the cemeteries.

- OPI noted that since the update of MUNIS in January 2015, the accounts receivable system utilized to maintain control over time payment accounts is not able to produce an aging schedule for the accounts. OPI manually compiled an aging report for commercial accounts and noted an excessive delinquent accounts receivable balance.

- **Recommendation**

Cemetery personnel should validate the necessary data so that IT personnel can upload the aging reports to the MUNIS live environment. Additionally, Cemetery personnel should consistently follow up on all delinquent accounts and make every effort to collect these receivables. Also, Cemetery personnel should write off accounts that they deem to be uncollectable.

- OPI noted 10 invoices totaling \$2,775 that have not been processed through MUNIS for billing to the customers.

- Recommendation

Cemetery personnel should review these invoices and ensure that they get re-entered into MUNIS for approval and processing. Additionally, Cemetery personnel should ensure that procedures are in place to keep this from occurring again.

Management Response: DES personnel are in agreement with the findings noted in this report and indicated that they will take corrective action.

REVIEW OF UNIFORM FIREFIGHTERS ABSENCE PROCEDURES

Executive Summary

In this review, the Office of Public Integrity (OPI) examined policies and procedures that pertain to uniform Fire Department employee work absences due to on-duty injuries, off-duty injuries, and extended sick leave usage. The results of the review indicate that, in general, Rochester Fire Department (RFD) personnel comply with established RFD policies and procedures and that the vast majority of RFD members do not take an excessive amount of sick leave due to off-duty injuries or illnesses. However, we noted the following findings that require management attention to ensure maximum efficiency of City resources and to maximize staff attendance.

- The department's internal application for additional employment does not include a provision for discontinuance of additional employment while on limited duty or sick leave.

- Recommendation

We recommend that, in the new labor agreement, Fire Department management address issues related to additional employment while on sick leave or limited duty. Any changes in this policy should be included on the Fire Department's Additional Employment Application.

- Fire Department administration does not have a process for performing follow-up reviews of applicants that have excessive medical absences, for consideration of discontinuance of the employee's outside employment approval. In addition, outside employment requests are not renewed subsequent to initial approval.

- Recommendation

We recommend that Fire Department administration consider revising this policy to include a process for following-up on members that have exhibited excessive work absences to determine if the employee's

additional employment further adds to the employee's poor state of health and would further impair the employee from performing their firefighter's job duties.

Additionally, we recommend that Fire Department administration review and renew all requests for additional employment annually.

- There are insufficient categories on the City's contractual medical provider evaluation forms pertaining to specific physical restrictions that may further aggravate or hinder an employee's ability to return to work in a timely manner.

- Recommendation

We recommend that the Fire Department request OEM to revise their medical evaluation forms to include physical restrictions.

- There are insufficient categories on the Fire Department's Weekly Update Medical questionnaire pertaining to specific physical restrictions which may further aggravate or hinder an employee's ability to return to work in a timely manner.

- Recommendation

We recommend that the Fire Department update the Weekly Update Medical questionnaire to include a category for physical restrictions. Additionally, we recommend that the Weekly Update form include a category for off-duty injuries indicating if the injury resulted from outside employment.

- The Fire Department does not utilize the City's payroll system to record sick absences or absences due to off-duty injuries.

- Recommendation

We recommend that the Fire Department report all absences on the City's payroll system.

Management Response: Fire personnel are in agreement with the findings noted in this report and indicated that they will take corrective action.

MAPLEWOOD BRANCH LIBRARY

Executive Summary

In this review the Office of Public Integrity (OPI) examined accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City and Library cash handling policies at the Maplewood 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 branch'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. Library policy requires that library personnel follow these procedures.

- Recommendation

Library personnel should comply with Library policy and utilize receipts as the method to record cash collections for lost items and processing fees. Additionally, management should remind branch 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 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 58 of the 303 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.

- OPI noted several instances in which library staff did not properly document fee waivers. Library policy requires that staff properly document all fee waivers.

- Recommendation

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

- 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 101 of the 200 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: Library personnel are in agreement with the findings noted in this report and indicated that they will take corrective action.

EAST END GARAGE

Executive Summary

In this review the Office of Public Integrity (OPI) examined records and internal control procedures at the East End 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 a total of 64 key cards that were active in the ELEMENT system that allows access to the garage but not active in the PARIS billing system. As a result, patrons with these cards have the ability to gain access to the garage without incurring a charge.

- Recommendation

We recommend that the Bureau of Parking exercise care and diligence to ensure that customer information is up-to-date and that every patron that is issued a key card is entered into the PARIS system for billing. Additionally, Parking should periodically complete a reconciliation of keycard payments to active keycards in use to verify the validity of keycards that are activated.

- OPI noted that a substantial receivable balance is delinquent over 90 days. Parking management should regularly analyze receivable balances to determine delinquent and uncollectible accounts.

- Recommendation

We recommend that the Bureau of Parking review existing outstanding accounts receivables and write-off account balances deemed as uncollectable.

- OPI analyzed daily spitter tickets issued at the garage for two days in the test period. We noted over half of the spitter tickets issued had portions of the ticket that did not print dark enough to be legible. Without clearly legible information on these tickets, it is difficult to ensure customers pay the correct fees and, the customer service representatives collect and/or report the correct fees.

- Recommendation

Parking management should identify the cause of the illegible stamps on spitter tickets and correct it.

- For the 2 days that we analyzed spitter tickets, we noted the exit verifiers calculated the incorrect fee for 27 of the 516 tickets examined. This is an error rate 5.2%.

- Recommendation

The Bureau of Parking personnel should investigate the causes of these discrepancies and correct them.

- OPI noted that agreements for reduced parking rates and reserved parking negatively affect garage revenue.

- Recommendation

City management should be aware of the impact that these agreements have on garage revenue and take this into account when negotiating future agreements.

Management Response: Parking personnel are in agreement with the findings noted in this report and indicated that they will take corrective action.

BUREAU OF PARKING UNANNOUNCED CASH COUNT

Executive Summary

On June 24, 2015, the Office of Public Integrity (OPI) performed a surprise cash count at the Bureau of Parking, located at 80 Commercial Street. We arrived unannounced and counted all of the money located at the facility at the time of our visit. The objectives of the count are to determine the accountability of cash balances on hand and compliance with the City's Cash Collection Policies. The results of this unannounced cash count indicates that Parking personnel are complying with the City's Cash Collection Policies.

DES HEMLOCK OPERATIONS CENTER STOCKROOM INVENTORY

Executive Summary

The Office of Public Integrity (OPI) observed the physical inventory of the Bureau of Water, Hemlock Operations Center stockroom on September 17, 2015. This was the second physical inventory that Bureau of Water personnel have conducted on this stockroom. The results of the inventory indicate that the Bureau of Water maintains adequate inventory control.

- OPI noted variances in 1.2% of our sample selection of stockroom inventory items indicative of differences between the physical counts and the quantities recorded in the perpetual records. In the previous inventory we noted a variance of 2.2%.

- Recommendation

Management should continue to make inventory control a priority.

Management Response: DES personnel are in agreement with the recommendation noted in this report and indicated that they will continue to make inventory control a priority.

DES BUILDING SERVICES INVENTORY

Executive Summary

The Office of Public Integrity (OPI) observed the annual physical inventory of the Bureau of Operations and Parks, Building Services Division stockroom on June 3, 2016. The results of the review indicate that Building Services maintains adequate inventory control.

- The Office of Public Integrity did not note any variances in our 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% variance in this stockroom.

- Recommendation

Building Services should continue to make inventory control a priority.

Management Response: DES personnel are in agreement with the recommendation noted in this report and indicated that they will continue to make inventory control a priority.

DES BUREAU OF WATER INVENTORY

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 24, 2015. 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 adequate inventory control.

- OPI did not note any variances in our sample selection of water stockroom inventory items indicative of the differences between the physical counts and the quantities recorded in the perpetual records. In the previous inventory we also did not note any variances in this stockroom.

- 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 0.4%.
- 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 an error rate of 0.05%.
- OPI did not note any variances in the DES, Cemeteries inventory items. We also did not note any variances during the previous inventory.

- Recommendation

Bureau of Water management should continue to make inventory control a priority.

Management Response: DES personnel are in agreement with the recommendation noted in this report and indicated that they will continue to make inventory control a priority.

DES EQUIPMENT SERVICES INVENTORY

Executive Summary

The Office of Public Integrity (OPI) observed the annual physical inventory of the Department of Environmental Services, Bureau of Operations and Parks, Equipment Services Division auto parts stockrooms on March 19, 2016. The results of the inventory indicate that Equipment Services maintains adequate inventory control.

- The Office of Public Integrity noted variances in 1.5% 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 2.8% 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. The last time that OPI evaluated this area as a separate stockroom was in 2013. At that time we also did not note any variances in this stockroom.
- The Office of Public Integrity noted variances in 2.7% of the machine shop stockroom inventory indicative of differences between the physical counts and

the quantities recorded in the perpetual records. The last time that OPI evaluated this area as a separate stockroom was in 2013. At that time we noted a 1.6% variance rate in this stockroom.

- Recommendation

Equipment Services management should continue to make inventory control a priority.

Management Response: DES personnel are in agreement with the recommendation noted in this report and indicated that they will continue to make inventory control a priority.

DES/DRYS EMPLOYEE FIELD CHECKS

Executive Summary

In this review, we verified the presence of employees at their assigned job locations and determined that the departmental units properly authorize and correctly account for employee absences. The results of this review established general compliance with these guidelines.

PUBLIC MARKET CASH HANDLING

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. We accounted for all reported cash receipts within the test period. Additionally, the results of this review indicate adequate internal control procedures over the Market's operations and, in general, compliance with City cash handling policies. We did not note any material or significant findings during this review.

REVIEW OF RPD PROPERTY CLERK OFFICE CASH LOTS

Executive Summary

The Office of Public Integrity (OPI) examined cash handling procedures, accountability for cash lots, and compliance with City and Police Department policies in the Police Department Property Clerk Office. The results of the review indicate that, in general, Property Clerk personnel comply with established policies and procedures. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policies.

- Public Integrity completed an inventory of all cash lots on hand in the Property Clerk safe on January 12, 2016 and observed 1,767 Property Clerk cash lots totaling \$259,302. During the last inventory taken on April 1, 2009, we noted 1,211 cash lots on hand in the Property Clerk safe totaling \$167,828. Accordingly, the number of Property Clerk cash lots and the corresponding dollar value has increased significantly since 2009.
- Property Clerk perpetual inventory system records (BEAST system) contains some inaccuracies.
 - a) We noted 18 cash lots that were physically present in the Property Clerk's Office but were not correctly coded as cash on the system. As a result, these items did not appear as cash on the automated inventory system.
 - b) OPI noted eight cash lots in the perpetual inventory records that were not physically present in the Property Clerk's Office.
 - 1) Property Clerk personnel previously deposited four of these lots in the bank but did not record the deposits in the system.
 - 2) Two lots had cash that were contaminated by drugs and were slated for destruction, but BEAST showed these lots as still being stored with the Property Clerk.
 - 3) One lot contained two halves of ripped currency from different bills. These bills were not valid currency and were destroyed on 12/16/15 but Property Clerk personnel did not update this disposition on the automated inventory system.
 - 4) One cash lot was a duplicate entry made in error.
 - c) OPI noted 36 cash lots that were found in a location that did not agree with the location listed on the inventory system.

- Recommendation

RPD should ensure that Property Clerk personnel make the necessary changes in BEAST to the cash lot inaccuracies identified by OPI. Per conversation with the Property Clerk Manager, these changes have already been made.

- Between October 1, 2015 and December 31, 2015, the Property Clerk's Office issued 6,369 Property Custody Report (PCR) lot numbers. We noted 14 lot numbers that did not appear in the numerical sequence of lot numbers issued by the Property Clerk. These lot numbers were not used or associated with any property and were most likely skipped due to keying errors by Property Clerk staff.

- Recommendation

Property Clerk personnel should exercise care and diligence when inputting information into the BEAST system.

- OPI noted that RPD Administrative Order A-23 is out of date. This Administrative Order requires the Property Clerk's Office to request the return of cash to an owner through a claim voucher. However, the City no longer uses claim vouchers to process cash returns. Rather, to return cash to an owner, the Property Clerk initiates a direct pay request in MUNIS.

- Recommendation

We recommend that RPD update Administrative Order A-23 to reflect the current procedures used to return cash to its owner.

- The results of this review indicate that Property Management has not deposited all cash held in their safe that policy permits them to deposit. However, the review also indicates improvement in depositing cash lots since the last review of this area.

- Recommendation

We recommend the Property Clerk Unit adhere to Administrative Order A-23 and deposit all cash allowable per that Order.

Management Response: RPD personnel are in agreement with the findings noted in this report and indicated that they will take corrective action.

REVIEW OF SELECTED PETTY CASH FUNDS

Executive Summary

In this review, we assessed the adequacy of petty cash procedures used by selected custodians and determined the extent of compliance with approved City policy. The Office of Public Integrity (OPI) selected 10 of the 76 authorized petty cash funds for detail testing. We selected the sample from funds within various City departments. This review established general compliance with petty cash guidelines. However, we noted the following finding that requires management attention to improve compliance with City policy.

- We noted one occurrence in the Department of Environmental Services (DES), Riverside Cemetery fund of a purchase that exceeded the \$40.00 petty cash limitation.

- Recommendation

All custodians should comply with Petty Cash Policy and limit purchase amounts to the maximum permitted by the policy.

Management Response: DES personnel are in agreement with the finding noted in this report and indicated that they will take corrective action.

DRYS BUREAU OF RECREATION PAYROLL REVIEW

Executive Summary

The Office of Public Integrity examined the adequacy of the procedures used to account for employee paid duty hours, the effectiveness of internal control in the payroll process, and compliance with approved policies and practices for employees in the Department of Recreation and Youth Services, Bureau of Recreation.

The results of the review indicate that payroll records and the corresponding system of internal controls over employees' reported time are generally reliable. However, certain deficiencies exist that require management attention.

- Of the 348 Human Resource System (HRS) cards examined, Recreation personnel could not provide OPI with 117 corresponding Recreation Integrated Time Cards. Bureau of Recreation policy requires that employees complete these internal time cards. As a result, supporting documentation does not exist for these employees' time reported on HRS cards.
- Of the 230 internal time cards examined, OPI noted that 37 did not agree to the HRS time cards. Additionally, we noted missing information and signatures on 44 internal time cards.

- Recommendation

Management should follow Bureau policy and ensure that all required employees complete internal time cards. Additionally, to minimize clerical errors, employees should exercise care and diligence when completing these time cards.

- The Office of Public Integrity noted 28 of the 348 HRS time cards examined had unauthorized alterations that changed previously recorded information on the time cards. This condition potentially allows unauthorized and improper alterations of previously recorded and approved information.

- Recommendation

All changes to the HRS time cards should be initialed by the employee's immediate supervisor.

Management Response: DRYS personnel are in agreement with the findings noted in this report and indicated that they will take corrective action.

REVIEW OF THE POLICE DEPARTMENT MAJOR CONFIDENTIAL FUND

Executive Summary

The Police Department Special Investigation Section (SIS) maintains the Major Confidential Fund to aid in departmental investigations. The current fiscal year appropriation for the fund is \$225,100.

This review included an unannounced visit to SIS on May 10, 2016 by the Office of Public Integrity (OPI). OPI conducted a surprise count of cash on hand in the SIS office safe and at locations of authorized sub-funds. We also examined related records and internal control procedures over fund use. Police Administrative Order A-29 and the City's Cash Collection Policies served as the standards to evaluate compliance. The results of this review indicate that Police Department personnel appear to follow established procedures and have implemented recommendations made in prior reports. Additionally, we accounted for all cash.

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

Following are the results of the FY 2016 OPI Customer Satisfaction Surveys:

Average Scores - FY 2016 Audits

Section 1: Specific Audit Questions

Survey Questions	Average Scores
1. Pre-audit notification to you of audit purpose and scope.	4.78
2. Feedback auditors provided to you on emerging issues during the audit.	4.78
3. Professionalism of auditors.	4.89
4. Objectivity of auditors.	4.67
5. Duration of the audit.	4.78
6. Opportunity given to discuss findings in the audit report.	4.89
7. Accuracy of the audit findings.	4.67
8. Practicability of implementing audit recommendations.	4.88
9. Usefulness of the audit in improving business process and controls.	4.56

Number of audits included: 10

Number of surveys sent to auditees by OPI: 36

Number of completed surveys returned to OPI: 9

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 2015 -16 OPI received the following:

Hotline/phone	15
Walk-in	6
E-mail	14
USPS mail	3
Referrals	1

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 received 39 complaints which led to the opening of 21 investigations. The investigations addressed allegations of the following misconduct:

- Misuse of City Resources
- Unfair Treatment
- Grant Fraud
- Falsification of Business Records
- Favoritism
- Contract Fraud
- Irregular Bidding Practices
- Overtime Abuse
- Violation of Residency Requirement

The completed investigations resulted in the following dispositions:

Sustained	3
Unfounded	3
Not Provable	1
Exonerated	0
Office	1
Referral	10

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 15 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 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 or surface mail to: Office of Public Integrity, 85 Allen Street, Suite 100, Rochester, New York, 14608.