City Auditor's Office

Administrative Regulations Audit

Report Issued: December 28, 2020

Audit Report No. 20-05

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Auditor: Jessica Pautz, MBA

TO: Mayor Coviello and Council Members

FROM: Andrea R. Russell, City Auditor

DATE: December 28, 2020

SUBJECT: Administrative Regulations Audit

The City Auditor's Office completed the audit of Administrative Regulations. The audit was conducted in conformance with Generally Accepted Government Auditing Standards by the authority granted through City Ordinances 28-02 and 79-10.

We would like to express our sincere appreciation to City management and staff for the courtesy, cooperation and proactive attitude extended to the team members during the audit. If you have any questions or comments regarding this audit, please contact Andrea Russell at 242-3380 or Jessica Pautz at 242-3382.

C: Rob Hernandez, City Manager
   Connie Barron, Assistant City Manager
   Dolores Menendez, City Attorney
   Kimberly Bruns, City Clerk
   Lisa Sonego, Human Resources Director
   Jay Murphy, CT Business Manager
   Audit Committee

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EXECUTIVE SUMMARY

The City Auditor's Office conducted an audit of the Administrative Regulations (ARs) process. This audit is not included in the City Auditor's FY20 approved audit plan; however, we identified the need for an audit as a result of several recommendations made as part of recently completed audits.

Based on the test work performed and the audit recommendations noted below, we concluded that controls over the AR process need improvements in order to ensure ARs are relevant, communicated to appropriate parties and monitored regularly. It is important to note that prior to the start of the audit in September 2020, the City Manager's Office recognized a need to review the AR process and as a result began the evaluation and redesign of the overall process. In October of 2020, a draft procedure was published for feedback.

For details on the findings and recommendations regarding the areas noted above, see Findings and Recommendations. While we noted a lack of controls in some areas (policies and procedures and monitoring procedures), no material control deficiencies were noted.

BACKGROUND

The City Manager's Office oversees the AR process which supports Ordinance 2-25.1 that states: "To establish rules and regulations concerning employment matters in the city so as to ensure matters are handled in a uniform, efficient, and effective manner." Each individual AR defines its specific purpose, scope, policy, pertinent definitions, and outlines the effective and review dates. Currently, there are 66 ARs that employees in all departments must adhere to. These ARs date back as far as 1992.

Development of ARs are the responsibility of Department Directors to which they apply. For existing ARs, directors review and update as needed. All new ARs and updates are circulated to City Directors and Unions for review and feedback. The Unions are allowed input per the collective bargaining agreement. Once all feedback is considered and the City Manager's Office review is completed, the AR is finalized and signed by the City Manager and the appropriate Director.

AUDIT OBJECTIVES

The audit objective was:

- To determine if controls over Administrative Regulations are in place and operating to ensure that they align with current practices, policies, and regulations and are monitored appropriately.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

FINDING 2020-01: Administrative Regulations Process Needs Improvement
Rank: High

Administrative Regulations (ARs) provide required guidance on conduct and performance to City employees and are overseen by the City Manager's (CM's) Office. Currently, there are 66 active ARs. Department Directors are responsible for creating and updating ARs that pertain to their department. When a Director needs to create or update an AR, they coordinate with the CM's Office. The CM's Office circulates the AR to Directors for review and feedback. Human Resources (HR) circulates the AR for review and feedback with the Unions. Responses are compiled by the CM's Office, then forwarded to the Director who is responsible for the AR. The Director considers the responses and finalizes the AR. Once a final version is complete, it is forwarded to the CM's office for official release and circulation.

The AR process is outdated. Although there are ARs that date back to 1992, there is no evidence that the process has been reviewed or updated on a regular basis. Guidance available on the City's SharePoint site is minimal and not clearly defined. Concise definitions, roles and responsibilities would assist in a more efficient process for administering the ARs. For example, there is confusion between what information should be included in an AR versus a departmental Standard Operating Procedure (SOP). Parts of the process are not documented at all, such as the process to follow for AR updates, regular reviews of active ARs, or discontinuation of an AR if it is no longer applicable or valid.

Monitoring

There are several types of monitoring of ARs that should be performed. The first is to review to ensure the AR is still valid, including if it is in the correct format. This should be performed on a regular basis. The second is to monitor compliance with terms of the AR, such as CDL licensing requirements. The third is to monitor compliance with federal, state and local laws and regulations, and finally, training on ARs, when necessary, should be formally tracked.

As part of our testing we noted that 39 of the 66 (59%) ARs did not have a review date on the template. The template has changed over the years to include a review date; however, based on our results, it is clear the changes were not formally communicated or enforced. The table below outlines the frequency of AR reviews:

Years since AR was last reviewed	# of ARs	% of Population
5 or less	34	51%
6 - 10	12	18%
11 - 15	9	14%
16 - 20	5	8%
20+	6	9%
Total ARs	66	100%

27 of the 66 ARs (41%) utilized the updated format which includes a "Review Date" field on the template. Of the 27, 16 had a review date that had passed, and no review was completed.

Seven of the 66 ARs enacted from 2006 to the present were sampled to review the overall process in detail. At the time of the audit, circulation for review and feedback to Directors, City Attorney's Office, and Unions was completed through email; however, five of the seven ARs were revised prior to the current individual taking the position that monitors the distribution. Because of this, we could not attest to the process for review and we were not able to obtain any evidence of circulation for comment. In addition, once the AR was published, the City could not provide support to demonstrate that training if needed occurred, or evidence of employee acknowledgement with these seven ARs. A lack of review by the City Attorney's Office and the Unions, could result in legal action against the City. In addition, a lack of training of AR requirements or employee acknowledgment can result in inconsistent or incorrect processes that can be difficult to enforce and lead to possible legal action.

We also reviewed the seven ARs for compliance with requirements specific to the selected AR. For example, AR No. 2 Use of Vehicles by City Employees, has a requirement for Risk Management to verify Commercial Driver's License status for applicable drivers. Based on inquiry of Risk Management, we were informed of the process in place. See table for test results.

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AR #	AR Title	AR requirement reviewed	Department Monitoring (Y/N)
2	Use of Vehicles by City Employees	Risk Management shall, at a minimum, complete a documented Clearinghouse query for all employees that require a CDL on a bi-annual basis.	Y
13	Issuance/ Accountability of Keys	Key(s) need to be returned immediately upon leaving the City, or an organization related to the City, and any key not returned after 30 days of leaving or completing contract, will result in a loss of the deposit.	Y*
50	Catastrophe Response - Damage Evaluations and Repair	During the month of April of each year, Risk management will photograph and/or video all City owned property for the purpose of documenting existing conditions of said property in the event of subsequent damages.	N
53	Swipe Cards	Monitoring of new photos every five years.	Y*
55	Unnecessary Idling of City Vehicles	Monitoring of idling (necessary vs. unnecessary)	N
65	Dependent Documentation for Insurance Coverage	How are dependents verified annually to ensure that ineligible dependents are not being covered.	Y
68	Investment Advisory Committee	The Investment Advisory Committee shall meet not less than once quarterly.	Y

*Based on experience monitoring is not being completed

We did not test the Department monitoring in place as part of this audit; however, we note from experience for AR No. 13 and AR No. 53, although the Department indicated monitoring was performed, it is not adequate or consistent to ensure compliance with the AR requirements.

Overall, controls over the administration of ARs need improvement. There is no clearly defined process and the guidance available on SharePoint is vague and not formalized. SharePoint also does not have the capabilities to effectively monitor distribution, training on ARs, and employee review and acknowledgement. There is also a lack of monitoring and oversight of the process. Weak controls could result in ARs enacted that do not adhere to current federal, state and local laws and regulations, difficulty in enforcement, violation of Collective Bargaining Agreement terms, and exposure to legal action.

RECOMMENDATIONS:

2020-01a. Develop policies and procedures for the management and publication of Administrative Regulations. These should include clear definitions, roles and responsibilities, process workflow, approvals, review requirements, monitoring, communication and training, if necessary.

2020-01b. Utilize PowerDMS to monitor the administration of ARs including circulation, approvals and denials, record feedback, and employee acknowledgement of ARs.

Management Response and Corrective Action Plan:

2020-01a.   Management concurs with the recommendation. Management had previously identified these concerns before this audit and initiated a program in response. The identified issues align with the audit recommendations and are being addressed accordingly.

An email was published to City Manager Hernandez on September 17, 2020, outlining many of the same concerns identified in the audit. Business Manager Murphy conducted an organizational meeting on October 1, 2020. The meeting, which preceded the Audit Engagement Letter of October 16, 2020, was held with appropriate stakeholders. A timeline of eighteen months was established to complete a comprehensive review of all existing policies.

The comprehensive review includes editing existing policies, determining the policies' appropriate application, and merging two or more similar policies into a single policy. Simultaneously, the need for new guidelines or eliminating policies that are no longer applicable is being considered. As the process progresses, a renumbering of policies will be completed to enhance uniformity. Any need for Standard Operating Procedures relevant to specific employee groups or functions will be undertaken.

As of December 7, 2020, fourteen policies have been edited and reformatted. Nineteen policies that fall within the five-year review are actively under review, with minor changes anticipated. Nine of the remaining thirty policies are being reviewed by the appropriate subject matter experts. Two new policies have been prepared, and six policies are recommended for deletion. The review will be ongoing until all aspects are accomplished, and all changes or other actions are approved by the City Manager or designee.
2020-01a. Responsible Person: Assistant City Manager
2020-01a. Anticipated Completion Date: March 31, 2021

2020-01b.   Management concurs with the recommendation. City staff identified this as a need earlier in 2020. An evaluation committee comprised of subject matter experts reviewed several alternatives and selected PowerDMS. It was determined that the Fire Department's subscription could accommodate the City's needs, and PowerDMS has since been reconfigured and is available when a sufficient number of approved policies are approved for publication.

Upon publication, the concerns surrounding circulation, approvals and denials, record feedback, and employee acknowledgment of ARs will be resolved with the utilization of PowerDMS. All ARs will be ready to import into PowerDMS by the anticipated completion date.
2020-01b. Responsible Person: Assistant City Manager
2020-01b. **Anticipated Completion Date:** June 30, 2022

SCOPE AND METHODOLOGY

Based on the work performed during the planning and the assessment of risk, the audit covers Administrative Regulations that were effective from October 1, 2018 to September 30, 2020. Testing was performed using the City Ordinance, Administrative Regulations, and procedures pertaining to the AR process in place during the scope.

Original records as well as copies were used as evidence and verified through physical examination. Sample size and selection were based on the CAO Sample Methodology. All ARs on the City's SharePoint were tested to determine if controls are in place to support the AR review process.

To determine whether internal controls were in place for the overall AR process including accuracy and relevance, we reviewed the City's written policies and procedures and interviewed staff to gain an understanding of the process. We selected a judgmental sample of ARs to verify policies for each AR were followed.

To achieve the audit objective, we relied on the City's SharePoint system, which was deemed reliable. SharePoint serves as an information management tool for all departments to upload information as a document repository. The City Auditor's Office also utilizes SharePoint to communicate the status of findings and recommendations internally with City departments.

APPENDIX A

Finding Classification

Findings are grouped into one of three classifications: High, Medium or Low. Those findings that are categorized as low are not included in the report but rather are communicated separately to management. Classifications prioritize the findings for management to address and also indicate the level of testing required to determine if a finding's Corrective Action Plan is fully implemented in accordance with recommendations and Management's Response.

High: A finding that is ranked as "High" will have a significant impact on the organization. It is one that *prevents* the achievement of a substantial part of significant goals or objectives, or noncompliance with federal, state or local laws, regulations, statutes or ordinances. Any exposure to loss or financial impact for a High finding is considered *material*. Examples include direct violation of City or Department policy, blatant deviation from established policy and procedure, such as actions taken to circumvent controls in place, material non-compliance with federal, state or local laws, regulations, statutes or ordinances, or an area where significant cost savings could be realized by the Department or the City through more efficient operations.

High findings require immediate management attention and should take management's priority when considering implementation for corrective action.

Medium: A "Medium" finding is one that *hinders* the accomplishment of a significant goal or objective or non-compliance with federal, state or local laws, regulations, statutes or ordinances, but can't be considered as preventing the accomplishment of the goal or objective or compliance with federal, state or local laws, regulations, statutes or ordinances. Exposure to loss or potential or actual financial impact is *significant but not material* to the Department or City. Examples include lack of monitoring of certain reports, insufficient policies and procedures, procedure in place or lack of procedure that can result in *potential* noncompliance with laws and or regulations.

Medium findings require management attention within a time frame that is agreed upon by the Department and the City Auditor. Priority for implementation of management's corrective action should be considered in light of other High or Low findings.

Low: A "Low" finding is one that warrants communication to management but is one that isn't considered as hindering the accomplishment of a significant goal or objective and isn't causing noncompliance with federal, state or local laws, regulations, statutes or ordinances. Financial impact or risk of loss is minimal to none; however, low findings can *hinder the effectiveness or quality of department operations and thus are communicated to management separately. Low ranked findings are not included in the final audit report.*

The City Auditor's Office will not follow up on the status of Low findings communicated to Management.