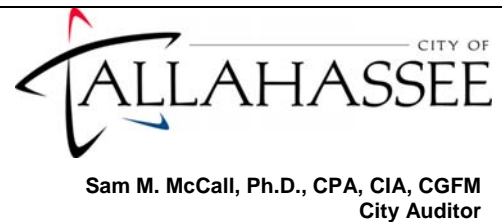


Final Audit Follow-Up

As of September 30, 2009



City's Ethics Program (Report #0912, Issued April 9, 2009)

Report #1004

December 16, 2009

Summary

This is the first and final follow-up on the action plan steps originating from the audit of the City's Ethics Program (report #0912) issued on April 9, 2009. The City Attorney, City Treasurer-Clerk, and the Department of Management and Administration's Human Resources Division worked together to complete the outstanding action plan steps identified in the audit as of September 30, 2009.

Our original audit of the City's ethics program was conducted to 1) assess and evaluate the design, implementation, and effectiveness of the City's ethics program and activities; and 2) provide recommendations for improving the governance process of promoting appropriate ethics and values.

Our assessment of the design and implementation of the City's ethics program indicated that the program includes many of the components recommended for a strong ethics and compliance program, including a code of ethics, oversight of and compliance for ethical behavior, training, reporting of violations, employees' annual review of the code of ethics and critical policies, and transparency and accountability regarding the use of public funds.

We also conducted a survey of City employees to assess the effectiveness of the ethics program. The survey indicated that of the 643 responses (43% response rate):

- 94% of the respondents were familiar with the City's Code of Ethics.
- 86% of respondents knew how to report unethical behavior.
- 83% of respondents had participated as a City employee in a training course that included ethics awareness.
- 80% of respondents knew where to get help regarding ethical concerns at the City.

We provided the two recommendations during the audit to address identified issues and enhance the ethics program. One action plan step, related to enhancing communications with employees regarding ethical reporting and information, was completed before the original audit report was issued. The second action plan step, completed during this follow-up period, involved the Treasurer-Clerk's Office, City Attorney's Office, and Human Resources Division working together to formalize the City's financial disclosure process and develop procedures to provide assurance that all applicable individuals meeting the reporting criteria are made aware of Florida's financial disclosure laws and rules and individual reporting responsibilities.

We appreciate the full cooperation provided during this audit follow-up by staff in the Treasurer-Clerk's Office, City Attorney's Office, and Department of Management and Administration's Human Resources Division.

Scope, Objectives, and Methodology

We conducted the original audit and this subsequent follow-up audit in accordance with the International Standards for the Professional Practice of Internal Auditing and 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.

Original Report #0912

The scope of the original audit was to meet the requirements of the International Standards for the Professional Practice of Internal Auditing by assessing and evaluating the design, implementation, and effectiveness of the City's ethics program and

activities; and providing recommendations for improving the governance process in its accomplishment of promoting appropriate ethics and values.

Report #1004

This is our first and final follow-up on action plan steps identified in audit report #0912. The purpose of this follow-up is to report on the progress and status in completing all action plan steps as of September 30, 2009. To obtain information we reviewed relevant adopted policies and procedures provided by Human Resources and interviewed key staff in the Treasurer-Clerk's Office.

Background

Recommended Components of an Ethics Program

There are no legal requirements for local governments to have ethics programs, however, having such a program is considered a best practice for local governments. A survey conducted by the Ethics Resource Center ("2007 National Government Ethics Survey®") found that when well-implemented ethics and compliance programs and a strong ethical environment were in place, misconduct was reduced. Recommended components for a strong ethics and compliance program include:

1. Code of Ethics – clear and concise values-based statement that reflects the agency's values and priorities in public service, leadership, and decision-making.
2. Compliance and Oversight – processes to allow investigation of and provide enforcement over unethical behavior.
3. Training – periodic training on ethics and other topics incorporating ethics to public officials and employees.
4. Reporting Violations – ways for employees to anonymously report concerns about fraud, abuse, or questionable practices.
5. Review of Code of Ethics – periodic review of the Code for employees as a reminder of its importance in the organization.
6. Transparency and Accountability – open access to information and explanations for the financial information for the organization and persons responsible for financial activities.

The City's Ethics Program

During the original audit, we reviewed the components of the City's ethics program, consisting of a code of ethics, policies and procedures promoting ethical and prohibiting unethical behaviors, ethics and ethics-related training courses, a fraud hotline for reporting suspected unethical actions, an annual review of the code of ethics and critical policies, transparency and accountability activities, and other promotional activities. We determined that the City's ethics program includes many of the components recommended for a strong ethics and compliance program.

We also conducted a survey in August 2008 of randomly selected full-time employees to assess their perceptions regarding workplace behaviors in the City. Surveys (available in Appendix B of the original audit report) were distributed to 1,492 employees, 52% of the total 2,852 full-time employees in the City as of July 22, 2008. Executive management such as City Commissioners, Appointed Officials, and City Auditor staff were excluded from the population. Our random sample included employees from each of the seven service areas and offices in the City. The overall response rate for the survey was 43% (643 of 1,492). Of the 643 respondents, 31% (199) were supervisors, 68% (436) were non-supervisors, and 1% (8) did not define themselves as either.

Overall, the survey results indicated that the City's ethics program has been effective. Of the 643 respondents:

- 94% (595 of 632) were familiar with the City's Code of Ethics;
- 86% (551 of 638) knew how to report unethical behavior at the City;
- 83% (528 of 637) had participated as a City employee in a training course that included ethics awareness; and
- 80% (504 of 632) knew where to get help regarding ethical concerns.

Previous Conditions and Current Status

In report #0912, we concluded that:

1) The City’s ethics program includes many of the components recommended for a strong ethics and compliance program, including a code of ethics, oversight of and compliance for ethical behavior, training, reporting of violations, employees’ annual review of the code of ethics and critical policies, and transparency and accountability regarding the use of public funds.

2) The survey results overall indicated that the City’s ethics program has been effective.

3) There were two areas where the City’s ethics program could be enhanced. We provided two recommendations to:

- Improve communications with employees; and
- Improve the current process used to identify and notify applicable individuals of financial disclosure reporting responsibilities.

Management identified two action plan steps to address the recommendations provided in the audit report to enhance their operations. One step was completed prior to the issuance of the original audit report and the remaining step was completed during the follow-up period. Table 1 provides a summary of both action plan steps taken by management.

**Table 1
Action Plan Steps from Report #0912
Due as of September 30, 2009, and Current Status**

Action Plan Steps Due As of September 30, 2009	Current Status
<i>To enhance the City’s ethics program by improving communications with employees</i>	
<ul style="list-style-type: none"> • Human Resources Division to encourage and remind managers and supervisors to periodically: <ul style="list-style-type: none"> - Review with employees how they can get assistance regarding ethical concerns. - Discuss ethical and unethical behaviors and issues at staff meetings. - Encourage and support reporting of unethical behaviors and discourage retaliation of those that do report violations. 	<p>✓ Completed April 3, 2009 (prior to the release of the audit report). Additional guidance was provided in the annual review of critical policies to 1) remind managers and supervisors to inform employees on how they can get assistance regarding ethical concerns; 2) discuss examples of ethical and unethical behavior; and 3) encourage reporting of unethical behaviors and discourage retaliation of those that do report violations.</p>
<i>To ensure that the individuals working in the City or serving on City Boards comply with the State’s ethics laws and rules</i>	
<ul style="list-style-type: none"> • Treasurer Clerk’s Office, City Manager’s Office, the City Attorney’s Office, and any other applicable department work together to develop and implement a process to periodically review the listing for completeness and appropriateness, or for departments to notify the Treasurer-Clerk of changes in positions, i.e., persons hired or terminated, or responsibilities changing, etc. so that the list can be updated accordingly. 	<p>✓ Completed. Human Resources Policy 706.06, “Working Conditions,” was revised and a process was implemented and responsibilities assigned for who maintains the listing, reviews the listing for accuracy, and who should submit financial disclosure reports to comply with Florida Statute Section 112.3145(1)(a). The policy included those positions meeting the FS criteria for financial disclosure reporting.</p> <p><u>Audit Comment:</u> As of October 1, 2009, two key staff, one in Human Resources and one in Treasurer-Clerk’s Office, responsible for monitoring and maintaining the listing of who must file financial disclosures retired from the City. The Treasurer-Clerk has assigned these duties to another staff member.</p>

	We recommend that management in Human Resources also assign these duties in order to ensure that employees in positions meeting the financial disclosure requirements are properly identified.
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Table Legend:

- Issue addressed in the original audit
- ✓ Completed

Conclusion

As described in Table 1, Human Resources, the City Attorney’s Office, and City Treasurer-Clerk’s Office completed both action plan steps due as of September 30, 2009, one before the original audit report was released and one during the follow-up period.

There has been some recent staff turnover in both the City Treasurer-Clerk and Human Resources Division requiring that the financial disclosure duties be reassigned. The Treasurer-Clerk has reassigned those responsibilities. We recommend that the Human Resources Manager also reassign those duties to ensure that employees in positions meeting the financial disclosure requirements are properly identified.

We appreciate the full cooperation provided during this audit follow-up by staff in the Treasurer-Clerk’s Office, City Attorney’s Office, and Department of Management and Administration’s Human Resources Division.

Appointed Officials’ Response

City Manager:

We are pleased that the City Auditor's report on the City's ethics program indicates that our organizational focus on ethics has provided positive results for the organization. The City Auditor and his staff are to be commended for taking on the task of reviewing the City's ethics program and policies, which contain many of the components of the best practices and industry standards. I would again like to thank the City Auditor and staff for their work on this audit.

City Attorney:

It was a pleasure to work with the City Auditor's Office, City Treasurer-Clerk's Office, Human Resources Division, and City Manager's Office to develop the scope of this review and to implement its recommendations. The City's ethics program, including the enhancements recommended and now implemented, can well serve as a model for other local governments.

City Treasurer-Clerk:

We appreciate the professional work conducted by the City Auditor and his staff. We recognize the importance of ethics to the operation of the government and we are pleased with the Auditor's finding that the City's ethics program is strong and effective. As demonstrated by our response to recommendations made in the report, we are pleased to partner with the other appointed officials in support of the City's ethics program.

Copies of this audit follow-up #1004 or audit report #0911 may be obtained from the City Auditor’s website (<http://www.talgov.com/auditing/auditreports.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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