

**Post-Audit Review 18-03:
Control Environment**

October 2019

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

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OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

October 14, 2019

To: Mayor Andy Berke
City Council Members

Subject: Post-Audit Review of Control Environment (Report #18-03)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2018 Control Environment report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded the City's Internal Control Manual addresses all five of the specific principles related to the control environment. However, we found areas for improvement related to internal control, ethics, policies, procedures and performance evaluations.

The audit had 7 recommendations of specific opportunities to enhance the control environment. At the time of this Post-Audit Review, five recommendations were not implemented, one was partially implemented, and one was implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: **Audit Committee Members**
 Stacy Richardson, Chief of Staff
 Maura Sullivan, Chief Operating Officer
 Daisy Madison, Chief Financial Officer
 Beverly Moultrie, Chief Human Resources Officer
 Jim Arnette, TN Local Government Audit

RECOMMENDATIONS NOT IMPLEMENTED (5)

Recommendation	Actions Taken
<p>1 We recommended city administration collaborate to develop employee training on internal control, as well as provide access to the internal control manual. The training should include the annual updates made to the manual.</p>	<p>Human Resources advised they are currently working with Finance & Administration to provide employee training on internal control.</p>
<p>2 We recommended city administration provide annual ethics training for all employees, including ethical decision-making with scenarios that employees might encounter in their jobs. All levels of management must ensure employee concerns are welcomed and properly addressed. When improper activity is identified, management must set an example by demonstrating commitment to high ethical standards. Actions should be clear and sufficient to demonstrate inappropriate activity will not be tolerated. The annual training requirement should be included in the next revision of the Employee Information Guide (EIG).</p>	<p>Ethics training is provided by the Office of the City Attorney and Human Resources during the new hire orientations held every two weeks. There have been two revisions to the Employee Information Guide (EIG) since our audit report was issued. Neither included the recommended training requirement. Human Resources advised they will include annual ethics training in the next EIG review discussions.</p>
<p>3 We recommended city administration coordinate regular departmental training on relevant policies and procedures. Also, there should be an annual review of policies and procedures at all management levels within each department.</p>	<p>Human Resources (HR) has implemented various training, including EIG training on policies and procedures. HR advised they are collaborating with departments to conduct the annual review of policies and procedures.</p>
<p>5 We recommended city administration develop a workforce succession plan.</p>	<p>Human Resources advised they have begun implementing the components to support talent management and succession planning, including performance management, career development and coaching</p>
<p>6 We recommended city administration develop a program, policies and procedures to monitor and manage excessive job pressure and workplace stress. Additionally, as part of the formal performance review program, excessive job pressure and workplace stress should be discussed with each employee.</p>	<p>Human Resources advised they are developing programs and education focusing on health and wellness to reduce workforce stress.</p>

RECOMMENDATION PARTIALLY IMPLEMENTED (1)

Recommendation	Actions Taken
4 We recommended city administration redesign the City's Employee Performance Review Program to provide evaluations on an annual basis. The administration should hold managers and supervisors accountable when they fail to conduct annual evaluations of their direct reports. Also, the administration should ensure individuals placed in supervisory positions possess the competency to be managers. Sufficient training should be required for managers to ensure they are knowledgeable of the areas they supervise and have appropriate leadership skills. The next revision of the EIG should include a provision requiring the Human Resources Department ensure an annual evaluation is performed for all employees.	A performance management software system has been acquired that will provide administration and management an automated process to conduct annual evaluations of their direct reports. Leadership development training began in August 2019. City policies will be revised to ensure annual evaluations are performed.

RECOMMENDATIONS FULLY IMPLEMENTED (1)

Recommendation	Actions Taken
7 We recommended finance and administration review and update the Internal Control Manual.	The Department of Finance & Administration updated the Internal Control Manual as of April 15, 2019.

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