GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE CHIEF FINANCIAL OFFICER

OFFICE OF INTEGRITY AND OVERSIGHT

FISCAL YEAR 2015 AUDIT
AND INTEGRITY PLAN

Table of Contents

Abbreviations and Acronyms Used

ACFO	Associate Chief Financial Officer
AIG	Association of Inspectors General
BIDs	Business Improvement Districts
CAFR	Comprehensive Annual Financial Report
CFO	Chief Financial Officer
COTR	Contracting Officer's Technical Representative
DCFO	Deputy Chief Financial Officer
DCLB	DC Lottery and Charitable Games Control Board
DCTAG	DC Tuition Assistance Grant
District	Government of the District of Columbia
DOES	Department of Employment Services
ECOA	Ethics & Compliance Officers Association
FAR	Fraud Alert Report
FY	Fiscal year
GAAP	Generally accepted accounting principles
GSC	Government Services Cluster
HBX	Health Benefit Exchange Authority
HSSC	Human Support Services Cluster
IAD	Internal Audit Division
ITS	Integrated Tax System
ISD	Internal Security Division
MAR	Management Alert Report
MIR	Management Implication Report
NPS	Non-Personal Services
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OFOS	Office of Financial Operations and Systems
OFT	Office of Finance and Treasury
OIG	DC Office of the Inspector General
OIO	Office of Integrity and Oversight
OMA	Office of Management Administration
OMB	Office of Management and Budget
OTR	Office of Tax and Revenue
PILOTs	Payment in Lieu of Taxes
Plan	*Audit and Integrity Plan*
POC	Point of Contact
PSJC	Public Safety and Justice Cluster
QA/IV&V	Quality Assurance/Independent Validation and Verification
RFP	Request for Proposal
SEFA	Schedule of Expenditure of Federal Awards
SOAR	System of Accounting and Reporting
SOP	Standard Operating Procedure
SYEP	Summer Youth Employment Program
TIFs	Tax Incremental Financings
USAO	Office of the United States Attorney

FOREWORD

I am pleased to present the Office of Integrity and Oversight's (OIO's) Fiscal Year 2015 *Audit and Integrity Plan* (*Plan*), which includes ongoing and planned audits, integrity initiatives, and non-audit services. The ongoing and planned audits are designed to provide a reasonable assurance on the adequacy of established policies and procedures, economy and efficiency of operations, and internal controls (including remedial actions to satisfy prudent financial management) for agencies under the purview of the independent Office of the Chief Financial Officer (OCFO).

The Plan addresses investigations of employee misconduct, suitability for employment investigations, ethics and integrity training, the OCFO confidential hotline, proactive integrity surveys and other internal security activities.

We believe that the OIO plan for FY 2015 is adequately focused, with concentration in high-risk and critical areas, and closely align with the OCFO Strategic Plan. We believe OIO's engagements and projects as outlined herein will enhance the integrity and reliability of the Government of the District of Columbia's (District's) financial management and reporting systems. The OIO, though relatively small in size, is staffed with professional, technically skilled, and dedicated auditors and investigators to meet the challenges of assessing, monitoring and improving financial controls and accountability over the years ahead.

I express special thanks to our Chief Financial Officer, Jeff DeWitt, the executive office of the OCFO, Deputy Chief Financial Officers (DCFOs), the Chief Risk Officer, all Associate Chief Financial Officers (ACFOs), and Agency Fiscal Officers for their confidence and support of OIO's work. Finally, I recognize with deep appreciation the professional work of OIO's entire staff and thank them for their continued dedication to the tasks and challenges that lie ahead within the OCFO and the District government at large.

Respectfully,

Mohamad K. Yusuff
Interim Executive Director

September 30, 2014

INTRODUCTION

OIO is pleased to present its FY 2015 *Plan*. The *Plan* includes descriptions of planned audits, investigations of misconduct, proactive integrity surveys, and integrity awareness presentations to be conducted during the coming fiscal year. We selected these projects based on risk assessments of programs and issues; input from the OCFO executive staff, agency officials, and other stakeholders.

On August 5, 2014, the CFO released his *Strategic Plan*, which focuses on seven strategic objectives:

- Improve Customer Service,
- Create a Culture of Continuous Improvement,
- Improve Transparency and Quality of Information,
- Effectively Manage Risk and Fraud,
- Implement Quality Financial Systems,
- Develop, Attract and Retain High Quality Employees, and
- Manage a Fair and Equitable System for the Collection of District Revenues.

As part of our *Plan,* we have incorporated these seven objectives into our on-going and planned projects. Within the description of each of the audit engagements, we included the applicable strategic objective(s). The list of the objectives for each project is not intended to be all inclusive, but we believe highlight the objectives that best align with the overall audit's objectives.

In assessing the risks facing the OCFO and the District, our audit plan has been designed around strategic segments/agencies within the OCFO. These segments/agencies are:

    I.   Office of Tax and Revenue (OTR)
    II.   Office of Finance and Treasury (OFT)
    III.   DC Lottery and Charitable Games Control Board (DCLB)
    IV.   Regulatory Audits
    V.   District-Wide Audit Engagements

Additionally, the *Plan* addresses contract administration, investigations of employee misconduct, suitability for employment investigations, ethics and integrity training, the OCFO confidential hotline, proactive integrity surveys, and other internal security activities.

The listing of a particular audit in the FY 2015 *Plan* does not necessarily mean that problems exist or guarantee that an audit will be undertaken. During the year it is not possible to plan for all of the potential audits that OIO may be requested to perform. For example, the Internal Security Division (ISD) may request the Internal Audit Division (IAD) to conduct testing in support of a specific investigation. The CFO or any of the DCFOs or ACFO's may request an audit be done of an area under their responsibility. Additionally, OIO may receive a request from the City Council, or others, to conduct audits in a specific area of government operations.

To accommodate the special requests and other critical issues, OIO may find it necessary to delay or suspend an audit until the resources are available to start or recommence a project. Should OIO consider the modifications to the plan to be significant, we will modify the *Plan* to reflect the additional requests and changed priorities.

In the section titled "**FY 2015 Audit Plan,**" we have provided a brief outline of the planned audit objectives and a justification for each of the projects selected. We have categorized the audits by strategic segments or agencies. These segments and agencies are not mutually exclusive of other segments or agencies. However, OIO includes the audit project as part of the segment or agency where it anticipates focusing the majority of its activities.

THE AUDIT PROCESS

OIO's audit process includes several integrated steps that assist us in accomplishing our objectives. These include the announcement of the audit (engagement memorandum), an entrance conference, an audit survey and fieldwork stage, an exit conference with the segment or agency officials impacted by the audit results, a reporting process, a resolution process, and audit follow-up process. We provided a brief explanation of each of these processes in the following paragraphs.

Engagement Memorandum

Prior to the start of an audit, OIO generally sends an engagement memorandum to the agency head(s) involved with the project. The memorandum includes the audit title, a project number, an outline of the planned objectives, the period covered by the audit, and the planned starting date. Additionally, the memorandum also explains that OIO will hold an entrance conference to provide the appropriate OCFO managers with information about the audit. In some instances, OIO will not send an engagement memorandum. This is done when the audit is on a surprise basis. In those instances, we will send an engagement memorandum to the impacted OCFO officials after the start of the audit.

Entrance Conference

OIO holds an entrance conference with the OCFO senior managers, whose operations will be audited. At the entrance conference, the auditors will provide detailed explanations of the audit planned objectives, the period of time that will be covered by the audit, the audit methodologies that we may use, and the formal reporting process. If the segment or agency management requested the audit, we discuss management's specific areas of interest or problems they have noted. During this meeting OIO encourages the agency officials to bring to the audit team's attention any concerns, ideas, or special circumstances that may impact the audit. Also, we request that the agency provide us with an official point of contact for the audit (POC). The POC is the individual that OIO will: (1) contact to request audit documentation, to arrange interviews and meetings with segment or agency officials and staff, and (2) to provide briefings on the progress of the audit, findings requiring immediate attention, and other issues that need management's attention.

Survey and Fieldwork

The audit begins with a survey of the program, activity or function that is the subject of the audit. We perform some initial testing, determined by the audit objectives, to discern any areas that we need to focus our audit efforts. Subsequent to the completion of the survey work, we will determine whether a sufficient basis for additional work exists. If such a determination is made, OIO continues its fieldwork focusing on the areas that we determined warrant the additional testing. The bulk of the audit's fieldwork is performed in this phase. We may request additional and more extensive records and documents from the agency. During this execution phase, we perform detailed examinations and testing, based on our objectives, to determine whether (1) the functioning as intended; and (3) that the agency is compliant with the applicable laws and pro-

gram, activity, or function is operating efficiently and effectively; (2) the internal controls are functioning as intended; and (3) that the agency is compliant with the applicable laws and regulations. In this phase, the auditors will develop their findings, recommendations, and audit results that form the basis for the written audit report.

The survey and execution phases require the cooperation of the OCFO officials and staff. The auditors may need OCFO officials and staff to: answer questions; provide us with access to records, documentation, and files; and to prepare data (spreadsheets, flowcharts, documents). OIO will keep in mind that the officials and staff of the OCFO agencies need to carry out their regular functions and workload. OIO auditors will conduct its work in a mutually agreed way that will cause minimal disruption to the agency operations.

Keeping OCFO Officials Informed

During the audit, OIO will keep the agency officials advised of any deficiencies or weaknesses we identify. OIO will, through the POC, keep the officials informed of the progress of the audit, and any issues that require the officials' immediate attention. Officials of the OCFO segment or agencies can expect the following types of formal communication during the audit:

Audit Memoranda. As the audit progresses, we may provide the agency head with interim audit findings and recommendations [such as a Management Alert Report (MAR)] to inform the segment or agency head of matters requiring immediate attention or action, and to obtain informal comments regarding the accuracy or completeness of the findings.

The use of the *Audit Memoranda* serves three distinct purposes:

1. Provides the agency the opportunity to voice concerns about the findings or recommendations and provide additional documentation and information to support its position;
2. Reduces the misunderstandings and inaccuracies between the auditors and the segment or agency officials; and
3. Allows the OCFO agency to initiate corrective action on the weaknesses and deficiencies as they are identified.

Audit Exit Conference. After all the audit test work is completed, OIO conducts a formal exit conference with the agency officials. At the exit conference, we summarize the issues, and findings previously provided to the officials through the agency POC, and any additional findings and recommendations we may have subsequently developed. We provide the agency officials with the opportunity to discuss the corrective actions necessary to initiate the recommendations and resolve the findings. This is done with the audit team present at the exit conference. We will encourage the agency to take immediate action, if possible, on the recommendations. OIO will include the substantiated actions taken on the recommendations in the draft and final audit report.

Draft Audit Report. OIO prepares the draft audit report which includes any comments or concerns raised at the exit conference by the agency officials. OIO sends the draft report to the

agency head responsible for implementation of the recommendations. Usually, we request the agency official to whom the draft report is addressed, to provide us with a written response to the draft document within 10 business days from the date of the draft report. OIO requests that the response to the draft report's recommendations include: the actions taken or planned by the segment or agency, the projected dates for completion of any uncompleted actions. When appropriate, alternative solutions can be proposed by the agency.

Final Report. After receipt of the agency's written response, OIO will analyze the response and consider the impact of any alternative solutions presented by the agency. OIO will summarize the response to the individual recommendations in the body of the report. The segment or agency's full response is included as an appendix to the report. The report is distributed to the CFO, the DCFO/Chief of Staff, Chief Risk Officer, and the agency head, to whom the recommendations are addressed. OIO's final reports are also published on the OCFO's website.

Resolution Process. In the event of a disagreement with the agency officials, OIO will make every reasonable effort to resolve the matter prior to issuing the final audit report. If an agreement is not attainable, the final report will be issued, indicating the agency's disagreement. The agency will be given an opportunity to reconsider its position and provide an additional response to OIO. If the additional response indicates a continuing disagreement with the report's position, the issue will be forwarded to the District's CFO for final disposition.

Audit Follow-up. The agency officials are responsible for taking the corrective actions that they have agreed to in their responses to individual audit reports. OIO monitors progress in the implementation of the audit recommendations and related corrective actions. Periodically, OIO will conduct follow-up audits to verify that the agreed upon corrective actions have been taken and the recommendations implemented and effective in correcting the cause of the finding in the report.

ADDITIONAL AUDIT-RELATED PRODUCTS

In addition to the draft and final audit reports prepared by OIO, we have instituted several special purpose audit products that can be issued in conjunction with an audit or as a stand-alone document. The special purpose products that we may use include the:

- Management Alert Report (MAR)
- Management Implication Report (MIR)
- Fraud Alert Report (FAR)

OIO issues a MAR to the head of an OCFO agency to identify a systemic problem that can and should be addressed during the course of an audit or investigation. Additionally, the MAR can be used as a quick reaction report to advise the agency management that significant and time-sensitive action is needed on an issue identified in an audit or investigation.

MIRs are reports issued at the completion of an audit or proactive integrity survey that alerts all OCFO segments and agencies to a potential problem that may be occurring in their agency. OIO describes the problem or issue and includes a recommendation for corrective action.

FARs advise all agencies of potentially or actual fraudulent schemes identified in OCFO segments or agencies. Many of these schemes are uncovered during the course of a criminal investigation. This report advises all OCFO agencies to be alert to the scheme occurring within their agency. This report is most commonly issued by the OIO's ISD, and may be issued by IAD in conjunction with ISD.

AUDIT AND INTEGRITY ACTIVITIES INDEX

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7. Audit of Internal Controls over SOAR Manual Refunds at OTR **[Job No. 14-01-13 OTR]**	19	O
Office of Finance and Treasury (OFT)		
8. Audit of the OFT's Application System Access Management	20	P
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10. Audit of Internal Controls over the Cash Collection Process at Selected non-OCFO Agencies **[Job No. 14-01-12 OFT]**	21	O
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[1] O – Designates the audit is in progress as of October 1, 2014. P – Designates a new project to start during FY 2015.

Title	Page Number	Status[2] as of Oct. 1, 2014
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16. Follow-up Procedures on Prior Audit Findings and Management of Corrective Action Plans Relating to FY 2013 Single Audit for Submission to the Federal Cognizant Agency (HHS) [Job No. 14-01-02 SA]	25	O
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18. Audit of Internal Controls over Payments made by the Government Services Cluster (GSC)	26	P

[2] O – Designates the audit is in progress as of October 1, 2014. P – Designates a new project to start during FY 2015.

Title	Page Number	Status[3] as of Oct. 1, 2014
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27. Verification of Agencies' Corrective Actions on Remediating FY 2013 CAFR Significant Deficiencies (Yellow Book) **[Job No. 14-03-10 OFOS]**	31	O
28. Audit of the District's Capital Bikeshare Program **[Job No. 14-02-15 DDOT]**	31	O

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[3] O – Designates the audit is in progress as of October 1, 2014. P – Designates a new project to start during FY 2015.

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Summary of Planned and Ongoing Audits
Fiscal Year 2015

Segment/Agency	Ongoing as of Oct. 1, 2014	FY 2015 Projects Statutory	High Risk	Total
Office of Tax and Revenue	2	0	5	7
Office of Finance and Treasury	2	0	2	4
DC Lottery and Charitable Games Control Board	0	0	1	1
Regulatory Audits	1	3	0	4
OCFO/District-Wide Engagements	4	0	8	12
Total	*9*	*3*	*16*	*28*

Note: Statutory Audits are required by statute or regulation.

FY 2015
AUDIT PLAN

Office of Tax and Revenue (OTR)

No. 1 (OTR)   **STATUS: Start FY 2015**

TITLE: Audit of the Internal Controls over the Returns Administration's Payment Processing

OBJECTIVES: The objective of the audit is to determine if payments are accurately posted to taxpayer accounts and processed timely.

JUSTIFICATION: OTR is responsible for the collection of taxes and fees for the District of Columbia. Payments are received and processed in-house, at the lockbox, and on-line. When payments are not processed timely and accurately, taxpayers may receive incorrect bills or erroneous refunds.

**STRATEGIC
OBJECTIVES:**   Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues

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No. 2 (OTR)   **STATUS: Start FY 2015**

TITLE: Audit of the Compliance Administration's Office Audit Program

OBJECTIVES: The overall objective of the audit is to determine if the office audit program is operating effectively.

JUSTIFICATION: OTR's Compliance Administration is responsible for ensuring taxpayers comply with the laws and regulations regarding tax obligations. Within the Audit Division, auditors examine individual income tax returns to verify amounts claimed by taxpayers are proper.

**STRATEGIC
OBJECTIVES:**   Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues

No. 3 (OTR)   **STATUS: Start FY 2015**

TITLE: Audit of Internal Controls over Collection Enforcement Activities

OBJECTIVES: The objectives of the audit are to: (1) determine whether effective internal controls are in place over the collection enforcement activities, including those of the Criminal Investigation Division; and (2) evaluate the effectiveness of the enforcement activities using best practices.

JUSTIFICATION: OTR is responsible for collecting all delinquent income-based taxes receivable. To meet this responsibility the Collection Division's Revenue Officers are empowered to use various collection methods that include: establishing payment arrangements, offers in compromise, and using enforcement actions including levying bank accounts, seizing bank accounts and other financial assets, and seizing businesses and real property. In addition to investigating questionable tax filers and preparers the Criminal Investigation Division, also assists the Revenue Officers with various enforcement activities.

**STRATEGIC
OBJECTIVES:**   Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues

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No. 4 (OTR)   **STATUS: Start FY 2015**

TITLE: Audit of the Transfer of Dedicated Tax Revenues

OBJECTIVES: The objectives of the audit are to determine if transfers are: (1) proper, accurate, and timely, and (2) made in accordance with regulations.

JUSTIFICATION: OTR is responsible for the collection and transfer of tax revenues for several different programs in the District which includes, but is not limited to: Business Improvement Districts (BIDs) Tax Incremental Financing (TIFs), Payments In Lieu of Taxes (PILOTs), and the Bag Tax. These transfers may be taken from both real property and other tax revenues. OTR is responsible for determining the amount to be transferred and then transferring it to the appropriate organization. The value of the transfers of these revenues is significant to the District and the organizations involved.

**STRATEGIC
OBJECTIVES:**   Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues

No. 5 (OTR)   **STATUS: Start FY 2015**

TITLE: Review of the Business Self-Assessment Internal Control Program at the OTR

OBJECTIVES: The objective of the review is to determine if self assessment tests administered by the Chief Risk Office are conducted in accordance with test procedures.

JUSTIFICATION: The Business Self Assessment Internal Control Program is in place to ensure that controls in place over automated and manual refund processing at OTR are functioning as designed. Managers are assigned tests on a quarterly basis and must report the results to the Chief Risk Office. If a test fails, an action plan is to be developed to remediate the finding.

**STRATEGIC
OBJECTIVES:**   Improve Customer Service; Improve Transparency and Quality of Information; Effectively Manage Risk to Prevent Fraud and Losses

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No. 6 (OTR)   **STATUS: Ongoing**

TITLE: Quality Assurance and Independent Verification and Validation (QA/IV&V) of the IRS Safeguard Report Corrective Action Plans
[Job No. 14-03-11-OTR]

OBJECTIVES: The objective of the QA/IV&V is to ensure that corrective action plans effectively remediate the findings cited.

JUSTIFICATION: OTR receives federal data that must be safeguarded in accordance with IRS 6103 Regulations. Every three years, the IRS Safeguard Office performs an audit of the OTR and supporting agencies to ensure compliance with regulations. If the issues are not remediated, the OTR could lose access to federal data which could ultimately impact revenue protection initiatives.

**STRATEGIC
OBJECTIVES:**   Improve Customer Service; Create a Culture of Continuous Improvement; Improve Transparency and Quality of Information; Effectively Manage Risk to Prevent Fraud and Losses

No. 7 (OTR)   **STATUS: Ongoing**

TITLE: Audit of Internal Controls over SOAR Manual Refunds at OTR **[Job No. 14-01-13 OTR]**

OBJECTIVES: The objectives of the audit are to: (1) determine whether the System of Accounting and Reporting (SOAR) manual refunds are done in accordance with policies and procedures; and (2) determine whether the refunds are proper.

JUSTIFICATION: OTR issues manual refunds, through SOAR, to taxpayers as the Integrated Tax System (ITS) is unable to generate automated refunds for tax types that are not included in ITS. Due to the nature of this type of transaction, OIO audits the process to ensure that the refunds are proper and adequately supported.

**STRATEGIC
OBJECTIVES:**   Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Manage a Fair and Equitable System to Fully Collect District Revenues

Office of Finance and Treasury (OFT)

No. 8 (OFT)   **STATUS: Start FY 2015**

TITLE: Audit of the OFT's Application System Access Management

OBJECTIVES: The objective of the audit is to determine whether the internal controls over the identity access management process have been adequately designed and operating effectively.

JUSTIFICATION: Untimely removal of terminated personnel's access to OFT's applications systems (e.g., iNovah) would pose a major internal control risk for the District. Similarly, delays in granting access to OFT's application systems for new hires would cause them to be unproductive/ineffective in their job assignments.

STRATEGIC OBJECTIVES: Improve Customer Service, Effectively Manage Risk to Prevent Fraud and Losses; Create a Culture of Continuous Improvement; Implement Quality Financial Systems

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No. 9 (OFT)   **STATUS: Start FY 2015**

TITLE: Audit of OFT's Banking Services Operations

OBJECTIVES: The objectives of the audit are to: (1) determine whether all stand alone bank accounts are properly authorized by OFT; (2) determine the adequacy of internal controls to ensure the safeguarding of District funds; and (3) assess agency/component units' compliance with applicable policies, procedures, and applicable regulations.

JUSTIFICATION: The CFO Control Order No. 01-001, issued August 2002, requires that OIO conduct periodic reviews of stand-alone bank accounts. In addition, this audit will assess OFT's compliance with other statutes such as the "Financial Institution Deposit and Investments Amendment Act of 1997."

STRATEGIC OBJECTIVES: Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses; Create a Culture of Continuous Improvement; Implement Quality Financial Systems

No. 10 (OFT) STATUS: Ongoing

TITLE: Audit of Internal Controls over the Cash Collections Process at Selected Non-OCFO Agencies **[Job No.14-01-12 OFT]**

OBJECTIVES: The objective of the audit are to: (1) determine whether all non-CFO Agencies handling cash have been identified by OFT; and (2) determine the adequacy of internal controls at the existing non-OCFO cash collection sites.

JUSTIFICATION: OIO has been alerted of the existence of some non-OCFO agencies that collect cash without adequate internal controls. This audit will also help OFT identify all non-OCFO agencies that collect cash for services provided to the public.

STRATEGIC OBJECTIVES: Improve Customer Service; Create a Culture of Continuous Improvement; Effectively Manage Risk to Prevent Fraud and Losses; Improve Transparency and Quality of Information

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No. 11 (OFT) STATUS: Ongoing

TITLE: Audit of the Cashiering Operations at OFT's: 1) Penn Branch DMV; 2) Georgetown DMV; and 3) 95 M Street S.W., DMV **[Job No. 14-01-14 OFT]**

OBJECTIVES: The overall objective is to determine the effectiveness of internal control policies and procedures over the cashiering operations at various sites.

JUSTIFICATION: This audit will provide reasonable assurance that proper internal control policies and procedures are in place to prevent and detect misappropriation of the District's funds.

STRATEGIC OBJECTIVES: Improve Customer Service; Create a Culture of Continuous Improvement; Effectively Manage Risk to Prevent Fraud and Losses

DC LOTTERY AND CHARITABLE GAMES CONTROL BOARD (DCLB)

No. 12 (DCLB)   **STATUS: Start FY 2015**

TITLE: Audit of Instant (Scratch) Tickets Inventory Management at DCLB

OBJECTIVES: The objectives of this audit are to determine whether: (1) DCLB has adequate internal controls in place, and robust policies and procedures, over the scratch tickets inventory; (2) assess DCLB's inventory methods, and tracking processes over sales and payments, and (3) DCLB or the Retailer controls economic re-order quantities.

JUSTIFICATION: Instant Scratch Tickets process has an inherent risk of loss revenues, either at the agency through inadequate controls and systems in place, or at the retail level through fraudulent techniques. We want to address such risks by performing a comprehensive audit of the agency's overall inventory management of Instant scratch tickets

**STRATEGIC
OBJECTVES:**   Improve Customer Service; Create a Culture of Continuous Improvement; Effectively Manage Risk to Prevent Fraud and Losses

REGULATORY AUDITS

No. 13 (Regulatory)   **STATUS: Start FY 2015**

TITLE: Audit of the Inmate Welfare Fund Financial Statements for the Fiscal Year Ended September 30, 2014.

OBJECTIVES: The objectives of the audit are to: (a) express an opinion on the financial statements of the Fund; (b) determine whether expenditures/costs charged to the Fund were proper; (c) whether internal controls over Fund transactions and financial reporting were adequate; and (d) determine whether the Fund is administered in accordance with laws and regulations.

JUSTIFICATION: This audit is required pursuant to D.C. Code § 24-282. Section 24-282 (e) states, in pertinent part: The Fund shall be subject to annual audits scheduled by the Office of the Chief Financial Officer, which shall be submitted to the Council no later than February 1 of each year. The scope of audit shall include an examination of the Department's use of Fund profits, including stocking the commissaries, low bond releases, providing inmate clothing upon release, and funding transportation costs for the inmate after release. The audit reports shall be submitted to the Council and the Mayor.

**STRATEGIC
OBJECTIVES:**   Improve the Transparency and Quality of Information; Effectively Manage Risk to Prevent Fraud and Losses

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No. 14 (Regulatory)   **STATUS: Start FY 2015**

TITLE: Reconciliation and Confirmation of the FY 2014 Schedule of Expenditures of Federal Awards (SEFA) for the District's FY 2014 Single Audit

OBJECTIVES: The objectives of this project are to: (1) prepare the FY 14 Schedule of Expenditures of Federal Awards (SEFA) for submission to the external auditors in accordance with the process outlined in the Standard Operating Procedure (SOP) for SEFA Preparation; (2) prepare the Summary Schedule of Prior Audit Findings and Management Corrective Action Plan for submission to the external auditors; (3) follow-up on single audit issues, including alerting agencies on the consequences for not providing the requested documentation to the external auditors; (4) follow-up on Cognizant Federal Agency and other Federal Grantor

Agencies communications on the Single Audit findings; and (5) prepare for the Single Audit reporting phase close-out, including submission of the Federal Form – SF-SAC to the Federal Audit Clearinghouse.

JUSTIFICATION: OIO is responsible for performing the coordination of the FY 2014 Single Audit. OIO's charter for this project is outlined in the Charter for the Single Audit Oversight Committee. Historically, the District received Federal grants in the amount of $3.35 billion in FY 2013, and $3.3 billion in FY 2012. Also, the Single Audit report included approximately $3.5 million and $13 million in questioned costs for FY 2013 and FY 2012, respectively.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Improve the Transparency and Quality of Information

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No. 15 (Regulatory)   **STATUS: Start FY 2015**

TITLE: Follow-Up Procedures on Prior Audit Findings and Management Corrective Action Plans Relating to FY 2014 Single Audit

OBJECTIVES: The overall objective is to determine the status of recommendations detailed in the audit report requiring management actions to correct reported deficiencies. In select cases, agencies will be evaluated to determine: (1) the progress in addressing the findings and recommendations reported in the external auditor's report; (2) whether findings have been satisfactorily resolved through prompt and appropriate corrective actions, or are still outstanding; and (3) whether reasons for delay or disagreement in implementing the recommendations are justified.

JUSTIFICATION: This audit follow-up is needed to assist the District's agencies with: (1) improving grant management performance; (2) strengthening agency internal controls over grant funds; (3) ensuring compliance with Federal grants restrictions and stipulations; (4) reducing instances of questionable or disallowed costs in the future; and (5) as required for the subsequent year's single audit under OMB's Circular A-133. The OCFO Strategic Plan Strategic Initiative #4 required the identification and remediation of audit findings related to federal grants.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Improve Transparency and Quality of Information

No. 16 (Regulatory)   **STATUS: Ongoing**

TITLE: Follow-Up Procedures on Prior Audit Findings and Management Corrective Action Plans Relating to FY 2013 Single Audit for Submission to the Federal Cognizant Agency (HHS)**[Job No. 14-01-02 SA]**

OBJECTIVES: The overall objective is to determine the status of recommendations detailed in the audit report requiring management actions to correct reported deficiencies. In select cases, agencies will be evaluated to determine: (1) the progress in addressing the findings and recommendations reported in the external auditor's report; (2) whether findings have been satisfactorily resolved through prompt and appropriate corrective actions, or are still outstanding; and (3) whether reasons for delay or disagreement in implementing the recommendations are justified.

JUSTIFICATION: This audit follow-up is needed to assist the District's agencies with: (1) improving grant management performance; (2) strengthening agency internal controls over grant funds; (3) ensuring compliance with Federal grants restrictions and stipulations; (4) reducing instances of questionable or disallowed costs in the future; and (5) as required for the subsequent year's single audit under OMB's Circular A-133. The OCFO Strategic Plan Strategic Initiative #4 required the identification and remediation of audit findings related to federal grants.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Improve Transparency and Quality of Information

DISTRICT-WIDE AUDIT ENGAGEMENTS

No. 17 (District –Wide)   **STATUS: Start FY 2015**

TITLE: Audit of Internal Controls over DC Tuition Assistance Grant
                        Program (DCTAG)

OBJECTIVES: The objectives of the audit are to determine whether: (a) DCTAG
                        complies with the Federal Grant requirements; (b) effective internal
                        controls are in place to ensure authorization, validity, and documenta-
                        tion of DCTAG expenditures; and (c) effective internal controls are in
                        place to ensure students and institutions' eligibility for tuition grants.

JUSTIFICATION: As a result of grant issues raised by the recent audit by the independent
                        auditor on the DCTAG program, the CFO requested OIO conduct a
                        subsequent audit to assure grant compliance.

**STRATEGIC
OBJECTIVES:**   Create a Culture of Continuous Improvement; Improve the Transpar-
                        ency and Quality of Information

No. 18 (District –Wide)   **STATUS: Start FY 2015**

TITLE: Audit of Internal Controls over Payments made by the Government
                        Services Cluster (GSC)

OBJECTIVES: The objectives of the audit are to determine: (a) if there are improper
                        payments made by the cluster during the audit period; (b) the causes of
                        the improper payments and delayed payments by OCFO and the agen-
                        cies; (c) whether the cluster has taken action to recover any known
                        overpayments to vendors and recipients; (d) the extent (number and
                        dollar value) of the invoices that are subject to the DC *Quick Payments
                        Act* and the potential interest costs for the late payments.

JUSTIFICATION: The Associate Chief Financial Officer, Government Services Cluster
                        requested that OIO review the cluster's disbursements and incorporate,
                        into our work, the principals outlined in Benford's Law for selection of
                        the disbursements. This review will be undertaken with assistance
                        from the Cluster's staff.

**STRATEGIC
OBJECTIVES:**   Create a Culture of Continuous Improvement; Improve Transparency
                        and Quality of Information; Effectively Manage Risk to Prevent Fraud
                        and Losses.

No. 19 (District –Wide)   **STATUS: Start FY 2015**

TITLE: Audit of Internal Controls over the Payroll Processing at Selected District Agencies

OBJECTIVES: The audit objectives are to: (a) verify that the systems of internal control for payroll are functioning as intended; (b) determine whether sufficient safeguards are in place to assure that time and attendance are reported accurately; and (c) verify that the payroll system accurately reflects the individuals within specific units, locations, and agencies.

JUSTIFICATION: Payroll costs are generally the largest single cost incurred by the District's agencies. The District Government operates a decentralized payroll system in terms of recording and tracking employee time and attendance while it maintains the supporting human resources records payroll accounting centrally. While the District's external auditors have tested various general and application controls; the current payroll system (PeopleSoft) has not undergone a detailed audit since its inception. This project will be designed to provide a reasonable assurance that the District employee's time and attendance is accurately reported and recorded in PeopleSoft and that controls are in place to ensure that employees payments are proper and supported by adequate time and attendance records and other documentation.

STRATEGIC
OBJECTIVES: Improve Transparency and Quality of Information; Effectively Manage Risk to Prevent Fraud and Losses

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No. 20 (District –Wide)   **STATUS: Start FY 2015**

TITLE: Audit of Internal Controls over the District's Gift Card Program

OBJECTIVES: The objectives of this audit are to determine: (a) that the agencies participating in the program complied with applicable laws and regulations; (b) that each agency has effective internal controls for the authorization, purchase, and distribution of the cards; and (c) each agency maintains accurate and complete inventory records of the gift cards.

JUSTIFICATION: The Human Support Services Cluster (HSSC) requested this audit. Gift cards are similar to cash and generally carry the same risks. Many of the HSSC agencies use the gift cards in conjunction with the various programs they operate. In a prior Proactive Integrity Survey, OIO

identified several weaknesses in the operation of this program that impacted the District's accountability for these assets.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Improve Customer Service; Effectively Manage Risk to Prevent Fraud and Losses.

No. 21 (District –Wide)   **STATUS: Start FY 2015**

TITLE: Audit of Internal Controls over the OCFO Purchase Card Program

OBJECTIVES: The objectives of this audit are to determine whether: (a) purchase cards are being used properly and in accordance with established laws, regulations, policies and procedures; and (b) there are adequate internal controls over the issuance and use of purchase cards and payment of invoices.

JUSTIFICATION: Several of the clusters that we met with discussed this area as a potential audit project. The Office of Contracts and Procurement operates the P-Card program for most District agencies. The agencies use the P-Card to effect micro-purchases of supplies and services for their operations and programs. The P-Card program in the past has been subject to various abuses and misuse of the card by the cardholders and others. OIO identified misuse of the program in a prior audit. Recently, the P-Card program was included by the independent auditors in the *Yellow Book Report for FY 2013*.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Improve the Transparency and Quality of Information; Effectively Manage Risk to Prevent Fraud and Losses

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No. 22 (District-Wide)   **STATUS: Start FY 2015**

TITLE: Audit of Internal Controls over the PSJC Special Operations Division's Billing

OBJECTIVES: The objectives of this audit are to determine: (a) whether the system of internal controls provides reasonable assurance that the financial data is accurately reported; (b) whether the costs incurred by the Metropolitan Police Department are captured and billed to the users; and (c) that timely action is taken when users do not reimburse MPD for the costs incurred in providing security services

JUSTIFICATION: The MPD's Special Operations Division is the principal contact point to request various security details for private functions. The Special Operations Division, in conjunction with the Public Safety and Justice Cluster, operates an off-line billing and accounts receivable system that tracks and controls the revenues generated from these security details. The accuracy and timeliness of off-line system has the potential to impact whether or not a requested security detail is provided, based on the requestor's a prior outstanding and delinquent receivable for these services.

**STRATEGIC
OBJECTIVES:**   Improve Customer Service; Improve the Transparency and Quality of Information; Manage Fair and Equitable System to Fully Collect District Revenues.

No. 23 (District-Wide)   **STATUS: Start FY 2015**

TITLE: Audit of the Tree Fund Financial Statements for the Year Ended September 30, 2014

OBJECTIVES: The objectives of the audit are to: (a) express an opinion on the financial statements of the Fund; (b) determine whether expenditures/costs charged to the Fund were proper; (c) whether internal controls over Fund transactions and financial reporting were adequate; and (d) determine whether the Fund is administered in accordance with laws and regulations.

JUSTIFICATION: This audit is mandated by DC Code §8-651.07 (c) which states that the CFO shall submit to the Mayor and to the Council an annual statement of all receipts and disbursements for the Tree Fund.

**STRATEGIC
OBJECTVES:**   Improve the Transparency and Quality of Information

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No. 24 (District-Wide)   **STATUS: Start FY 2015**

TITLE: Audit of the Financial Processes and Procedures at the Health Benefit Exchange Authority (HBX)

OBJECTIVES: The prime objective of this audit is to determine whether: HBX Finance Officials created an effective and efficient financial structure with adequate policies and procedures in place to comply with the program requirements listed in the "Health Benefit Exchange Authority Establishment Act of 2011."

JUSTIFICATION: To provide positive assurance to District Stakeholders that the newly created accounting and reporting systems at HBX would enhance fiscal and financial stability, accountability, and integrity of the District of Columbia Government.

**STRATEGIC
OBJECTVES:**   Create a Culture of Continuous Improvement; Improve Transparency and Quality of Information; Improve Quality of Financial Systems

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No. 25 (District-Wide)   **STATUS: Ongoing**

TITLE: Review of the Department of Employment Services (DOES)'s Summer Youth Employment Program (SYEP) Time Management System **[Job No.14-02-05 DOES]**

OBJECTIVES: The objectives of the review are to determine whether: (1) SYEP Time Management System duplicates the payroll processing provided by the Office of Pay and Retirement Services (OPRS); (2) payments processed are restricted to stipends paid to SYEP participants; (3) effective internal controls are in place to prevent fraud, ensure proper recording of payments and timely tax filings; and (4) the legality of DOES PeopleFirst processing other District Agencies participants payroll.

JUSTIFICATION: This review was initiated pursuant to a request from the CFO's Office of Financial Operations and Systems (OFOS).

**STRATEGIC
OBJECTIVES:**   Improve Transparency and Quality of Information; Effectively Manage Risk to Prevent Fraud and Losses

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No. 26 (District-Wide)   **STATUS: Ongoing**

TITLE: Audit of Selected District Agencies' Internal Controls over Recording Accrued Non-Personal Service Expenditures **[Job No. 14-01-10 OCFO]**

OBJECTIVES: The objectives of the audit are to determine: (a) whether the District agencies comply with the applicable laws and regulations regarding spending and recording Non-Personal Services (NPS) expenditures; and (b) whether effective internal controls are in place to ensure that the District agencies are complying with the requirements of the General Accepted Accounting Principles (GAAP) regarding recording accrued expenditures.

JUSTIFICATION: This audit was brought to OIO's attention by several offices, who indicated that a very high number of accruals, both in terms of transactions and dollar values were made primarily in the last month of the fiscal year.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Improve Transparency and Quality of Information

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No. 27 (District –Wide)   **STATUS: Ongoing**

TITLE: Verification of Agencies' Corrective Actions on Remediating FY 2013 CAFR Significant Deficiencies (Yellow Book) **[Job No. 14-03-10 OFOS]**

OBJECTIVES: The objectives of this follow-up are to: (a) monitor the agencies progress in addressing problems noted in the Management letter and Internal Control Compliance reports issued by the external auditors; (b) determine whether findings have been satisfactorily resolved or are still outstanding; (c) and perform test work to ensure that the agency is actually addressing those findings.

JUSTIFICATION: The Office of Financial Operations and Systems obtains corrective action plans from effected agencies to mitigate the deficiencies identified by external auditors. As the corrective actions are completed, the OFOS contacts OIO to perform testing of the actions taken to verify that the deficiency is properly remediated.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Improve Transparency and Quality of Information

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No. 28 (District –Wide)   **STATUS: Ongoing**

TITLE: Audit of the District's Capital Bikeshare Program **[Job No. 14-02-15 DDOT]**

OBJECTIVES: The objectives of this audit are to determine whether: (a) the District's Capital Bikeshare Contract was awarded and administered in compliance with Federal and District Anti-Deficiency Laws; and (b) effective internal controls are in place to ensure authorization, accuracy, and

completeness of the Capital Bikeshare Program's revenues and expenditures

JUSTIFICATION: The Board of Review for Anti-Deficiency Violations (BRADV) requested the OIO perform an audit of the bike share contract to provide the board with sufficient information to make an informed decision regarding the possible violation of the federal and District's anti-deficiency act.

STRATEGIC OBJECTIVES: Create a Culture of Continuous Improvement; Improve Transparency and Quality of Information

CONTRACT ADMINISTRATION

Contract Administration

CONTRACT NO.:   **CFOPD-11-C-026, KPMG, LLP**

TITLE: COTRship and Management of the District-Wide FY 2014 Single Audit Contract

OBJECTIVES: Fulfill the functions of the COTR for the Single Audit contract including: (1) monitoring the independent accountants conducting the audit; (2) assisting in resolution of the issues impacting the Single Audit with the contactors, Single Audit Committee, and the agencies who are recipients of the grant funding.

JUSTIFICATION: The OCFO is responsible for the contracting of the required Single Audit of the District's Federal grant funds. OIO was tasked with the responsibility of acting as the COTR for this contract.

STRATEGIC OBJECTIVES: Improve Transparency and Quality of Information

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CONTRACT NO.:   **NEW: Pending Single Audit RFP: FY15-FY19**

TITLE: Develop the Statement of Work (RFP) for the District's FY 15- FY 19 New Single Audit Contract

OBJECTIVES: To develop the statement of work to solicit proposals from an independent public accounting firm to conduct a single audit in accordance with OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. The statement of work provides a basis on which the proposed services may be evaluated and the firm.

JUSTIFICATION: The Single Audit is mandated by law for agencies that receive federal financial assistance. The OCFO, in a similar manner as the District, selects a different independent public accounting firm to conduct the Single Audit. The development of the statement of work is the initial starting point for this selection process.

STRATEGIC OBJECTIVES: Improve Transparency and Quality of Information

CONTRACT NO.: **CFOPD-11-C-047, InQuiries, Inc.**

TITLE: COTRship and Management of the Background Investigation Contract

OBJECTIVES: Fulfill the functions of the COTR for the Background Investigation contract including: (1) monitoring results of the information provided (2) reconciling investigations performed against investigations received; and (3) serves as a liaison to remedy issues that may arise.

JUSTIFICATION: The OCFO is responsible for conducting background investigations on employees and contractors to determine suitability for employment.

STRATEGIC OBJECTIVES: Effectively Manage Risk and Prevent Fraud, Develop, Attract, and Retain Highly Qualified Employees

FY 2015
INTEGRITY PLAN

Introduction

The Internal Security Division (ISD) works constructively with Office of the Chief Financial Officer (OCFO) management to prevent and detect fraud, waste and abuse, ensuring that integrity, accountability, and efficiency are maintained in the District's financial management and tax administration programs. The FY15 ISD Integrity Plan focuses on strategic objectives: Improving Customer Service, Creating a Culture of Continuous Improvements, and Effectively Managing Risk to Prevent Fraud and Losses. The ISD discharges its responsibilities through proactive and responsive investigative programs.

In brief, ISD is responsible for:

- Investigating allegations of employee misconduct by OCFO employees, and external attempts to corrupt OCFO employees;
- Conducting suitability investigations on OCFO applicants, employs, contractors, and others identified by the Chief Financial Officer, to determine a person's suitability for employment with the OCFO; and
- Developing and monitoring the Proactive Integrity program, which includes conducting proactive integrity probes to detect and deter fraud and abuse in OCFO programs, conducting integrity awareness presentations and Code of Conduct (Code) training, and conducting oversight of OCFO emergency preparedness.

The OIO understands that continual vigilance is required to promote ethical and professional behavior in the workplace. OIO will accomplish this through carefully articulated ethics and integrity policies and programs.

Misconduct Investigations

The ISD investigates allegations of misconduct involving OCFO employees and contractors, proactively identifies systemic vulnerabilities, and investigates other matters that affect the integrity and security of the OCFO.

Violations include but are not limited to criminal acts such as bribery, embezzlement, abuse of authority, false claims, conflicts of interest, and violations of the Code and ethical standards.

The purpose of these investigations is to determine all pertinent facts and report the results for necessary administrative or criminal actions deemed appropriate. Where investigations reveal evidence of a violation of criminal statutes, ISD will coordinate with the Office of the Inspector General of the District of Columbia, or with the appropriate investigative or prosecutorial agency in accordance with established policies and procedures. In addition to referring alleged criminal misconduct to the appropriate law enforcement agency, OIO will notify OCFO management, as appropriate if, during an investigation, systemic problems are identified that requires immediate attention.

The ISD will continue to cooperate and coordinate with the OIG and federal law enforcement authorities concerning matters that affect the integrity of the OCFO, and participate in joint investigations as requested. The ISD will work closely with the OIO's Internal Audit Division on joint, high priority integrity projects to be completed during the fiscal year.

Suitability for Employment Investigations

The purpose of Suitability for Employment background investigations is to safeguard the integrity and security of the OCFO. Background investigations are conducted to provide OCFO management with sufficient information to determine the individual's suitability for employment with the OCFO.

The ISD will assist the Office of Management and Administration (OMA) in implementing planned initiatives that expand the scope of this program, specifically conducting background investigations on contract employees and incumbent OCFO employees.

Proactive Integrity Surveys

Integrity is a shared responsibility of all OCFO employees. The ISD will provide a protective and constructive service by assisting OCFO management in maintaining a high degree of employee honesty and integrity and effective controls over high-risk OCFO operations. While this assistance is largely provided through OIO audits and investigations, a proactive integrity program is also necessary to initiate reviews, tests, surveys and probes, and other activities for deterrence and detection of serious control weaknesses and fraud.

The ISD is responsible for prevention by reducing the opportunities for fraud, waste and abuse and by minimizing employee misconduct. This is accomplished through our ongoing educational programs and comprehensive proactive integrity testing.

A priority for ISD is to be proactive to prevent and deter fraud, corruption, misconduct and abuse. Proactive Integrity surveys are designed to focus on determining whether appropriate controls are in place and, if so, how they are functioning. The proactive survey utilizes combined investigative and audit resources to identify agency vulnerabilities and make recommendations for corrective/disciplinary actions, as appropriate.

There are several deliverables that may arise as a result of a survey: a referral to management for corrective action (such as Management Implication or Management Alert Reports), an audit referral, or referral for investigation of possible misconduct. The results of these projects are shared with the appropriate management officials in order to correct system weaknesses and personal conduct that might lead to serious integrity breaches. When possible employee or non-employee misconduct is discovered, an investigation will be initiated by the Internal Security Division. Likewise, when control weaknesses are identified that warrant further in-depth review, a referral will be made to the OIO Internal Audit Division.

Enhanced Integrity and Ethics Training

With enhanced integrity and ethics, management can harness the efforts of the full staff in its efforts to reducing fraud within the organization. ISD will survey key stakeholders to identify areas of concern to be addressed in the Annual Integrity and Ethics Training program. Those stakeholders include Deputy and Associate Chief Financial Officers, the Ethics Officer (Office of the General Counsel), the Office of Management and Administration, and the Chief Risk Officer.

Formal integrity and ethics training can take many forms, including live ethics awareness training, recorded video or animated courses, or interactive self-study programs. Of these options, live training is preferable, as it allows employees the opportunity to actively participate, interact with other employees, discuss fraud risks facing the organization, and seek and provide feedback regarding the anti-fraud program as a whole. Integrating games and role-playing exercises into the training curriculum can make the course more enjoyable and thus more effective for participants.

In our effort to maximize resources, the ISD's delivery format will include e-learning and classroom training. The trainings will emphasize interactive audience participation. Techniques used will be a blend of lectures with discussion, case studies, brainstorming, small group discussion, panel discussion, role playing, guest speakers, and worksheet/surveys.

New Employee Integrity and Ethics Awareness Presentation

ISD intends to continually evaluate and enhance the New Employee Integrity and Ethics Awareness presentations, specifically designed for new employees. All newly hired employees are required to attend a two hour presentation that focuses on the Code and Shared Values, the employee's obligation to report misconduct and suspicious activity, the role of ISD, the role of the OCFO Ethics Officer, and Information Technology security, do's and don'ts.

Annual Employee Integrity and Ethics Training

ISD's goal is to provide mediums to continually promote employee awareness, self-examination, and a commitment to high ethical standards. Annual Integrity and Ethics Training engages, educates and empowers employees to build a healthy work culture free of dysfunctional influences. The presentations will focus on organizational change, professional ethics, integrity, shared values, and fraud, waste and abuse awareness. The presentations are designed to promote better communication between management and front-line employees, direct management's commitment to positive organizational changes, and enlist employee involvement in those changes.

The training, mandatory for all OCFO employees, will further emphasize the importance of complying with the Code and will feature discussion of the ethical standards and expectations within the OCFO. ISD will convey the message to OCFO employees that

they serve as the first line of defense in identifying waste, fraud, abuse and malfeasance. A strong emphasis will be placed on the OCFO's "12 Ethical Shared Values" to enhance employee awareness about their affirmative obligation to report any suspicious activity that may come to their attention during the course of their day-to-day operations.

Management Ethics Training

In addition to the information presented to all employees, managers and executives should receive special training that addresses the added fraud prevention and detection responsibility commensurate with their positions within the agency. For example, managers should be trained in specific warning signs and prevention/detection methods pertinent to their department's functions. They should be well versed in the red flags of bribery schemes and should understand just how important their vigilance is in preventing and detecting fraudulent activity.

Research has shown there is a correlation between integrity and ethics in the workplace and the "tone at the top" of an organization. Tone at the top refers to the ethical atmosphere that is created by the organization's leadership. Whatever tone management sets will have a trickle-down effect on employees of the organization. If managers exhibit strong morals and ethics, employees may be more inclined to uphold those same values. However, if management appears unconcerned with ethics and focuses solely on the bottom line, employees will be more prone to commit fraud because they feel that ethical conduct is not a priority within the organization. Employees pay close attention to the behavior and actions of their bosses.

The "Tone at the Top" training for Executives and Managers/Supervisors emphasizes four very important steps: (1) communicate to employees what is expected of them; (2) lead by example; (3) provide a safe mechanism for reporting violations; and (4) reward integrity.

Continuing Communications

In addition to formal integrity and ethics training, the OIO will use other informal means to reinforce its integrity and ethics message on a constant basis. Employees will be reminded of the importance of fraud prevention and detection through posters displayed in common areas, periodic newsletters, and other mediums.

Annual Integrity Discussions with Senior OCFO Officials

The ISD will initiate integrity and ethics discussions with the aforementioned key stakeholders. These integrity discussions with senior OCFO officials are intended to discuss projects, progress on recommendations, and primarily to solicit integrity concerns and operational risks in their respective areas.

The discussions are intended to solicit information regarding their concerns and areas of vulnerability within their respective agencies. Other topics will include the Code,

Shared Values, cash management irregularities, credit card misuse, the acceptance of gifts and gratuities, bribery, potential conflicts of interest, breaches of confidential information, improper or illegal computer use, and other potential employee abuses.

Integrity Survey

The OCFO Integrity Survey will be designed to assess ethical conduct and compliance within the organization and measure the effectiveness of ongoing Integrity and Ethics Training programs. As part of the survey, OIO will review documents and processes, conduct interviews, and administer written surveys to assess the following:

- What are the perceptions of OCFO's organizational culture, values, and leadership?
- Do employees know the values and ethical standards expected in the workplace?
- Does OIO training and communication adequately address the unique roles and responsibilities of employees at their various levels in the OCFO?
- What type of misconduct are they experiencing and or observing?
- Do employees feel they can report misconduct without retaliation?
- The survey will be designed to provide a comprehensive review of the entire Integrity and Ethics Program and its effect on the organization's culture.

EthicsPoint Confidential Hotline

In 2009, the OIO established a confidential fraud, waste and abuse hotline reporting system through EthicsPoint, an independent contractor. This reporting system is hosted on a secure server and is not part of the OCFO website or intranet system. EthicsPoint is staffed by professionals trained to handle calls or electronic reports with the utmost urgency and sensitivity. This reporting system ensures that complainants can report their concerns regarding unethical and/or illegal activities within the OCFO anonymously and without fear of reprisal.

The OIO will continue to work on the communications strategy to promote awareness of the EthicsPoint hotline. This communications strategy emphasizes the duty of all OCFO employees' responsibility to report waste, fraud, and abuse in accordance with the OCFO's zero tolerance policy for fraud and misconduct.

Integrity and Ethics Posters

OIO will develop a poster program for display in common work areas to reinforce integrity awareness training, remind employees to be vigilant against integrity lapses, and instruct them how to report possible integrity breaches.

Integrity Promotional and Reference Materials

ISD will develop and distribute additional reinforcement tools such as wallet cards, instructional desk guides for reporting misconduct, and other materials promoting integrity awareness. The material will be provided to employees during integrity awareness presentations and on other appropriate occasions. These materials will be constant reminders to all employees that "Integrity" is our goal and "Oversight" is our assurance of reaching that goal.

Revision of the Code of Conduct

Public confidence is critical to the effectiveness of the OCFO. This requires our continuing vigilance to improve management systems and promote a culture of integrity within the OCFO. OCFO employees are expected to be honest, hardworking and eager to meet the high standards of public service. The Code outlines the responsibilities and proper practices for employees and contractors. The Code provides a framework of principles, values, standards, and rules of behavior that guide the decisions, procedures and systems of the OCFO in a way that (a) contributes to the welfare of its key stakeholders, and (b) respects the rights of all constituents affected by its operations. The information provided in the Code is not intended to be all-inclusive.

ISD will continually assess the Code and periodically recommend revisions to address perceived ambiguities and/or new topics that arise as a result of changes in the law, employee behavior, or agency responsibilities and practices.

Mayor's Emergency Preparedness Council

The ISD will continue to represent the OCFO at the Mayor's Emergency Preparedness Council meetings, so we that we can keep the CFO informed of specific plans for responding to a variety of emergency situations and note how the OCFO would be impacted.

Other Activities

In keeping abreast of emerging ethical challenges in the workplace, ISD will continue to seek best practices for identifying and mitigating ethical concerns, benchmark other effective methods of providing ethical guidance in creating, an atmosphere of ethical behavior within the workplace, and measuring the success of OCFO's Integrity Program.

Professional Affiliations

OIO will establish and maintain memberships with the Ethics and Compliance Officers Association (ECOA) and the Association of Inspectors General (AIG). In addition to being a resource for ethical guidance and setting a benchmark by which ISD can measure its integrity and ethics program, ECOA provides information to its members on

common ethical challenges that emerge in the workplace and the best methods of identifying and mitigating those challenges. AIG membership will ensure ISD's adherence to a standard of accepted professional qualifications, certifications, practices and licensing. Additionally, AIG membership will provide continuous education and professional development in the areas of fraud prevention, detection and investigation, audit, standardization of practices, policies, conduct and ethics.