



CITY OF WILMINGTON

Documentation Management Citywide Internal Audit Review

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City Auditor's Office

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Highlights

Why We Did This Audit

Internal Audit (IA) performed a scheduled audit for Documentation Management. The audit was conducted in accordance with the FY20 Internal Audit Plan.

Methodology

The objectives were met by conducting surveys and interviews with management of Finance, Fire, and License and Inspection. IA reviewed 14 documents for detailed testing of proper record retention within the selected departments and reviewed four contracts from third party vendors along with additional supporting documentation to ensure the City has a sufficient plan for documents and records in case of a disaster or business interruption.

Audit Review Committee:

Ronald Pinkett, Chair

Marchelle Basnight
Angelique Dennis
Christofer C. Johnson
Tanya Washington

Objective and Scope

Internal Audit (IA) conducted a Performance Audit on Documentation Management. Our objective during this engagement was to determine whether sufficient internal controls were in place to ensure proper retention, storage, and destruction of City documents/records by law or industry standards. The scope of the audit was to review both paper and electronic documentation for accuracy and confirm whether the City of Wilmington (CoW) is obeying the policies and procedures in accordance with the State of Delaware's Retention Schedule for local government.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). These 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.

Background

As part of planning this engagement, IAD conducted a survey of documents and records maintained by departments, although everyone did not comply with the request. The departments of Finance, Fire, & License and Inspection (L&I) were randomly selected for detailed testing, due to the magnitude of documentation that the City produces. For the departments that were excluded from this engagement they will be audited during the follow up review.

The Document Management process consists of storing, locating, updating, and sharing data for the purpose of workflow progression and business outcomes. Moreover, documents are used to manage overall processes ensuing transparency and accountability at every step of conducting business. Documentation allows the CoW to function effectively. There are five phases of the record (documentation) life cycle: Creation, Distribution, Use, Maintenance, and Final Disposition. All departments within the CoW have documentation that needs to be managed electronically and/or by paper from internal and external sources. Most of CoW's electronic documentation are held in Tyler Content Manager (TCM)/Munis or a secured shared drive by department.

Key Statistics:

List of Documents Reviewed by Department:

<i>Finance</i>	Fire	<i>License & Inspection</i>
Utility Billing (UB) - Billing Adjustments	Fire Marshalls Office (FMO) - Inspection Records	4 Full Review of Property Files:
UB - Exemption Applications	FMO - Investigation Records	Building Applications & Permits
UB - Settlements	Emergency Operations Center (E.O.C) - Investigation Records	Rental Applications
Wage Tax - Business/Rental Applications		Violations & Citations
Wage Tax - Net Profit Filings		
Wage Tax - Tax Refund Applications		
Wage Tax - W2 Reconciliation Control Form		

What we found

Key Findings

Following are key issues that resulted in a process/area to be risk rated a three or four. See **Attachment A** for the detail of these and all comments identified during the review.

<i>Risk</i>		(See Attachment B for full rating definitions)				
Process / Area	Process / Area Owner	1 Strong Controls	2 Controlled Effectively	3 Controlled - Improvement Required	4 Significant Improvement Required	Prior Year Ranking
Business Continuity	Demond May; Bob Goff				✓	(4) Refer to IT Contracts Audit
Contract Management	Gabriel Pabon; Demond May				✓	N/A
Data Security	Tamika Leveridge; Gabriel Pabon; Demond				✓	N/A
Records Management	Tamika Leveridge; John Looney; Jeff Starkey		✓ (Fire)	✓ (Finance)	✓ (L&I)	N/A
Records Retention	Tamika Leveridge; Jeff Starkey		✓ (Fire & L&I)	✓ (Finance)		N/A

Business Continuity

1. City of Wilmington’s (CoW) contracts need strengthening with regards to the terms and conditions (T&Cs) surrounding contractual clauses, to protect the City's data and confidential information (CI). For instance, four contracts were reviewed during detailed testing and these observations were noted:
 - The T&Cs for the following contracts (Tyler Technologies, Iron Mountain, IMR Digital, and MobileEyes) did not include defined responsibility or protection clauses for the City’s data.
 - Vendors exposed to suspicious activity or associated risks were not required to notify the city of the suspicious activities.
 - Several departments left sections of the Continuity of Operations Plan incomplete.

Contract Management

2. Control weaknesses exist surrounding the management of contracts within the CoW's document management systems.

Fire:

- MobileEyes contract exceeded the expiration date by more than 1-year. Additionally, a scanned copy of the contract was not located in Tyler Content Manager (TCM)/Munis.

IT:

- Two contracts were past the expiration date and should have been renewed (Iron Mountain and Tyler Technologies).
- IMR Digital does not have a contract in TCM/Munis, inquiries with IT staff confirmed the quote was the contract, although a quote is not a binding contract and is not a standard practice of contract management within the CoW.

Data Security

3. Inadequate controls exist with how the CoW manages, secures and reports on the integrity of electronic data. For instance, CoW does not have a formal process to identify and report on data integrity. Currently individual departments are reliant on the IT department to notify them of potential data and security breaches. However, this is not occurring because the IT department is only responsible for securing systems and applications procured within the department. Additionally, none of the departments receive reports of incidents.

Record Management

4. One or more of the following exceptions were noted, during detailed testing of City records, incomplete documentation, delays in billing or lack of management review in a timely manner.

Finance:

- Currently, there are no designated timeframes for when adjustments should be turned over to management for review in Utility Billing. For instance, several months were delayed between initial adjustments occurring and management review.
- Three of four (75%) settlement forms had incomplete documentation. For instance, two were missing information filled out for the buyer such as realtor information or the required meter read picture and the other form did not have a meter read at all.
- One of three (33%) Exemption Applications reviewed had an issue pertaining to a nonprofit organization (NPO). The NPO provided all required documentation and received a letter of approval for two tax years but was billed the following year and was required to resubmit the application after the deadline. There was no supporting documentation included to support why this occurred.
- One of two (50%) Wage Tax Net Profit Filings reviewed the filer did not complete all information in the questions section as indicated on the form and did not include the Federal ID/SSN.
- One of three (33%) Rental Applications did not have completion of transactions for electronic and paper documentation. Within Munis material amounts do not add up for application amounts for

2020 and 2021 tax years. In addition, the paper documentation does not support changes to properties.

Fire:

- One of four (25%) Inspection Reports had a minor infraction, due to there not being a second signature on the report by the Chief Inspector.
- One Fire Investigation document involving a criminal offense, includes the Wilmington Police Department (WPD). The narrative provided by WPD had an incorrect date added to the incident report.

License & Inspection (L&I):

- L&I did not have a separate filing system for certain subjects such as building applications, rental applications, violations and permits to name a few. When requesting specific information, the department had no way to separate without going through the entire property file and going through years of information.
- Four of four (100%) of property files reviewed had an issue with the records some were minor infractions for instance, Permit applications missing information such as dates, signatures and type of building (commercial or residential). Some applications did not have the full detail or work to be performed.
- Another property file had information mixed in relation to another business, which will result and/or appear to be missing information for that specific property. In Addition, the documentation that did not belong had missing pages.

Record Retention

5. Each department and division are responsible for the storage of physical records. Control weaknesses were observed during the walkthrough of storage areas.
 - The Accounting Division was actively archiving during the review; IA observed documents being archived during the year end, which did not follow Delaware's Local Government and Retention Schedule of maintaining documents for 3years.
 - It was also noted during the survey and interviews that some divisions within Finance may not know the Local Government Retention Schedule that is applicable to their division to follow proper protocol.
 - At the time of review the Accounting Division and L&I did not have adequate storage space to hold paper files.

Additional Observation

When observing the documents within the departments; there were several older formats or standards that are no longer applicable. The Departments within the CoW should consider updating and revising the currents documents to match current processes that are followed in the day to day operations.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1: The CoW should revise the T&Cs in their contracts to protect against cyber security incidents and add protection for records. This can be accomplished by requiring Service Organization Control reports (SOC) and Statement on Standards for Attestation Engagements (SSAE) reports for third pay vendors that access our systems and/or access our data; Having both will provide enhanced security for our contracts and financial reporting.

Management response & action plan: Not Provided

Completion Date: Not Provided

Recommendation #2: If a contract is renewed, there should still be a copy maintained in Munis with the applicable T&C changes in the Fiscal Year (FY) of the renewal.

Quotes should not be accepted in lieu of a contract; once a decision is made a binding contract should be formed including but not limited to proper language with T&Cs and signatures from both parties.

Management response & action plan: **Fire:** Management contacted Mobile Eyes and asked why the new contract was not provided at time of invoice. They stated that Mobile Eyes was recently bought out by Tyler and have had a delay in getting contracts out. Management requested that they investigate this matter and provide us with an up dated contract as soon as possible. We will forward it as soon as I receive it and it gets approved.

License & Inspection: The contract was processed and administered by the I.T. department. However, we will retain a copy to be housed within our department.

Completion Date: Not Provided

Recommendation #3: The City should prioritize data security by identifying risks related to functional areas then develop policies, procedures, and an oversight process for data security.

In addition, there should be a mandatory annual security training and awareness for both new and current employees at every level.

Management response & action plan: **Finance:** The Department of Finance has reached out to their electronic data vendors, Bank of America and Conduent, to obtain information regarding data retainage and security. Please note that the State of Delaware Code, under Chapter 12B: Computer Security Breaches states, that the vendor would need to contact the owner of the information without unreasonable delay (Completed).

Bank of America Response:

The City of Wilmington's transactions will be housed for a total of (7) years, (2) in the Works application and (5) in the bank. If the City has accounts that were breached, they would be contacted. The City has 100% coverage for account breaches and fraudulent transactions.

Conduent Response:

Waiting for response.

12B-102. Disclosure of breach of security; notice.

(b) A person that maintains computerized data that includes personal information that the person does not own, or license shall give notice to and cooperate with the owner or licensee of the information of any breach of security immediately following determination of the breach of security. For purposes of this subsection, "cooperation" includes sharing with the owner or licensee information relevant to the breach.

(c) Notice required by subsection (a) of this section must be made without unreasonable delay but not later than 60 days after determination of the breach of security, except in the following situations:

Completion Date: Not Provided

Recommendation #4: Management should consider reviewing adjustments monthly versus erratically. This ensures accuracy and proper guidelines were met. If there were questionable items they will be addressed within a reasonable timeframe. A monthly review will also, create the opportunity to establish detailed reporting of monthly adjustments and identify potential trends.

The use of reconciliations and Track reporting will ensure notices and billings are not being sent before due.

All forms that require completeness should be abided resulting in denial; The CoW should not approve incomplete documentation. If forms are out of date and no longer required, then such documentation should be updated to reflect current rules and standards.

All departments should self-audit their records to ensure they are efficient and free from errors and omissions.

Documents within the property files should be indexed by categories for example: applications, permits, violations etc. This will create efficiency in the current filing system and the retrieval process and voids the need to pull the entire property file.

Management response & action plan:

Finance:

1. The Billing Department will ensure all adjustments are signed with the appropriate signatures within two weeks after the adjustments have been processed.
2. The Tax Exemption procedures were changed in between the time of the documents reviewed. The process was changed to allow all non-profits organizations to have a forever exemption. The

Admin Board approved the new process. The Real Estate Tax Coordinator will conduct monthly sample audits on nonprofit organizations to ensure that the organization still qualify for a nonprofit exemption.

3. The Billing Department will ensure all Transfer of Ownership Forms have the appropriate documentation attached to the forms before filing.
4. Generally, the QUESTIONS section of the Net Profit Return houses the answers, either in our business license application module, the applicable schedules filed as required by the IRS and or the Munis System. When the schedules are missing, we have a standard letter (Appendix A) that we send to the taxpayer requesting the information.
5. Since the information is housed on the applicable Federal schedules, Munis, and or the Business License Application Module, we have the information. Our efforts or the taxpayer efforts to follow up with a letter is not always needed. For all intentional purposes, the Division had all information needed to complete the job.
6. The audit engagement was regarding Record Retention. Based upon our record retention policy for Net Profits, we had the documents for the appropriate length of time required, we process the filing, kept the document secure, and held to requested permission to view the document. Whether the document was viewed in the Division or outside to whatever extent, I believe the document (s) were refined in accordance with the record retention policy.

Fire:

Fire Marshal's Office established a new internal policy that all building inspections, fire reports and fire investigations will be sent to both the Lieutenant and Captain of the Fire Marshal's Office for approval. One of the two Officers will review the reports and investigations for accuracy and initializing before approving, recording and filing away reports.

Licenses and Inspections:

1. The department's entire files system currently is being scanned and will be accessible electronically.
2. We discussed during our audit review and it was determined that the property files contain all documents associated with the property and there would be no reason to have index files within folders for each area within the department.
3. All permits are electronically stored and printable on the MUNIS system. Any additional information can be retrieved from that system.
4. The one property did have the zoning manager signature however it was signed on the line above which explained and submitted to the auditor. The zoning manager is the only one that signs any zoning related approvals.
5. Care will be taken to make sure that the correct information will be in the correct file. This will be done by training.

Completion Date: Completed

Recommendation #5: Management should ensure that all staff adheres to the Delaware Local Government and Retention Schedule. Additionally, management should ensure all staff are aware of the policy and have access for review.

The Accounting Division and L&I should consider reviewing their current document strategy and becoming more efficient by developing secure storage areas.

Management response & action plan:

Finance:

The Accounting Division keeps two years of paper copies in the office (one year prior, plus the current year) due to allotted storage space. The Delaware Local Government General Record Retention Schedule states, “retain at agency 3 years; successful audit; destroy” for Accounts Payable records. Therefore, the Accounting Division is currently in compliance. The original invoice come into the Accounting Division electronically and is uploaded to the TCM document management system which stores the electronic documents onsite within the system for more than three years and a paper copy can be retrieve within minutes of a document request. If an electronic copy could not be found, then a request would need to be submitted to Iron Mountain the archiving agency for retrieval of an online copy.

After management review it was noted that all employees who engage in the archiving process, were aware of the procedures and knew their responsibility outside of the new temporary receptionist, who is still learning and receiving training on Accounting and Departmental tasks. As an added measure of understanding and compliance, the manager has emailed a copy of the Delaware Local Government General Record Retention Schedule to the archiving staff, as well as the temp. We have placed a copy of the Schedule on the Finance Intranet for all to view and retrieve when necessary.

During the time of this audit review, the Accounting Division was preparing documents to be archived because the prior fiscal year-end documents were scheduled to be sent to Iron Mountain and the current year documents needed to be filed and secured in the designated cabinets.

Licenses and Inspections:

As mentioned above the file system is in the process of being scanned electronically and there will adequate storage space for all documents contained within the files. All policies will be review with all staff members ensuring that they are aware of the retention schedule.

Our file system will be secure once the electronical process is completed

Completion Date: Completed

Audit Team

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