



# CITY OF NORMAN, OK CITY COUNCIL SPECIAL MEETING

Municipal Building, Executive Conference Room, 201 West Gray, Norman,  
OK 73069

Tuesday, April 29, 2025 at 5:30 PM

## AGENDA

*It is the policy of the City of Norman that no person or groups of persons shall on the grounds of race, color, religion, ancestry, national origin, age, place of birth, sex, sexual orientation, gender identity or expression, familial status, marital status, including marriage to a person of the same sex, disability, relation, or genetic information, be excluded from participation in, be denied the benefits of, or otherwise subjected to discrimination in employment activities or in all programs, services, or activities administered by the City, its recipients, sub-recipients, and contractors. In the event of any comments, complaints, modifications, accommodations, alternative formats, and auxiliary aids and services regarding accessibility or inclusion, please call 405-366-5424, Relay Service: 711. To better serve you, five (5) business days' advance notice is preferred.*

### CALL TO ORDER

1. CONSIDERATION OF ADJOURNING INTO AN EXECUTIVE SESSION FOR THE FOLLOWING:

TO DISCUSS A PENDING TORT CLAIM SUBMITTED BY MISTY DEAN AS AUTHORIZED BY OKLAHOMA STATUTES, UNDER TITLE 25 § 307(B)(4);

TO DISCUSS THE POSSIBLE PURCHASE OF REAL PROPERTY ON THE GRIFFIN HOSPITAL PROPERTY BETWEEN ROBINSON STREET AND ROCK CREEK ROAD ALONG 12TH AVENUE N.E. AS AUTHORIZED BY OKLAHOMA STATUTES, UNDER TITLE 25 § 307(B)(3); AND

TO CONDUCT A MID-YEAR REVIEW OF THE INTERNAL AUDITOR AS AUTHORIZED BY OKLAHOMA STATUTES, UNDER TITLE 25 § 307(B)(1).

2. DISCUSSION REGARDING A RESOLUTION ESTABLISHING AN INTERNAL AUDIT CHARTER TO FORMALIZE A WRITTEN AGREEMENT BETWEEN THE CITY COUNCIL AND THE FINANCE COMMITTEE REGARDING THE PURPOSE, AUTHORITY, AND RESPONSIBILITIES OF THE OFFICE OF THE CITY AUDITOR.
3. DISCUSSION REGARDING ADOPTION OF THE TRIENNIAL AUDIT PLAN, A COMPREHENSIVE AUDIT FRAMEWORK COVERING THREE FISCAL YEARS ENDING JUNE 30, 2027.

### ADJOURNMENT



## CITY OF NORMAN, OK STAFF REPORT

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**MEETING DATE:** 04/22/2025

**REQUESTER:** Shaakira Calnick, Internal Auditor

**PRESENTER:** Shaakira Calnick, Internal Auditor

**ITEM TITLE:** CONSIDERATION OF ADOPTION, REJECTION, AMENDMENT, AND/OR POSTPONEMENT OF RESOLUTION R-2425-118: A RESOLUTION OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, ESTABLISHING AN INTERNAL AUDIT CHARTER TO FORMALIZE A WRITTEN AGREEMENT BETWEEN THE CITY COUNCIL AND THE FINANCE COMMITTEE REGARDING THE PURPOSE, AUTHORITY, AND RESPONSIBILITIES OF THE OFFICE OF THE CITY AUDITOR.

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### **BACKGROUND:**

The Internal Audit Charter is an internal formal document that defines the Office of the City Auditor's purpose, authority, and responsibility. The Internal Audit Charter establishes the Office of the City Auditor's position within the City; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the City Council.

### **DISCUSSION:**

The formal Internal Audit Charter is critical in managing the Office of the City Auditor. The Internal Audit Charter provides a recognized statement for review and acceptance by management and for approval, as documented in the minutes, by City Council. It also facilitates a periodic assessment of the adequacy of the Office of the City Auditor's purpose, authority, and responsibility, which establishes the role of the Office of the City Auditor within the City of Norman. If a question should arise, the Internal Audit Charter provides a formal, written agreement with City Council, and the Finance Committee, about how the City of Norman's Office of the City Auditor will be managed.

### Fiscal Impact:

There are no anticipated significant fiscal impacts associated with adopting internal audit charter. The resolution will primarily require administrative efforts to implement.

**RECOMMENDATION:**

The adoption of Resolution R-2425-118 for the Internal Charter is essential to the effective operation of the Office of the City Auditor. It is recommended that the City Council approve this resolution to ensure a structured, transparent, and accountable internal auditing function within the City.

R-2425-118

**A RESOLUTION OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, ESTABLISHING AN INTERNAL AUDIT CHARTER TO FORMALIZE A WRITTEN AGREEMENT BETWEEN THE CITY COUNCIL AND THE FINANCE COMMITTEE REGARDING THE PURPOSE, AUTHORITY, AND RESPONSIBILITIES OF THE OFFICE OF THE CITY AUDITOR.**

- § 1. WHEREAS, Article V, Section 3, of the Charter of the City of Norman provides that the City Auditor shall be selected by the City Council; and
- § 2. WHEREAS, the Office of the City Auditor is established within the City of Norman, and its duties delineated, by Article V, Section 3 of the City of Norman Charter; and
- § 3. WHEREAS, Mayor and City Council adopt the Internal Audit Charter in the above regard by resolution as deemed necessary; and
- § 4. WHEREAS, recognizing the requirement of the City Auditor to develop and maintain an Internal Audit Charter that specifies the purpose of the Office of the City Auditor; affirms its commitment to adhering to the Global Internal Audit Standards; references its mandate as set forth in Article V, Section 3, of the Charter of the City of Norman; outlines the scope and types of services provided; and establishes City Council's responsibilities and expectations regarding management's support of the Office of the City Auditor; and defines the Office of the City Auditor's organizational position and reporting relationships; and
- § 5. WHEREAS, the City Auditor has developed and the Finance Committee has reviewed the attached Internal Audit Charter which is incorporated herein and made a part hereof.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA:

- § 6. That City Council, having carefully considered all of the information above and do hereby adopt and direct the City Auditor to implement the attached Internal Audit Charter for the Office of the City Auditor.

PASSED AND ADOPTED THIS \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
Larry Heikkila, Mayor

ATTEST:

\_\_\_\_\_  
Brenda Hall, City Clerk

## CITY OF NORMAN'S INTERNAL AUDIT CHARTER

### 1. Purpose

The purpose of the Internal Audit Charter is to define the purpose, authority and responsibilities of the Office of the City Auditor and the submission of reports to the Finance Committee (Interim Audit Committee) and City Council for recommending improvements to the operations of the City and strengthen the overall governance mechanism of the City.

The purpose of the Office of the City Auditor is to strengthen the City of Norman's ("The City") ability to create, protect, and sustain value by providing City Council and Management (Department Heads, Division Managers, and Supervisors) with independent, risk-based, and objective assurance, advice, insight, and foresight, under the governance of City Council, in the effective discharge of its responsibilities. Specifically, internal audit provides independent and objective assurance on the adequacy and effectiveness of the internal control structure, the safeguarding of assets, compliance with applicable laws, regulations, City ordinances, and City policies and the achievement of City objectives. Internal Audit also provides reasonable assurance to Management and City Council that the City's financial and operational controls, designed to manage the organization's risks and achieve the City's objectives, are operating in an efficient, effective, ethical, and equitable manner.

### 2. Commitment to Adhering to the Global Internal Audit Standards

The City of Norman's Office of the City Auditor will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (the Standards)*, and the Definition of Internal Auditing. The City Auditor will report quarterly to the City Council and senior management regarding the Office of the City Auditor's conformance with the *Standards*, which will be assessed through a quality assurance and improvement program (QAIP).

#### ***Definition of Internal Auditing***

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### 3. Mandate

The City of Norman's Office of the City Auditor mandate is found in Article V, Section 3 of the City of Norman Charter which states: "It shall be the City Auditor's duty to advise the Council and each member thereof, and the City Manager, of operational and financial audits relating to the efficient and economical operation of Norman City government, and other related matters as may be

required by the Council or the City Manager. The foregoing provisions shall not be deemed to prevent the City Manager, with the approval of a majority of the City Council, from employing private auditors as it is deemed necessary.”

### ***Authority***

The City of Norman’s Office of the City Auditor’s authority is created by its direct reporting relationship to the City Council. Subject to the Open Meetings Act (O.S. Title 25, Sections 301-314), such authority allows for unrestricted access to the City Council and Finance Committee, including private meetings without Management present. The Office of the City Auditor may conduct formal or informal one-on-one meetings with members of City Council to discuss the management, expectations, goals, and other matters related to the operations of the Office of the City Auditor. Methods of meeting with members of City Council include one-on-one phone, web-hosted video, email, and in-person meetings.

City Council authorizes the Office of the City Auditor, with City Council’s express approval by Resolution (R-2425-67), to:

- Have full and unrestricted access to, and perform examination of, functions, records, information, policies, procedures, processes, employees, and facilities relevant to performing audit engagements (assurance engagements, advisory engagements and fraud engagements), pursuant to Article V, Section 3 and Article III, Section 6 of the City of Norman Charter, of the City of Norman Charter.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance, as it relates to audit engagements, from the appropriate employees of the City of Norman, as well as other specialized services from within or outside the City of Norman, in order to complete internal audit services; pursuant to the mandate set forth in Article V, Section 3 and Article III, Section 6 of the City of Norman Charter.

### ***Independence, Organizational Position, and Reporting Relationships***

The City Auditor will be positioned at a level in the City that enables internal audit services and responsibilities to be performed without interference from Management (See Mandate Section). The City Auditor will report functionally to City Council and the Finance Committee, and report administratively (day-to-day operations) to the City Manager. This positioning provides the organizational authority and status to bring matters directly to the City Manager and escalate matters to the City Council, when necessary, without interference and supports the internal auditors’ ability to maintain objectivity.

The City Auditor will confirm to City Council, at least annually, the organizational independence of the Office of the City Auditor. If the governance structure does not support organizational independence, the City Auditor will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The

City Auditor will disclose to the City Council and the Finance Committee any interference internal auditors' encounter related to the scope, performance, or communication of internal audit work and results of internal auditing, performing work, and/or communicating results. The disclosure will include communicating the implications of such interference on the Office of the City Auditor's effectiveness and ability to fulfill its mandate.

### ***Changes to the Mandate and Internal Audit Charter***

Circumstances may justify a follow-up discussion between the City Auditor, City Council, and senior management on the internal audit mandate to other aspects of the internal audit charter. Such circumstances may include, but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the City.
- Significant changes in the City Auditor, City Council, and/or senior management.
- Significant changes to the City's strategies, objectives, risk profile, or the environment in which the City operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## **4. City Council Oversight**

To establish, maintain, and assure that the City of Norman's Office of the City Auditor has authority to fulfill its duties, City Council has authority to:

- Discuss with the City Auditor and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Office of the City Auditor.
- Ensure the City Auditor has unrestricted access to and communicate and interacts directly with City Council, including in private meetings without senior management present, subject to the Oklahoma Open Meetings Act (O.S. Title 25, Sections 301-314).
- Discuss with the City Auditor and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the City Auditor and senior management about the "essential conditions," described in Standard 8.1 of Principle 8 of the Global Internal Audit Standards, which establish the foundation that enables an effective Office of the City Auditor.
- Approve the Office of the City Auditor's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the City Auditor to consider changes affecting the organization, such as the employment of a new City Auditor or changes in the type,

severity, and interdependencies of risks to the organization; and approve the internal audit charter annually.

- Approve the risk-based triennial internal audit plan.
- Provide input to the Office of the City Auditor's human resources administration and budgets.
- Review the Office of the City Auditor's expenses.
- Provide input to senior management on the appointment and removal of the City Auditor, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the City Auditor's performance.
- Receive communications from the City Auditor about the Office of the City Auditor including its performance relative to its plan (Annual Update on the Triennial Audit Plan).
- Ensure a quality assurance and improvement program (QAIP) has been established and review the results annually.
- Make appropriate inquiries of the City Manager and the City Auditor to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.

## 5. City Auditor Roles and Responsibilities

### ***Ethics and Professionalism***

The City Auditor will ensure that internal auditors:

- Conform to the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality, with the following qualifications:
  - If the Office of the City Auditor is prohibited by law or regulation from conformance with certain parts of the *Standards*, the City Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by generally accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, the City Auditor will ensure that the Office of the City Auditor conforms with the *Standards*, even if the Office of the City Auditor also conforms with the more restrictive requirements of Government Auditing Standards issued by the Comptroller General of the United States.



- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

### ***Objectivity***

To permit the maintenance of a fully independent and objective approach, the City Auditor will ensure that the Office of the City Auditor remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the City Auditor determines that independence or objectivity may be impaired, in fact or appearance, the details will be disclosed to the appropriate parties.

Internal auditors will exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities (departments, divisions, programs, functions, contracts, employees, systems, and policies) audited. Accordingly, internal auditors will not design, implement or monitor internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the City of Norman or its affiliates. Affiliates of the City of Norman (Norman Municipal Authority) include, but may not be limited to, the Norman Utilities Authority and Norman Tax Increment Finance Authority, outside contractors, and subcontractors.
- Initiating or approving transactions external to the Office of the City Auditor.
- Directing the activities of any City of Norman employee not employed by the Office of the City Auditor, except to the extent that such employees have been appropriately assigned to auditing teams, or to otherwise assist internal auditors.

Where the City Auditor has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

### ***Managing the Office of the City Auditor***

The City Auditor has the responsibility to:

- Develop a risk analysis to identify the higher risk activities of the City.
- At least triennially, develop a risk-based internal audit plan that considers the input of the City Council and City Manager. Discuss the plan with the City Council and City Manager and submit the plan to the City Council for review and approval.
- Submit, at least annually, to City Council, Finance Committee and the City Manager an update to the triennial risk-based internal audit plan for review and approval.
- Communicate to the City Manager and City Council the impact of resource limitations on the triennial internal audit plan.
- Review and adjust the triennial internal audit plan, as necessary, in response to changes in City of Norman's business risks, operations, programs, systems, and controls.
- Communicate with City Council and the City Manager if there are any significant interim changes to the triennial internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, GAGAS and laws and/or regulations.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the City Council any corrective actions not effectively implemented.
- Ensure the Office of the City Auditor collectively possess or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Ensure trends and emerging issues that could impact City of Norman are identified, considered, and communicated to City Council and the City Manager, as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.

- Establish and ensure adherence to policies and procedures designed to guide the Office of the City Auditor.
- Ensure adherence to City of Norman's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to City Council and the City Manager.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the City Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to the City Manager, and if necessary escalated to the City Council.

### ***Communication with the City Council and Senior Management***

The City Auditor will report annually to City Council and senior management regarding:

- The Office of the City Auditor's mandate.
- The triennial internal audit plan and performance relative to its plan.
- The Office of the City Auditor's budget.
- Significant revisions to the triennial internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program (QAIP), which include the Office of the City Auditor's conformance with The IIA's Global Internal Audit Standards and action plans to address the Office of the City Auditor's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the City Council that could interfere with the achievement of City of Norman's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Office of the City Auditor determines may be unacceptable or acceptance of a risk that is beyond City of Norman's risk appetite. This risk acceptance could be a result of funding restrictions impacting management's ability to respond to risks toward strategic objectives.

The Office of the City Auditor may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Office of the City Auditor does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of Management.

### ***Quality Assurance and Improvement Program***

The City Auditor will establish and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the Office of the City Auditor. The program will include an evaluation of the Office of the City Auditor's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Office of the City Auditor and identify opportunities for improvement.

The City Auditor will communicate to City Council and senior management about the Office of the City Auditor's quality assurance and improvement program (QAIP), including the results of internal assessments (both ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every three (3) years by a qualified, independent assessor or assessment team from outside the City of Norman; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

The City's Office of the City Auditor has become a member of the Association for Local Government Auditors (ALGA), and will enlist services through ALGA to conduct the triennial external assessment.

## **6. Scope and Types of Internal Audit Services**

### ***Scope of Internal Audit Activities***

The scope of internal audit services covers the entire breadth of the organization, including all of City of Norman's policies, procedures, processes, functions, programs, grants, contracts, activities, facilities, and employees. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assurance and advisory services to the City Council and management on the adequacy and effectiveness of the City of Norman's governance, risk management, and control processes for the City of Norman.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the City of Norman’s strategic objectives are appropriately identified and managed.
- The actions of City of Norman’s officers, directors, employees, and contractors or other relevant parties comply with the City of Norman’s policies, procedures, applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, and applicable laws, regulations that could significantly impact the City of Norman.
- The integrity of information and the means used to identify, measure, analyze, classify and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

## 7. Occupational Fraud

City employees have a duty to report instances of suspected theft, fraud, or misuse of public funds or assets to Office of the City Auditor who will coordinate internal investigations with the appropriate officials (e.g. City Manager, City Attorney, and City Council). Other options to anonymously report instances of suspected theft, fraud, or misuse of public funds or assets is to contact the City of Norman Fraud Hotline operated by Eide Bailly at 866-912-5378.

*Approved by the City Council at its meeting on April \_\_\_\_, 2025.*

*Acknowledgments/Signatures*

\_\_\_\_\_  
City Auditor

\_\_\_\_\_  
Date

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mayor (Chair of Finance Committee)

\_\_\_\_\_  
Date



DATE: December 17, 2024

TO: City Council, Finance Committee, Darrel Pyle and Rick Knighton

FROM: Shaakira Calnick, City Auditor

SUBJECT: Office of the City Auditor Independence Impairment, Updates to Global Internal Audit Standards (the *Standards*) [Effective January 9, 2025], and Updates to the GAO's generally accepted government auditing standards (GAGAS) [Effective December 15, 2025]

I hope all is well. The Office of the City Auditor is garnering attention from states like Kansas and California. While this is great, it also increases the likelihood of scrutiny from other audit industry professionals. I wanted to notify you of topics that will be discussed in detail during the upcoming Finance Committee meeting. These topics include potential independence impairments, the internal audit charter, updates to Global Internal Audit Standards (the *Standards*), and updates to the GAO's Generally Accepted Government Auditing Standards (GAGAS).

Mayor Heikkila's suggested edits and modifications to the Internal Audit Charter have not been fully implemented. My commitment to the *Standards* and the Code of Ethics prohibits me from doing so without presenting the issue and potential safeguards to the Council, Finance Committee and the Norman public. Implementing some of these modifications could essentially render the City of Norman's internal audit function ineffective during the second year of its implementation. GAGAS 3.18 and 3.19 state: "In all matters relating to the GAGAS engagement, auditors and audit organizations must be independent from an audited entity. Auditors and audit organizations should avoid situations that could lead reasonable and informed third parties to conclude that the auditors and audit organizations are not independent and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the engagement and reporting on the work."

Comments regarding the suggested changes/edits are as follows:

**Section 1.** I am of the understanding that efforts to form an Audit Committee will occur in the future, as qualified at-large citizens with experience in the accounting/audit/risk fields seated on the Audit committee will enhance accountability and transparency within the City of Norman, as well as the awareness and understanding of the internal audit function. An audit committee safeguards organizational independence of the internal audit function and provides ongoing oversight, advice and feedback to the internal audit function. (Changed to "Interim Audit Committee").

**Section 2.** Adherence is the prerequisite of conformance. Without adherence, conformance may not be achievable. By “governing itself by adherence to” the Office of the City Auditor seeks to achieve conformance with the Standards. This section is the unmodified statement of commitment that must be present on all Internal Audit Charters in order to adhere, and conform with, the *Standards*. (This change will not be implemented.)

**Section 3 (Authority on pg. 3).** The City of Norman’s Office of the City Auditor’s authority is created by its direct reporting relationship to the City Council. Subject to the Oklahoma Open Meetings Act (O.S. Title 25, Sections 301-314), the City Auditor should be able to meet with members of Council or members of the Finance Committee (Interim Audit Committee) without management present. It is my understanding that a few Councilors meet with the City Manager on a periodic basis. Subject to the Open Meetings Act, this practice can be extended to the Office of the City Auditor. The Office of the City Auditor may conduct formal or informal one-on-one meetings with members of City Council to discuss the management, expectations, goals, and other matters related to the operations of the Office of the City Auditor. Meetings with members of City Council can be conducted one-on-one by phone, web-hosted video, email, or in person. Changes include acknowledgement of the Open Meetings Act, as well as available methods to conduct meetings between members of City Council and the City Auditor. Standard 6.3 (Board and Management Support) of Principle 6 (Authorized by the Board) of the Standards states: “The chief audit executive must provide the board and senior management with the information needed to support and promote recognition of the internal audit function throughout the organization. The chief audit executive must coordinate the internal audit function’s board communications with senior management to support the board’s ability to fulfill its requirements.” The essential conditions of this requirement are listed below:

#### **Board**

- Champion the internal audit function to enable it to fulfill the Purpose of Internal Auditing and pursue its strategy and objectives.
- Work with senior management to enable the internal audit function’s unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.
- Support the chief audit executive through regular, direct communications.
- Demonstrate support by:
  - Specifying that the chief audit executive reports to a level within the organization that allows the internal audit function to fulfill the internal audit mandate.
  - Approving the internal audit charter, internal audit plan, budget, and resource plan.

- Making appropriate inquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function's scope, access, authority, or resources limit the function's ability to carry out its responsibilities effectively.
- Meeting periodically with the chief audit executive in sessions without senior management present.

#### **Senior Management**

- Support recognition of the internal audit function throughout the organization.
- Work with the board and management throughout the organization to enable the internal audit function's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.

**Section 3 (Authority on pg. 3).** Council has previously approved R-2425-67, a resolution developed by the City Auditor, to create Policies and Procedures for the Office of the City Auditor. Policy Provision No. 4 states: "The City Auditor shall have access to, and perform examinations of, necessary documentation, policies, procedures, processes, staff, and facilities relevant to performing audit engagements (consultations, periodic audits, and fraud investigations) pursuant to Article III, Section 6, and Article V, Section 3 of the City of Norman Charter." The internal audit charter also acknowledges this. (Change: add "with Council's express approval by Resolution 2425-67)."

Due to resolution R-2425-67, requests for information (RFIs) should not have to go through the City Manager or Department Head. Additionally, their roles, actions, or lack thereof, are also assessed and evaluated during the audit engagement. Nevertheless, certain RFIs should and do go through the appropriate channels to adhere to laws, regulations, and the Standards. For instance, Human Resources (HR) and/or the City Attorney's Office may be consulted when acquiring access to certain employee records or when interviewing employees. When possible, Internal Audit works directly with employees who manage the records or files necessary to conduct the relevant audit, either through inquiry or request. Internal Audit does not exercise authority over any employee outside of the Office of the City Auditor.

#### **Section 3 (Independence, Organizational Position, and Reporting Relationships on pg. 3).**

Annually, internal auditors employed by the City of Norman's Office of the City Auditor will be required to sign the Annual Code of Ethics and Conflict of Interest Declaration, which will be retained in the Office of the City Auditor and in the employees' HR files. It may be excessive to report the organizational independence of the Office of the City Auditor semi-annually unless a situation arises. It is usually reviewed during the annual review of the Internal Audit Charter. Any other reporting frequency could negatively impact the productivity of the Office of the City Auditor.



Impairments that are identified must be communicated/reported promptly upon discovery. This disclosure should include only the Council, the Finance Committee, and other appropriate parties as deemed necessary.

Communication is continuous throughout the audit process with the appropriate parties. Audit reports are communicated to the City Manager, the appropriate Department Head, the Finance Committee, the City Council, and are published via the City of Norman website. Disclosure reports regarding interference related to scope, performance, or communications of internal audit work and results of internal auditing, performing work, and/or communicating results—and its implications on the Office of the City Auditor’s effectiveness—should be submitted to City Council and the Finance Committee. Any other arrangement could increase the likelihood of interference with the performance and/or completion of an audit or investigation and negatively impact the accountability and transparency of City operations. (For example, in efforts to achieve City objectives, the City Manager and Department Heads may unknowingly approve transactions and actions of employees that consequently violate City policy. Department Heads or the City Manager would have the ability to delay the audit process if they had the authority to approve or restrict the Office of the City Auditor’s ability to communicate such interference.)

Meetings between the Office of the City Auditor and employees of the City of Norman are coordinated through the Department Head of each department, as the City Manager has encouraged communication, coordination and collaboration with the Office of the City Auditor among employees of the City of Norman. (Essential Conditions for Senior Management of Standard 6.3: Board and Senior Management Support).

**Section 4 (City Council Oversight).** The word “sufficient” was removed.

According to the applicability and elements of the Standards, “may” and “should” specify common and preferred practices. These two words are essentially the same. No change is necessary here.

I have added the specific standard that lists the essential conditions to this bullet point, as it relates to Council Oversight.

Refer to Section 1 on all modifications to the Internal Audit Charter. The Finance Committee reviews the Internal Audit Charter for alignment with the City governance structure, and City Council approves the Internal Audit Charter.

The Internal Audit Charter is a living document, and City Council has the authority to review or approve the document annually—or not. It is best practice to list this as an authorized Council action in the Internal Audit Charter.

Providing input on the Office of the City Auditor’s Human Resource administration and budgets may be understood as a function of the City Manager’s office, but it is within the authority of the Council to support and approve budgets for additional audit employees as they relate to the Office of the City Auditor. Additionally, City Council is the only body authorized to appoint and remove the City Auditor. Thus, input from Council is inherently necessary concerning the hiring operations and hiring process of the Office of the City Auditor and the City Auditor.

“It is the authority of City Council to make appropriate inquiries of City Manager and the City Auditor to determine whether scope or resource limitations are inappropriate.” Mayor Heikkila seeks to change the entire statement to: “It is the authority of City Council to make appropriate inquiries of City Manager and the City Auditor to determine whether scope or resource limitations are appropriate,” which implies that senior management will have the authority to limit the scope of audits. This may cause another adverse effect on the independence of the internal audit function unless Council restricts the scope of internal audit services to a subset, according to certain criteria or a particular department or division, that they want audited on a periodic basis. It is within the authority of City Council to confirm that the Office of the City Auditor has the resources and access necessary to perform audits without interference. Internal audit services may be simply defined as in Article V, Section 3 of the City of Norman Charter, or may be specifically defined, such as performance audits, assurance regarding internal controls over financial reporting, and investigations. Scope restrictions should be explicitly outlined within Section 6, scope and types of internal audit services, of the Internal Audit Charter.

(Change: “Making appropriate inquiries of senior management and the chief audit executive to determine whether any restrictions on the internal audit function’s scope, access, authority, or resources limit the function’s ability to carry out its responsibilities effectively.”)

**Section 5 (Ethics and Professionalism).** Reporting administratively to Council or the Chair of the Finance Committee is another factor that may impair the independence of the internal audit function and may impact its effectiveness. Administrative reporting and approval of administrative requests should be limited to the City Manager, while functional reporting, as it relates to the operations of the Office of the City Auditor, is reserved for the Council and Finance Committee.

As it relates to ethics, encouraging and promoting an ethics-based culture is the responsibility of every City of Norman employee, not just the HR department. Standard 1.2 (Organization's Ethical Expectations) of Principle 1 (Demonstrate Integrity) of the Global Internal Audit Standards states: *"Internal auditors must encourage and promote an ethics-based culture in the organization."* and the considerations to implement this standard state, *"The internal audit plan may include assessments of the organization's ethics-related risks to determine whether existing policies and control processes adequately and effectively address those risks. The chief audit executive also should determine a methodology for addressing ethical issues and discuss the methodology with the board and senior management to ensure alignment of the approaches."*

*Internal auditors should consider ethics-related risks and controls during individual engagements. If internal auditors identify behavior within the organization that is inconsistent with the organization's ethical expectations, they should communicate the concerns according to the methodology established by the chief audit executive, which takes into account the organization's policies and processes as well as laws and/or regulations.*

*If internal auditors determine that a member of senior management has behaved in a manner that is inconsistent with the organization's ethical expectations — whether documented in a code of conduct, code of ethics, or otherwise — the chief audit executive should report the violation to the board. If an ethics-related concern involves the chairman of the board, the chief audit executive should report the concern to the entire board.*

*Internal auditors should follow up on ethics-related issues involving the board or senior management and validate that appropriate actions were taken to address the concern."*

Reporting organizational behavior that is inconsistent with the organization's ethical expectations (as described in policies and procedures) should be not reported to the City Manager (CM).

Reporting organizational behavior that is inconsistent with the organization's ethical expectations (as described in policies and procedures) should be reported to the appropriate parties. Appropriate parties depend on the offender's level of employment. Internal Auditors are required to make such reports to the City Auditor who will review the report and determine a distribution list. All internal City policies are the responsibility of the CM. Therefore, the City Manager has the authority to override the City's policies and procedures. The City Auditor does not exercise authority over other Council employees or any City employee outside the Office of the City Auditor. Council is the only body with the authority to direct or instruct the CM.

**Section 5 (*Objectivity, 3<sup>rd</sup> Paragraph*).** This section details the ethical principle of objectivity of the Office of the City Auditor, lists situations that could impair that objectivity, and provides guidance on such matters. Essentially, it means the Office of the City Auditor should not perform any operational duties outside of the duties pertaining to the Office of the City Auditor. Impairments to internal auditors' objectivity have a direct impact on the independence of the Office of the City Auditor.

Changes: Added "Affiliates of the City of Norman (Norman Municipal Authority) include, but may not be limited to, the Norman Utilities Authority and Norman Tax Increment Finance Authority, outside contractors, and subcontractors."

**Section 5 (*Managing the Office of the City Auditor*).** Semi-annual updates of the triennial audit plan will not be implemented. Updates to the triennial audit plan are booklets prepared annually to provide updates on completed audits, ongoing audits, milestones reached, resources, etc. Semi-annual updates increase the likelihood that production would be negatively impacted. These updates are also published to the public via the City Auditor webpage on the City of Norman website.

Approval of communications or the ability to communicate with Council regarding significant interim changes to the triennial audit plan is not necessary. This may impact the City Auditor's access to the Board and Finance Committee as it relates to communicating any changes or updates to the triennial audit plan. Nevertheless, any changes implemented into the triennial audit plan require communication to Council and Council's approval. Senior management, including the City Manager, is included on the distribution list to receive the communications.

Changing "possess" to "possesses" would be incorrect grammar.

"Senior management" has been changed to "City Manager" where applicable.

**Section 5 (*Communication with the City Council and Management*).** This section includes a list of annual reports that are delivered to Council. Reporting semi-annually on the entire list may negatively impact the productivity of the internal audit function.

Changing "reporting potential impairments to independence" to "reporting potential impairments to operations" limits the intent of the statement in its entirety. Impairments to independence may result in an increased likelihood of interference in other areas, such as reporting, operations, and compliance.

**Industry Standard Updates.** Updates to Audit Industry Standards will affect the implementation of the Internal Audit function within the City of Norman. Updates to the IIA's Global Internal Audit

Standards will be effective January 9, 2025, and updates to the GAO's generally accepted government auditing standards (GAGAS) will be effective December 15, 2025. Specific updates have been implemented into the charter as it relates to the Internal Audit function in government. A PowerPoint presentation will be conducted to notify you in detail regarding the updated standards.

## CITY OF NORMAN'S INTERNAL AUDIT CHARTER

### 1. Purpose

The purpose of the Internal Audit Charter is to define the purpose, authority and responsibilities of the Office of the City Auditor and the submission of reports to the Finance Committee (~~Interim~~ acting as the Audit Committee) and City Council for recommending improvements to the operations of the City and strengthen the overall governance mechanism of the City.

The purpose of the Office of the City Auditor is to strengthen the City of Norman's ("The City") ability to create, protect, and sustain value by providing City Council and Management (Department Heads, Division Managers, and Supervisors) with independent, risk-based, and objective assurance, advice, insight, and foresight, under the governance of City Council, in the effective discharge of its responsibilities. Specifically, internal audit provides independent and objective assurance on the adequacy and effectiveness of the internal control structure, the safeguarding of assets, compliance with applicable laws, regulations, City ordinances, and City policies and the achievement of City objectives. Internal Audit also provides reasonable assurance to Management and City Council that the City's financial and operational controls, designed to manage the organization's risks and achieve the City's objectives, are operating in an efficient, effective, ethical, and equitable manner.

### 2. Commitment to Adhering to the Global Internal Audit Standards

The City of Norman's Office of the City Auditor will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (the Standards)*, and the Definition of Internal Auditing. The City Auditor will report quarterly to the City Council and senior management regarding the Office of the City Auditor's conformance with the *Standards*, which will be assessed through a quality assurance and improvement program (QAIP).

#### ***Definition of Internal Auditing***

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### 3. Mandate

The City of Norman's Office of the City Auditor mandate is found in Article V, Section 3 of the City of Norman Charter which states: "It shall be the City Auditor's duty to advise the Council and each member thereof, and the City Manager, of operational and financial audits relating to the efficient

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and economical operation of Norman City government, and other related matters as may be required by the Council or the City Manager. The foregoing provisions shall not be deemed to prevent the City Manager, with the approval of a majority of the City Council, from employing private auditors as it is deemed necessary.”

***Authority***

The City of Norman’s Office of the City Auditor’s authority is created by its direct reporting relationship to the City Council. Subject to the Open Meetings Act (O.S. Title 25, Sections 301-314), such authority allows for unrestricted access to the City Council and Finance Committee, including private meetings without Management present. The Office of the City Auditor may conduct formal or informal one-on-one meetings with members of City Council to discuss the management, expectations, goals, and other matters related to the operations of the Office of the City Auditor. Methods of meeting with members of City Council include one-on-one phone, web-hosted video, email, and in-person meetings.

City Council authorizes the Office of the City Auditor, with City Council’s express approval by Resolution (~~R-2425-67~~), to:

- Have full and unrestricted access to, and perform examination of, functions, records, information, policies, procedures, processes, employees, and facilities relevant to performing audit engagements (assurance engagements, advisory engagements and fraud engagements), pursuant to Article V, Section 3 and Article III, Section 6 of the City of Norman Charter, of the City of Norman Charter.
- Allocate resources, set frequencies, ~~select subjects~~ (City Council selects the subjects outside of the Council approved triennial audit plan) , determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance, as it relates to audit engagements, from the appropriate employees of the City of Norman, as well as other specialized services from within or outside the City of Norman, in order to complete internal audit services; pursuant to the mandate set forth in Article V, Section 3 and Article III, Section 6 of the City of Norman Charter. All requests for information need to be routed through the City Manager or relevant Department Head. (reason being as an agent of the City Council, the City Auditor has no more access to personnel than the City Council does)

***Independence, Organizational Position, and Reporting Relationships***

The City Auditor will be positioned at a level in the City that enables internal audit services and responsibilities to be performed without interference from Management (See Mandate Section). The City Auditor will report functionally to City Council and the Finance Committee, and report administratively (day-to-day operations) to the City Manager. This positioning provides the organizational authority and status to bring matters directly to the City Manager and escalate

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matters to the City Council, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The City Auditor will confirm to City Council, at least annually, the organizational independence of the Office of the City Auditor. If the governance structure does not support organizational independence, the City Auditor will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The City Auditor will disclose to the City Council, the City Manager, and the Finance Committee any interference internal auditors' encounter related to the scope, performance, or communication of internal audit work and results of internal auditing, performing work, and/or communicating results. The disclosure will include communicating the implications of such interference on the Office of the City Auditor's effectiveness and ability to fulfill its mandate.

***Changes to the Mandate and Internal Audit Charter***

Circumstances may justify a follow-up discussion between the City Auditor, City Council, and senior management on the internal audit mandate to other aspects of the internal audit charter. Such circumstances may include, but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the City.
- Significant changes in the City Auditor, City Council, and/or senior management.
- Significant changes to the City's strategies, objectives, risk profile, or the environment in which the City operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

**4. City Council Oversight**

To establish, maintain, and assure that the City of Norman's Office of the City Auditor has authority to fulfill its duties, City Council has authority to:

- Discuss with the City Auditor and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Office of the City Auditor.
- Ensure the City Auditor has unrestricted access to and communicate and interacts directly with City Council, including in private meetings without senior management present, subject to the Oklahoma Open Meetings Act (O.S. Title 25, Sections 301-314).
- Discuss with the City Auditor and senior management other topics that should be included in the internal audit charter.



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- Participate in discussions with the City Auditor and senior management about the “essential conditions,” described in Standard 8.1 of Principle 8 of the Global Internal Audit Standards, which establish the foundation that enables an effective Office of the City Auditor.
- Approve the Office of the City Auditor’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the City Auditor to consider changes affecting the organization, such as the employment of a new City Auditor or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter annually.
- Approve the risk-based triennial internal audit plan and any changes to the triennial audit plan.
- Provide input to the Office of the City Auditor’s human resources administration and budgets.
- Review the Office of the City Auditor’s expenses.
- Provide input to senior management on the appointment and removal of the City Auditor, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the City Auditor’s performance.
- Receive communications from the City Auditor about the Office of the City Auditor including its performance relative to its plan (Annual Update on the Triennial Audit Plan).
- Ensure a quality assurance and improvement program (QAIP) has been established and review the results annually.
- Make appropriate inquiries of the City Manager and the City Auditor to determine whether any restrictions on the internal audit function’s scope, access, authority, or resources limit the function’s ability to carry out its responsibilities effectively.
- Approve via majority vote of Council any Resolution calling for an audit outside of the Council approved triennial audit plan

**5. City Auditor Roles and Responsibilities**

***Ethics and Professionalism***

The City Auditor will ensure that internal auditors:

- Conform to the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality, with the following qualifications:
  - If the Office of the City Auditor is prohibited by law or regulation from conformance with certain parts of the *Standards*, the City Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
  - If the *Standards* are used in conjunction with requirements issued by generally accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, the City Auditor will ensure that the Office of the City Auditor conforms with the *Standards*, even if the Office of the City Auditor also conforms with the more restrictive requirements of Government Auditing Standards issued by the Comptroller General of the United States.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

### **Objectivity**

To permit the maintenance of a fully independent and objective approach, the City Auditor will ensure that the Office of the City Auditor remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters ~~of audit selection~~ (City Council retains the authority to select audits outside of the Council approved triennial audit plan), scope, procedures, frequency, timing, and report content. If the City Auditor determines that independence or objectivity may be impaired, in fact or appearance, the details will be disclosed to the appropriate parties.

Internal auditors will exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe their work product, that no quality compromises are made, and that they do not subordinate their judgement on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities (departments, divisions, programs, functions, contracts, employees, systems, and policies) audited. Accordingly, internal auditors will not design, implement or monitor internal controls, develop

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procedures, install systems, prepare records, or engage in any other activity that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the City of Norman or its affiliates. Affiliates of the City of Norman (Norman Municipal Authority) include, but may not be limited to, the Norman Utilities Authority and Norman Tax Increment Finance Authority, outside contractors, and subcontractors.
- Initiating or approving transactions external to the Office of the City Auditor.
- Directing the activities of any City of Norman employee not employed by the Office of the City Auditor, except to the extent that such employees have been appropriately assigned to auditing teams, or to otherwise assist internal auditors.

Where the City Auditor has, or is expected to have, roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

***Managing the Office of the City Auditor***

The City Auditor has the responsibility to:

- Develop a risk analysis to identify the higher risk activities of the City.
- At least triennially, develop a risk-based internal audit plan that considers the input of the City Council and City Manager. Discuss the plan with the City Council and City Manager and submit the plan to the City Council for review and approval.
- Submit, at least annually, to City Council, Finance Committee and the City Manager an update to the triennial risk-based internal audit plan for review and approval.
- Communicate to the City Manager and City Council the impact of resource limitations on the triennial internal audit plan.

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- Review and adjust the triennial internal audit plan, as necessary, in response to changes in City of Norman's business risks, operations, programs, systems, and controls.
- Communicate with City Council and the City Manager if there are any significant interim changes to the triennial internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards, GAGAS and laws and/or regulations.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the City Council any corrective actions not effectively implemented.
- Ensure the Office of the City Auditor collectively possess or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Ensure trends and emerging issues that could impact City of Norman are identified, considered, and communicated to City Council and the City Manager, as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Office of the City Auditor.
- Ensure adherence to City of Norman's Charter, relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to City Council and the City Manager.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the City Auditor cannot achieve an appropriate level of coordination, the issue must be communicated to the City Manager, and if necessary escalated to the City Council.

***Communication with the City Council and Senior Management***

The City Auditor will report annually to City Council and senior management regarding:

- The Office of the City Auditor's mandate.
- The triennial internal audit plan and performance relative to its plan.
- The Office of the City Auditor's budget.

- Significant revisions to the triennial internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program (QAIP), which include the Office of the City Auditor's conformance with The IIA's Global Internal Audit Standards and action plans to address the Office of the City Auditor's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the City Council that could interfere with the achievement of City of Norman's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Office of the City Auditor determines may be unacceptable or acceptance of a risk that is beyond City of Norman's risk appetite. This risk acceptance could be a result of funding restrictions impacting management's ability to respond to risks toward strategic objectives.

The Office of the City Auditor may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Office of the City Auditor does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of Management.

### ***Quality Assurance and Improvement Program***

The City Auditor will establish and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the Office of the City Auditor. The program will include an evaluation of the Office of the City Auditor's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Office of the City Auditor and identify opportunities for improvement.

The City Auditor will communicate to City Council and senior management about the Office of the City Auditor's quality assurance and improvement program (QAIP), including the results of internal assessments (both ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every three (3) years by a qualified, independent assessor or assessment team from outside the City of Norman; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

The City's Office of the City Auditor has become a member of the Association for Local Government Auditors (ALGA), and will enlist services through ALGA to conduct the triennial external assessment.

## **6. Scope and Types of Internal Audit Services**

### ***Scope of Internal Audit Activities***

The scope of internal audit services covers the entire breadth of the organization, including all of City of Norman's policies, procedures, processes, functions, programs, grants, contracts, activities, facilities, and employees. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assurance and advisory services to the City Council and management on the adequacy and effectiveness of the City of Norman's governance, risk management, and control processes for the City of Norman.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the City of Norman's strategic objectives are appropriately identified and managed.
- The actions of City of Norman's officers, directors, employees, and contractors or other relevant parties comply with the City of Norman's policies, procedures, applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, and applicable laws, regulations that could significantly impact the City of Norman.
- The integrity of information and the means used to identify, measure, analyze, classify and report such information is reliable.

- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

**7. Occupational Fraud**

City employees have a duty to report instances of suspected theft, fraud, or misuse of public funds or assets to Office of the City Auditor who will coordinate internal investigations with the appropriate officials (e.g. City Manager, City Attorney, and City Council). Other options to anonymously report instances of suspected theft, fraud, or misuse of public funds or assets is to contact the City of Norman Fraud Hotline operated by Eide Bailly at 866-912-5378.

*Approved by the City Council at its meeting on April \_\_\_\_, 2025.*

*Acknowledgments/Signatures*

\_\_\_\_\_  
City Auditor

\_\_\_\_\_  
Date

\_\_\_\_\_  
City Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Mayor (Chair of Finance Committee)

\_\_\_\_\_  
Date



## CITY OF NORMAN, OK STAFF REPORT

**MEETING DATE:** 04/22/2025

**REQUESTER:** Shaakira Calnick, CFE

**PRESENTER:** Shaakira Calnick, City Auditor

**ITEM TITLE** CONSIDERATION OF ADOPTION, REJECTION, AMENDMENT, AND/OR POSTPONEMENT OF RESOLUTION R-2425-119: A RESOLUTION OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, ADOPTING THE TRIENNIAL AUDIT PLAN, A COMPREHENSIVE AUDIT FRAMEWORK COVERING THREE FISCAL YEARS ENDING JUNE 30, 2027.

### BACKGROUND:

The purpose of this staff report is to present the proposed Triennial Audit Plan for the upcoming three-year period, outlining the key audit areas, objectives, and methodology to be applied to internal audits within the City of Norman. As part of the City's ongoing efforts to ensure transparency, accountability, and efficiency, a structured approach to internal audits is crucial to maintaining and improving the effectiveness of City operations.

The Triennial Audit Plan is designed to align with the City's strategic goals, address areas of high risk, and comply with legal and regulatory requirements. To ensure this alignment, an allocation of 800 hours has been allocated to City Council and City Management audit requests. The internal audit function is an integral element of the City's governance framework and supports ongoing efforts to optimize operations, manage risk, and enhance public trust.

### DISCUSSION:

#### Purpose & Scope

The proposed Triennial Audit Plan covers the period from FY2025 to FY2027 and will focus on a range of key audit areas, including:

*Financial Audits:* Ensuring the accuracy and transparency of financial reporting, including expenditures, such as overtime & P-Card usage.

*Operational Audits:* Reviewing the effectiveness and efficiency of City operations, particularly in areas with city-wide impact, such as overtime, payroll, and city policies.

*Compliance Audits:* Assessing adherence to local, state, and federal regulations, as well as internal policies and procedures.



### Benefits of the Triennial Audit Plan

The Triennial Audit Plan will provide several key benefits to the City:

*Enhanced Accountability:* Regular audits ensure that all departments remain accountable for their financial and operational performance.

*Improved Efficiency:* Audits often reveal opportunities for cost savings and operational improvements, contributing to more efficient use of public funds.

*Compliance Assurance:* Ensures the City is compliant with applicable laws and regulations, reducing the risk of legal or regulatory penalties.

*Increased Public Trust:* Transparent audits demonstrate the City's commitment to governance, transparency, and responsible management of taxpayer dollars.

### Fiscal Impact:

Budget has been sufficiently allocated for one (1) staff member of the Office of the City Auditor and audit case management software. There are no other anticipated significant fiscal impacts associated with adopting the Triennial Audit Plan for FY2025 to FY2027. The resolution will primarily require administrative efforts to implement.

### **RECOMMENDATION:**

It is recommended that the City Council adopt Resolution R-2425-119 to approve the proposed Triennial Audit Plan for the period FY2025 to FY2027. Upon approval, the Office of the City Auditor will proceed with the necessary steps to initiate the first year of audits as outlined in the plan.

Additionally, it is recommended that the City Council direct the Office of the City Auditor to provide an annual update on the progress of the audit plan and any significant findings.

**CITY AUDITOR**  
***Shaakira Calnick, CFE***

***Comprehensive Audit Plan***  
***For the Three Fiscal Years Ending***  
***June 30, 2027***

**MAYOR AND CITY COUNCIL**

<b><i>Larry Heikkila</i></b>	<b><i>Audit Committee, Mayor</i></b>
<b><i>Austin Ball</i></b>	<b><i>Ward 1</i></b>
<b><i>Mathew Peacock</i></b>	<b><i>Ward 2</i></b>
<b><i>Bree Montoya</i></b>	<b><i>Audit Committee, Ward 3</i></b>
<b><i>Helen Grant</i></b>	<b><i>Audit Committee, Ward 4</i></b>
<b><i>Michael Nash</i></b>	<b><i>Audit Committee, Ward 5</i></b>
<b><i>Joshua Hinkle</i></b>	<b><i>Ward 6</i></b>
<b><i>Stephen Holman</i></b>	<b><i>Ward 7</i></b>
<b><i>Scott Dixon</i></b>	<b><i>Audit Committee, Ward 8</i></b>



## Office of the City Auditor Comprehensive Audit Plan

## Executive Summary FY 2025 -2027

The Office of the City Auditor has prepared a risk-based Comprehensive Audit Plan for the three fiscal years ending 2027. The following process was used in developing the Audit Plan:

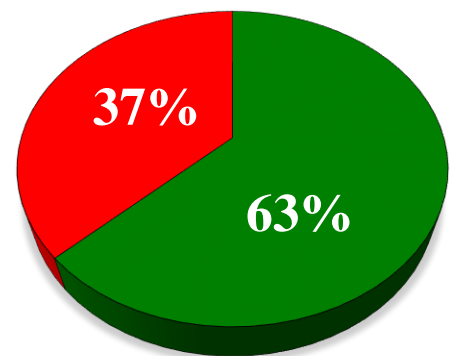
### Risk Assessment

- We defined 235 auditable units, primarily consisting of lines of business identified in City departmental strategic business plans.
- City department managers completed self-assessment questionnaires to identify potential control weaknesses and/or other financial or operational deficiencies.
- We interviewed City Council members and executive managers to obtain input on risks, difficulties, and concerns within City operations.
- We assessed risk for each auditable unit using financial/operating information; City Council and management feedback; and six risk criteria factors.
- The Finance Committee reviewed a draft of the Audit Plan.

### Available Hours Allocation

We estimated **5,592** audit hours will be available during the three-year Audit plan period.<sup>1</sup>

- ▶ **3,520** hours were allocated to scheduled audits, which are generally aimed at determining whether:
  - ▶ programs are achieving desired results
  - ▶ operations are efficient
  - ▶ internal controls exist and are functioning together
  - ▶ expenditures are valid and compliant with laws, regulations, and policies
  - ▶ operating and financial records/reports are accurate and complete
  - ▶ fraud, waste, and abuse are prevented and/or detected
  - ▶ recommendations from previously issued audit reports have been addressed
- ▶ **2,072** hours were allocated to other audit services including unscheduled audit requests and investigations, committee participation, audit plan development, and the Fraud Program.



*Scheduled* and *Other* audit service hours are detailed on page 2.<sup>1</sup> Descriptions of new Scheduled audit projects are provided beginning on page 3.

<sup>1</sup> Available audit hours exclude leave, administrative and training time. <sup>2</sup> Hours allocated to unscheduled audits and investigations exist to provide flexibility related to City Council and Management audit requests.



# Office of the City Auditor Project Listing

## FY 2025 -2027

Audit Area	Estimated Hours
<b>► Scheduled Audit Services:</b>	<b>3,520</b>
City Wide - Credit Card Usage	480
City-Wide - Credit Card Process	480
City-Wide - Timekeeping Operations	480
City-Wide - Payroll Process	480
City-Wide Overtime Usage	960
Human Resources - Policy Compliance Audit	640
<b>► Other Audit Services</b>	<b>2,072</b>
Unscheduled Audits & Investigations	800
Risk Assessment/Audit Plan Development	600
Committees & Advisory Services	400
Fraud Training Program	272
<b>Total Estimated Hours Available</b>	<b>5,592</b>



## Office of the City Auditor Engagement Prospectus

**FY 2025 -2027**

<b>Audit Area</b>	<b>Objective/Significance</b>	<b>Anticipated Value</b>	<b>Estimated Hours</b>
City Wide Credit Card Usage	Internal control effectiveness - evaluate approval workflows, transaction monitoring, and segregation of duties to prevent misuse or fraud. Credit Cards are issued to department/divisions without a clear owner.	Enhanced internal controls	480
City-Wide Credit Card Process	Policy and procedure compliance - Assess whether credit card procedures align with city policies, procurement rules, and regulatory requirements. 50+ Credit Card issued department/division-wide without an implemented P-Card Program and/or Comprehensive P-Card Policy.	Implementation of Comprehensive P-Card Policy and enhanced compliance with the City's Purchasing, Code of Ethics (301) and Code of Conduct Policies (302).	480
City-Wide - Timekeeping Operations	Internal Control Effectiveness – Evaluate controls for preventing fraud, unauthorized changes, or errors in timekeeping data. Timekeeping data is recorded in the timekeeping software and then manually uploaded into Payroll software.	Enhanced internal controls	480
City-Wide - Payroll Process	Process Efficiency – Evaluate whether timekeeping data flows seamlessly into payroll systems, reducing manual input and errors. Payroll may have to temporarily perform manual edits/corrections before time data is uploaded into payroll. Payroll process requires manual data imports which increases the risk of human error and/or fraud.	Enhanced process efficiency	480

Audit Area	Objective/Significance	Anticipated Value	Estimated Hours
City-Wide Overtime Usage	<p>Cost Control &amp; Budget Impact – Assess the financial impact of overtime on department budgets and identify opportunities for cost reduction. Four (4) Departments account for a deficit of \$8.97M in the Actual expenditures recorded in the OT account from FY22-FY24.</p>	<p>Cost avoidance/savings</p>	960
Human Resources - Policy Compliance Audit	<p>Policy &amp; Procedure Alignment – Verify that internal HR policies (e.g., recruitment, hiring, termination, and leave management) are up-to-date and consistently applied. Adherence to, or departures from, HR policies and procedures are based on discretion of the respective department director/manager.</p>	<p>Enhanced compliance with city-wide HR policies.</p>	640

R-2425-119

**A RESOLUTION OF THE COUNCIL OF THE CITY OF  
NORMAN, OKLAHOMA, ADOPTING THE TRIENNIAL AUDIT  
PLAN, A COMPREHENSIVE AUDIT FRAMEWORK  
COVERING THREE FISCAL YEARS ENDING JUNE 30, 2027.**

- § 1. WHEREAS, Article V, Section 3, of the Charter of the City of Norman provides that the City Auditor shall be selected by the City Council; and
- § 2. WHEREAS, the Office of the City Auditor is established within the City of Norman, and its duties delineated, by Article V, Section 3 of the City of Norman Charter; and
- § 3. WHEREAS, Mayor and City Council adopt the Comprehensive Audit Plan for the Three Fiscal Years Ending June 30, 2027, in the above regard by resolution as deemed necessary; and
- § 4. WHEREAS, recognizing that the establishment of a triennial audit plan provides a strategic framework for the work of Office of the City Auditor, and that many audits and special projects span multiple fiscal years, it is reasonable to require an audit plan covering a three year period be submitted for review and approval by the Finance Committee and Mayor and Council; and; and
- § 5. WHEREAS, the Office of the City Auditor has developed and the Finance Committee has reviewed the attached Comprehensive Audit Plan for the Three Fiscal Years Ending June 30, 2027, which is incorporated herein and made a part hereof

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA:

- § 6. That City Council, having carefully considered all of the information above and do hereby adopt and direct the City Auditor to implement the attached Comprehensive Audit Plan for the Three Fiscal Years Ending June 30, 2027 for the City of Norman.

PASSED AND ADOPTED THIS \_\_\_\_\_ day of \_\_\_\_\_, 2025.

\_\_\_\_\_  
Larry Heikkila, Mayor

ATTEST:

\_\_\_\_\_  
Brenda Hall, City Clerk