



Fiscal Audit

Department of Innovation & Performance Verizon Franchise Trust Fund (VFTF)

Report by the
Office of City Controller

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October 24, 2019

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MICHAEL E. LAMB

CITY CONTROLLER

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October 24, 2019

To the Honorables: Mayor William Peduto and
Members of Pittsburgh City Council:

The Office of the City Controller is pleased to present this Fiscal Audit of the **Verizon Franchise Trust Fund (VFTF)**, conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The Verizon Franchise Trust Fund was established in 2009 via Resolution 552 to account for the payment of Cable and PEG grants from Verizon to the City. Furthermore, funds deposited into the account were to be used to support the purchase, acquisition, and maintenance of cable and network communications equipment. Resolution 639 of 2013 authorized City Information Systems (CIS) to enter into a contract with Pittsburgh Community Television (PCTV) to continue to act as the City's public access television provider for a term to end on September 18, 2019. The resolution also directed the City to apply certain amounts of PEG Grants received from Comcast and Verizon to the City Cable Bureau and then release the remaining funds to PCTV.

We performed certain procedures to determine whether policies, procedures, and internal controls relating to the administration of the fund are adequate and that expenditures charged to the fund are allowable and properly supported. Additional procedures were performed to determine if grants issued to the City from Verizon were properly allocated to both the Cable Bureau and PCTV. Based on these procedures, we uncovered weaknesses in existing internal controls. Furthermore, we noted a lack of policies and procedures, untimely transfer and allocation of grants, as well as a lack of oversight for PCTV.

Improved controls in the form of a complete set of policies and procedures, in conjunction with increased oversight of PCTV, will help to further ensure compliance with applicable contracts and agreements. These issues and our recommendations along with responses from the Department of Innovation & Performance, are further discussed in the Findings & Recommendations section of this report.

We appreciate the cooperation of the staff involved with the management of the fund as well as their patience during the course of our audit.

Sincerely,

Michael E. Lamb
City Controller

INTRODUCTION

This fiscal audit of the **Verizon Franchise Trust Fund (VFTF)** was conducted pursuant to the Controller's powers under [Article IV, Section 404\(b\)](#) of the Pittsburgh Home Rule Charter.

SCOPE AND METHODOLOGY

Our procedures were conducted pursuant to the Article IV, Section 404(b) of the City of Pittsburgh Home Rule Charter. Our procedures covered the period January 1, 2013 to December 31, 2018.

The objectives of this audit are to determine whether procedures and internal controls relating to the administration of the trust fund are adequate. In order to achieve these objectives, we performed the following procedures:

- Interviewed personnel from the Department of Innovation & Performance (I&P) involved with the fund to gain an understanding of the fund's operations, processes, and internal controls.
- Interviewed personnel from the Department of Finance (DoF) to gain an understanding of the fund's receipt of grants from Verizon.
- Reviewed the [Cable Franchise Agreement](#) between the City of Pittsburgh and Verizon Pennsylvania, Inc.
- Reviewed the [Agreement for Services for PEG Channel Administrator](#) between the City of Pittsburgh and Pittsburgh Community Television, Inc.
- Reviewed the Pittsburgh Cable Communications and Advisory Committee Two-Year Strategic Plan.
- Reviewed procedures and related internal controls over the administration of the fund as well as procedures for the receipt and deposit of all revenue categories.
- Reviewed the City of Pittsburgh's Purchasing Policy.
- Applied procedures to a sample of expenditures to determine whether they were properly incurred and administered.
- Performed variance analysis on expenditures for plausible relationships as well as summarized revenues by source and expenditures by category for the period of our audit.
- Performed tests of PEG Grant Payments Verizon issued to the City for completeness and timeliness according to the Franchise Agreement.

- Performed tests of PEG Grant Payments the City obtained for the Cable Bureau as well as issued to PCTV for completeness and timeliness according to the PCTV Agreement.
- Evaluated whether the audited entity took appropriate corrective action to address findings and recommendations from [previous audit engagement](#).

BACKGROUND

The Verizon Franchise Trust Fund (VFTF) was established in September of 2009 via [Resolution 552](#) to account for the payment of grants from Verizon to the City. Additionally, the resolution directed the Pittsburgh Cable Communications Advisory Committee (PCCAC) to work with the Pittsburgh Department of City Information Systems (CIS)¹, Pittsburgh Community Television (PCTV), and the Pittsburgh Public Schools (PPS) in the creation of a plan for the strategic use of the resources provided pursuant the Verizon Franchise Agreement. Lastly, funds deposited into the account were to be used to support the purchase, acquisition, and maintenance of cable and network communications equipment.

[Resolution 663](#) was passed in October of 2013, amending the prior said resolution so as to remove unnecessary language, clarify the operation of the Trust Fund, change the title of the bill to its original title, and make the Verizon Franchise Trust Fund consistent with the Comcast Franchise Trust Fund (CFTF). Furthermore, due to the renewal of the PCTV Agreement, prior Section 5, which stated “Council directs CIS to use the strategic plan as the foundation for renewing the agreement between the City of Pittsburgh and PCTV as the City’s public access administrator”², was no longer necessary.

[Resolution 639](#) was passed in October of 2013, authorizing CIS to enter into a contract with PCTV to continue to act as the City’s public access television provider for a term to end on September 18, 2019. The resolution provides a schedule setting forth the receipt and distribution of PEG channel proceeds generated by the City’s cable franchise agreements with Comcast and Verizon. The resolution directs the City to apply certain amounts of PEG Grants to the City Cable Bureau and then release the remaining funds to PCTV.

FUNDING SOURCE

[Resolution 551](#) of 2009 authorized the City of Pittsburgh to enter into a cable television franchise agreement with Verizon Pennsylvania, Inc. (Verizon), which resulted in the establishment of the Cable Franchise Agreement. The Cable Franchise Agreement provides for the payment of grants from Verizon to the City for PEG access channel support grants. PEG grants received are restricted by the [Communications Act](#) and therefore must be deposited, maintained, and distributed in a manner consistent with federal law and separate from the general funds of the City.

During the audit period Verizon sent the City three different types of grants: Annual PEG Grants, Cable Bureau Grants, and Fixed PEG Grants. The Annual PEG Grant provides capital support for PEG Channel facilities. Verizon pays the City a per subscriber/per month grant (i.e. Annual PEG Grant) during the term of the franchise agreement and in accordance with a schedule. The schedule outlines the time period and the corresponding amount, which gradually increased from \$0.60 to \$0.90 per subscriber/per month during 2013 to 2018, respectively. The Annual PEG Grant payment along with a brief summary of the subscriber information upon which it is based (subject

¹ CIS is currently referred to as the Department of Innovation & Performance (I&P).

² Resolution 663 of 2013 removed prior Sections 2 through 6 from amended Resolution 552 of 2009.

to applicable privacy laws and regulations) is sent to the City within 60 days of the close of each calendar quarter for the first year and within 60 days after the beginning of each calendar year thereafter.

The Cable Bureau Grant supports the Government Access facilities and equipment administered by I&P's Cable Bureau. The Fixed PEG Grant supports the funding of PEG Access facilities and other technological needs throughout the City. Verizon was required to pay the City a total of \$700,000 in said grants, which included the payment of \$350,000 in five installments of \$70,000 over the period of 2009 to 2013 for each grant. The Fixed PEG and Cable Bureau Grants are payable to the City within 90 days of the Effective Date (i.e. September 18, 2009) of the agreement for the first year and within 90 days of each subsequent anniversary of the Effective Date thereafter. Auditors confirmed the receipt of the fifth and final installment of each grant during the audit period.

Auditors completed testing of the PEG Grants³ received from Verizon based on the terms provided in the Cable Franchise Agreement with Verizon and Resolution 639 of 2013. Furthermore, this consisted of testing the timing of payments issued to the City by Verizon as well as the timing of I&P's deposit of funds into the VFTF, which will be further discussed in the Findings & Recommendations section of the report. Auditors confirmed that Verizon sent the PEG grants, along with a brief summary of the information upon which they were based, within the time period prescribed in the Cable Franchise Agreement. Lastly, separate testing consisted of ensuring actual receipt of grants in the VFTF. Auditors confirmed that said grants were received in their entirety during the prescribed time period.

EXPENDITURE OF FUNDS

AUTHORIZATION

Departments within the City of Pittsburgh utilize JD Edwards (JDE) to initiate the purchase of goods and services via Purchase Orders (POs). Expenditures made with POs required approval via two separate signatures on paper Departmental Invoices (DIs) up until July 31, 2017. On August 1, 2017 the Office of Management and Budget (OMB), by way of the Procurement Optimization Project, replaced the physical signatures on DIs with electronic approvals in the JDE system for POs and explanatories⁴ only. Encumbrances still require approval by way of physical signatures.

While the majority of expenditures require that POs be generated through JDE, other types of expenditures can be executed with a Bank of America issued Purchasing Card (P-Card). P-Cards are Visa credit cards that are individually issued to designated cardholders for business-related purposes. The City's Purchase Card Policy guides cardholders in determining whether to use the P-Card or a PO for departmental expenditures. Once approved, the cardholder can use the P-Card at the Point of Sale similar to a credit card. All transactions are subject to City Council review, as Council is provided with a list of transactions on a weekly basis.

³ Auditors noted that Verizon sent Cable Bureau and Fixed PEG grants by check, while the Annual PEG grants were sent via automated clearing house (ACH), which were deposited into the General Fund upon receipt.

⁴ Explanatory purchases over \$3,000, which are not covered by a contract, require City Council approval.

I&P EXPENDITURE PROCESS

During the period of this audit I&P utilized JDE to initiate the purchase of goods and services. In addition to the distribution of PEG Grants to PCTV, I&P utilized funds to support various expenditure items relating to cable and network communication. Auditors noted that expenditures not related to issuance of PEG Grants to PCTV represented 2.6% of the total expenditures in the VFTF. During our initial planning, we tested a sample of expenditures for their proper approval, allowable usage, and correct recording into JDE. No exceptions were noted.

PAYMENT TO PCTV

In December of 2011, the Cable Franchise Agreement was modified requiring Verizon to issue PEG Grants directly to PCTV, instead of through the City. In August of 2013, the modification agreement was terminated, reverting the Cable Franchise Agreement back to the original contract conditions, wherein the City receives total payments and distributes to PCTV their designated portions.

I&P utilizes Resolution 639 of 2013 in the application of specific amounts of PEG Grants received from Verizon and Comcast to the Cable Bureau prior to the release of remaining funds to PCTV. Additionally, the amounts and timing of PEG Grants issued to PCTV are outlined in the Agreement for Services for PEG Channel Administrator between the City of Pittsburgh and Pittsburgh Community Television, Inc. (“PCTV Agreement”). Per the PCTV Agreement, the City shall use reasonable efforts to remit PEG Grant payments to PCTV within 45 days of receipt of payment (from Verizon) by the City. Additionally, a copy of the Verizon statement accompanying PEG Grant payments showing the basis for computation should also be remitted.

I&P issues communication with PCTV regarding the PEG Grant amounts to be invoiced for the given year. Upon confirmation of invoice amount, PCTV issues an invoice to I&P, which lists the invoice date, description (fund/grant), and dollar amount. All invoices were accounted for, detailed the correct grant category, and amount due. Additionally, invoices were also stamped for approval of payment and signed by the designated signor. We noted the lack of internal procedures regarding the communication process and the allocation of PEG Grants to PCTV. Auditors then completed testing of all PEG Grants allocated to PCTV based on Resolution 639 and the PCTV Agreement, which will be further discussed in the Findings & Recommendations section of the report.

EXPENDITURE OF REMAINING FUNDS

In addition to the issuance of PEG Grants to PCTV, I&P utilized funds to support various expenditure items relating to cable and network communication. During our testing of the department’s internal controls over this process, auditors learned that I&P assigns an internal Purchase Order Number (PO#) to each expenditure upon their approval. Specifically, the Administration Division assigns the PO#s, while the director and/or assistant director approves the request. We observed that the request for an expenditure item can be submitted/requested via an internal document or an Open-Source Ticket Request System (OTRS). Auditors confirmed all of the expenditures tested included a PO# and were properly approved.

SUMMARY OF REVENUES/EXPENDITURES

A total of \$1,562,983 in grants was deposited into the trust fund during the period of our audit, January 1, 2013 through December 31, 2018 as detailed below:

<i>Year</i>	<i>Cable Bureau Grant</i>	<i>Fixed PEG Grant</i>	<i>Annual PEG Grant</i>	<i>Total Grants</i>
2013			\$24,235	\$24,235
2014	70,000	70,000	183,507	323,507
2015			249,286	249,286
2016			279,504	279,504
2017			344,020	344,020
2018			342,431	342,431
<i>Total</i>	\$70,000	\$70,000	\$1,422,983	\$1,562,983

A total of \$1,441,482 was paid out of the trust fund during the period of our audit, January 1, 2013 through December 31, 2018 as detailed below:

<i>Year</i>	<i>Machinery & Equipment</i>	<i>Professional Services</i>	<i>Operational Supplies</i>	<i>Total</i>
2013	\$8,902			\$8,902
2014	296,298			296,298
2015	252,528			252,528 ⁵
2016	287,162	869		288,031
2017	349,099		3,399	352,498
2018	242,431		794	243,225
<i>Total</i>	\$1,436,420⁶	\$869	\$4,193	\$1,441,482

⁵ Expenditures recorded in Machinery & Equipment for 2015 included \$252,528 in debits and \$249,286 in credits, with a ledger total of \$3,242. Said credit was a correction for revenue received from Verizon.

⁶ Machinery & Equipment expenditures include \$1,403,730, which were issued to PCTV. See [Table III](#).

A total of \$1,403,730 was paid out of the trust fund to PCTV during the period of our audit, January 1, 2013 through December 31, 2018 as detailed below:

Table III: VFTF-issued PEG Grants to PCTV				
For the Period January 1, 2013-December 31, 2018				
<i>Year</i>	<i>Cable Bureau Grant</i>	<i>Fixed PEG Grant</i>	<i>Annual PEG Grant</i>	<i>Total Grants</i>
2013				
2014	\$70,000	\$35,000	\$183,507	\$288,507
2015			249,268	249,268
2016			279,504	279,504
2017			344,020	344,020
2018			242,431	242,431
Total	\$70,000	\$35,000	\$1,298,730	\$1,403,730

A total of \$1,135,772 was retained from the Comcast and Verizon Franchise Trust Funds for the Cable Bureau during the period of our audit, January 1, 2013 through December 31, 2018 as detailed below:

Table IV: PEG Grants Retained for the Cable Bureau			
For the Period January 1, 2013-December 31, 2018			
<i>Year</i>	<i>Fixed PEG Grant</i>	<i>Annual PEG Grant</i>	<i>Total Grants</i>
2013	\$70,000	\$60,754	\$130,754
2014	70,000	200,000	270,000
2015		165,018	165,018
2016		190,000	190,000
2017		180,000	180,000
2018		200,000	200,000
Total	\$140,000	\$995,772	\$1,135,772

FINDINGS & RECOMMENDATIONS

2019 FINDINGS & RECOMMENDATIONS

We randomly selected a 20% sample for testing from each of the 3 Cost Types (i.e. expenditure categories) used to record expenditures in JDE for the TF. Auditors tested whether expenditures were: properly recorded into JDE; properly approved and documented; and used for allowable purchases. As noted in the background of the report, additional testing was completed on the receipt of PEG Grants from Verizon as well as the issuance of PEG Grants to PCTV based on Resolution 639 of 2013 and the PCTV Agreement. The results of the testing are further detailed in the remainder of the report, in addition to findings, recommendations, the auditee's response, and status⁷.

Finding #1: Lack of Formal Policies and Procedures

I&P references resolutions⁸ related to the VFTF, which establish the trust fund and thereby documents their current policy and procedures. Auditors were not provided any additional set(s) of policies and procedures for the management of the trust fund. While the resolutions provide a basic outline of the TF's source of revenue and permissible usage of funds, they don't provide the level of detail needed for their utility to be fully realized. Auditors noted several processes that would benefit from a set of policies and procedures, including receipt/issuance of PEG Grants as well as tracking the payment of invoices. The absence of policies and procedures leads to weakened internal controls, which facilitate increased levels of potential risk.

Recommendation:

Develop written policies and procedures to include duties and responsibilities for administration of the fund. Furthermore, ensure that said procedures include actual processes performed in the management of the fund, including receipt/issuance of PEG Grants as well as tracking the payment of invoices.

Auditee's Response:

Accept. I&P will develop written policies and procedures to include duties and responsibilities for administration of the fund. I&P will furthermore, ensure that said procedures include actual processes performed in the management of the fund, including receipt/issuance of PEG Grants as well as tracking the payment of invoices.

⁷ See Addendum for further definition of [status types of current audit recommendations](#).

⁸ The Resolutions include: Resolution 639 of 2013 and 663 of 2013.

Finding #2: Untimely Transfer and Allocation of Grants

PEG Grants are not consistently transferred into the trust fund or allocated to PCTV on a timely basis. Auditors tested whether PEG Grants were received from Verizon within the prescribed time frame⁹. Additionally, further testing determined whether upon receipt they were transferred into the trust fund timely. Payments were received from Verizon within the prescribed timeframe; however, two of the six payments were transferred into the trust fund timely. Lastly, auditors utilized contracts/agreements terms to test for timeliness of the allocation of PEG Grants to PCTV, which resulted in one of the six payments being remitted timely.

Recommendation:

Develop a policy and procedure for the receipt/issuance of PEG Grants, to include parameters for their timely transfer into the trust fund. Best practice typically involves a 10-14 day time frame for transfer of funds to be considered timely. A form should be standardized for the request of funds transferred into the trust fund.

Auditee's Response:

Accept. I&P will develop a policy and procedure for the receipt/issuance of PEG Grants, to include parameters for their timely transfer into the trust fund. I&P will implement Best practices which typically involve a 10-14 day time frame for transfer of funds to be considered timely. I&P will develop a standardized form for the request of funds transferred into the trust fund.

Finding #3: Incorrect Fund Code

PEG Grants were allocated to PCTV using the incorrect fund code/trust fund. According to the PCTV Agreement the Fixed PEG Grant(s) received from Comcast are to be split evenly between the Cable Bureau and PCTV. Auditors noted the incorrect processing of a 2014 PCTV Invoice, by issuing Fixed PEG Grants from Comcast via the VFTF instead of the CFTF. PCTV Invoices should be processed in accordance with applicable agreements.

Recommendation:

Develop a policy and procedure regarding the processing of PCTV Invoices and issuance of PEG Grants that aligns with PCTV and Cable Franchise Agreements.

Auditee's Response:

Accept. I&P will develop a policy and procedure regarding the processing of PCTV Invoices and issuance of PEG Grants that aligns with PCTV and Cable Franchise Agreements.

⁹ See the [Funding Source](#) section of the Background in this report for further detail.

Finding #4: Lack of Oversight for PCTV

As per the current PCTV Agreement, I&P is expected to provide oversight of PCTV operations, including reviews of Annual Reports, Capital Plans, Operating Budgets, Independent Auditor Reports, and goals cited in the initial Strategic Plan. Upon inquiry, we noted that I&P demonstrated a significant lack of oversight for PCTV. This was compounded by the absence of policies and procedures outlining receipt/retention and review of PCTV's operational activity and the high turnover of personnel in I&P. This was seen in the lack of both documentation maintained by I&P and general knowledge regarding their responsibilities as per the PCTV Agreement.

The PCTV Agreement provides for additional oversight by the Pittsburgh Cable Communications Advisory Committee (PCCAC), which was established to "act as an advisory body to City Council with regard to optimal use of the cable communications system in the City". [Ordinance 425.07](#) of the City of Pittsburgh's Code of Ordinances, further cites PCCAC in their advisory capacity to Council. It is unclear the extent to which PCCAC was utilized, evidenced by the [recently proposed amendment](#) of Ordinance 425.07 to "remove the Pittsburgh Cable Communications Advisory Committee and all mentions in city code".

The current PCTV Agreement is set to expire on September 18, 2019. Section 19 of the Agreement requires PCCAC to appoint a Steering Committee to assess PCTV's fulfillment of their contractual obligations, as well as whether they should continue as the City's public access administrator. Given the disbanding of the PCCAC and the minimal oversight by I&P, proper assessment of PCTV's performance has not been addressed.

Recommendation:

I&P should devote appropriate efforts regarding oversight of PCTV. This would include establishment of procedures for the review of PCTV's operational activity and subsequent reports regarding the evaluation thereof. In addition, an evaluation of whether PCTV's continuation as the City's public access administrator is warranted, needs to be conducted by I&P.

Auditee's Response:

Accept. I&P will review the agreement with PCTV to ensure the City's interests are protected through increased oversight. The revised agreement should be in place in the summer of 2020.

UPDATE TO PRIOR 2014 REPORT

A fiscal audit of the Verizon Franchise Trust Fund (VFTF) was conducted in 2014 and a report was formally released in March of 2014. As a standard practice, we reviewed prior observations to assess the progress made on the implementation of prior recommendations. Below are findings noted in 2014, along with progress achieved to date¹⁰.

Prior Finding #1: Cable Bureau Grant Allocation

According to Section 5.6 of the cable franchise agreement, Verizon is required to provide a Cable Bureau Grant for support of government access facilities and equipment administered by the City Cable Bureau in the amount of \$350,000, to be paid over five years in installments of \$70,000. Our procedures revealed that of the \$280,000 paid by Verizon during September 1, 2009 to December 31, 2012, the City Cable Bureau received only \$70,000. CIS allocated the remainder, or \$210,000 to PCTV under the terms of the City's contract with PCTV entered into in 2011. This imbalance in resource allocation provides for only nominal capital improvements to the City Cable Bureau's facilities with many of its materials and equipment obsolete.

Prior Recommendation:

Ensure compliance with all cable franchise agreements so that the City receives all benefits from the cable franchising agreement as originally intended.

Prior Auditee's Response:

Response was not available.

Current Status Update-Closed

The Cable Bureau received Cable Bureau Grants in accordance with Resolution 639 of 2013 during the scope of the audit.

Prior Finding #2: PEG Grants Allocation

In addition to the City not receiving the Cable Bureau grant as described above, significant portion of the PEG grants received to support PEG channel programming from Verizon under the Cable Franchise contract are allocated to PCTV. Of the \$553,076 Fixed and Annual total received, only \$40,447 in annual grant was allocated to the City Cable Bureau during the period September 1, 2009 to December 31, 2012 with \$512,629 remitted to PCTV. Also, the terms of the 20 year contract expiring in June 30, 2020 stipulates that the remainder of the fixed

¹⁰ See Addendum for further definition of [status types of prior audit recommendations](#).

grants of \$70,000 is to be paid to PCTV. In addition, PCTV is to receive ninety percent (90%) of the annual grant for the remainder of the contract term too.

PCCAC in its advisory capacity, highlighted as a priority that the City's Cable Bureau be adequately funded to enable it to provide support for the City's governmental access channels. Recommendations included in its two year Strategic Plan highlight that PEG grants are to be allocated to PCTV only after the City Cable Bureau has been adequately funded.

Prior Recommendation:

Provide for a more equitable allocation of PEG grants between the City and PCTV. Reassess revenue allocation procedure to ensure that the City Cable Bureau is adequately funded in the future by allocating to it more of the PEG grants to enable much needed equipment upgrades and efficient operation.

Prior to the release of our audit, City Council passed a resolution amending the distribution of the PEG grants allocating the remaining Fixed PEG Grants in 2013 and 2014 equally between the City Cable Bureau and PCTV. The amended resolution also specified amounts from the annual PEG grants to be paid to the City Cable Bureau first with the remainder allocated to PCTV. Although it is reasonable to estimate the expected annual PEG grants payments based on prior year, this sharing methodology does not guarantee equitable sharing of the grants since amounts are based on number of subscribers which may fluctuate over the years.

Prior Auditee's Response:

Response was not available.

Current Status Update-Closed

The Cable Bureau received PEG Grants in accordance with Resolution 639 of 2013 during the scope of the audit.

Prior Finding #3: No Follow Up on Strategic Plan Goals

PCCAC in its advisory capacity developed a two year strategic plan dated March 2010 outlining goals and objectives relating to oversight over use of PEG resources and monitoring of compliance with the City's cable franchise agreement with Verizon. However, it is not clear whether these goals and objectives have been accomplished since no follow up was performed.

Prior Recommendation:

Consider performing a follow up to evaluate whether the goals and objectives outlined in the Strategic Plan have been accomplished.

Prior Auditee's Response:

Response was not available.

Current Status Update-Closed¹¹

A primary intent of the Two-Year Strategic Plan was to provide support that would confirm the viability of PCTV continuing as the City's public access administrator, as evidenced by the current PCTV Agreement. Additionally, financial oversight is cited as a primary component of ensuring adequate contractual compliance, which the Controller's Office intends to continue monitoring.

¹¹ See [Current Finding #4](#).

ADDENDUM

CURRENT AUDIT RECOMMENDATIONS

Auditors obtain and report views of responsible individuals of the audited entity concerning the findings, conclusions, and recommendations in the examination report, as well as any planned corrective actions. A specific status type has been assigned to the current audit findings and recommendations using the following criteria:

- **Accepted**-Auditee agrees with the recommendation and plans to implement within the prescribed time frame. Management is informed of a follow-up review that will be performed by the auditors.
- **Declined**-Auditee does not agree with the recommendation and is not planning to implement. When management elects this option, they are advised of the responsibility for accepting the identified risk that generated the recommendation.

STATUS OF PRIOR RECOMMENDATIONS

Auditors evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. A specific status type has been assigned to the prior findings and recommendations in the audit report, using the following criteria:

- **Open**-Auditee has not fully implemented the prior recommendation; rationale may include:
 - Auditee declined prior audit recommendations and risk remains as described in current findings.
 - Efforts to address corrective actions have yet to commence.
- **Work In Progress**-Auditee has initiated efforts to implement recommendations and corrective action steps continue as a work in progress.
- **Closed**-One of the following conditions was noted:
 - Auditee implemented the prior recommendation, which was confirmed by auditors during the current fiscal audit; or
 - The recommendation is no longer relevant based upon changed conditions.