

Memorandum



CITY OF DALLAS

DATE: October 29, 2015

TO: Honorable Mayor and Members of the City Council

SUBJECT: Office of the City Auditor – Services Summary Memo Report for Fiscal Year 2015

This report delivers a summary of the services provided by the City of Dallas' (City) Office of the City Auditor (Office) for Fiscal Year (FY) 2015¹.

The mission of the Office is to promote public trust and advance accountability by providing independent, objective, and useful professional services. Throughout FY 2015, this mission guided the Office as it produced over sixty deliverables in support of the City Council's governance and City management's operational responsibilities, including:

- **Thirteen performance audits** – providing assurances about and opportunities to improve the efficiency, effectiveness, controls, and compliance of City operations
- **Nineteen attestation engagements** – serving as a pre-audit function for proposed expenditures for goods or services obtained through sole source or single bid procurements
- **Nine investigative reports** – communicating to the City Council and/or City management instances of fraud, waste or abuse, along with corrective actions taken
- **Twenty-one nonaudit services** – providing other services to the City Council or City management to assist in the fulfillment of their responsibilities and the Office's mission

Performance audits provided coverage of operational risks associated with over \$50 million of annual revenues and \$358 million of annual expenditures. Over ninety recommendations were made to reduce risks or improve operations in areas such as contract oversight, payroll timekeeping controls, purchasing controls, water meter-to-billing operations, and controls over high risk inventory supporting police services. In addition, and in accordance with Council Resolution 904027, the Office reviewed the methodology, assumptions, and calculations of \$2.1 billion of the City's \$2.7 billion FY 2016 revenue estimates.

Attestation engagements² supported the City's efforts to comply with State of Texas (State) purchasing requirements related to sole source or single bid procurements. Nineteen requests were received and processed by the Office covering \$34.4 million of proposed expenditures. Seventeen of these engagements provided assurance that State purchasing requirements were being met. Two engagements, covering \$1.4 million of proposed expenditures, resulted in decisions by management to reconsider the procurement method.

¹ October 1, 2014 to September 30, 2015

² Performed under American Institute of Certified Public Accountants (AICPA) attestation standards for agreed-upon-procedures engagements

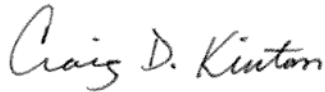
Investigative Services closed eighty-six complaints during FY 2015 that resulted in at least twelve accountability actions. These actions included the filing of criminal charges, termination of employment, or the implementation of other disciplinary or administrative control measures. The Office began the year with twenty open complaints of fraud, waste or abuse. Ninety complaints were received during the year, and twenty-four complaints remained open at year-end. Criminal complaints were referred to the Dallas Police Department - Public Integrity Unit (DPD-PIU)³ for investigation. Administrative investigations were conducted by the Office (or by City management at the direction of the Office) on DPD-PIU referred criminal complaints or other non-criminal complaints of fraud, waste or abuse that were received.

Nonaudit services (twenty-one in total) were provided to City Council Members and City management during the course of the year. These services included responses to five City Council Members' request for assistance and eleven presentations, containing several internal control training sessions provided for City management and staff. Nonaudit services refer to any service provided by the Office that is not performed under Government Auditing Standards established by the United States Comptroller General. These standards require the Office to consider whether the performance of the service would pose a potential threat to auditor independence.

The achievements of this past fiscal year would not have been possible without the team of dedicated professionals employed by the Office. We remain committed to supporting the City Council and City management as you strive to serve the citizens of Dallas.

The attachments provide additional information on the Office's operations and results for FY 2015. We appreciate the opportunity to serve you and are available to discuss our operations or results upon request.

Respectfully,



Craig D. Kinton
City Auditor

Attachments

C: A. C. Gonzalez, City Manager
Warren M. S. Ernst, City Attorney
Rosa Rios, City Secretary

³ Or other appropriate law enforcement.

ATTACHMENTS

- I. Vision, Mission and Statement of Values
- II. Staff Composition Statistics
- III. Audit Report Highlights
- IV. Attestation Services Highlights
- V. Non-Audit Services Highlights
- VI. Investigative Services Highlights

**City of Dallas
Office of the City Auditor
Vision, Mission and Statement of Values**

VISION

Accountability professionals helping
Dallas work better

MISSION

Our mission is to promote public trust and advance accountability by providing independent, objective, and useful professional services for the City of Dallas.

STATEMENT OF VALUES

We achieve our mission with **PRIDE**:

Professionalism
Respect
Integrity
Diversity
Excellence

**City of Dallas
Office of the City Auditor
Staff Composition Statistics
Fiscal Year 2015⁴**

Staff Tenure with Office	
	Percent
One Year or Less	22.7
Two to Five Years	40.9
Six to Ten Years	31.8
More than Ten Years	4.6

Gender		
	Office Percent	Dallas, TX * Percent
Male	59.1	50.4
Female	40.9	49.6

* Source: US Census Bureau 2014 (Estimate)

Ethnicity		
	Office Percent	Dallas, TX * Percent
Non-Hispanic White	54.5	29.5
Non-Hispanic Black	13.6	23.9
Hispanic	4.6	41.3
Other Race	27.3	5.3

* Source: Economic Development Profile –
Office of Economic Development 2013 (Estimate)

Education *	
	Percent
Some College, No Degree	4.6
Bachelors Degree	95.5
Masters Degree	54.5

* Does not total to 100% as employees with Masters Degrees also have Bachelor's Degrees

Professional Certifications *	
	Percent
Certified Public Accountant (CPA)	31.8
Certified Internal Auditor (CIA)	36.4
Certified Information System Auditor (CISA)	13.6
Certified Fraud Examiner (CFE)	22.7
Certified Financial Forensics (CFF)	4.6
Other Certifications	18.2

* Does not total 100% as all employees do not have professional certifications and some employees have more than one professional certification

⁴ As of September 30, 2015

**City of Dallas
Office of the City Auditor
Audit Report Highlights
Fiscal Year 2015**

Audit of Controls over Department of Convention and Event Services’ Cash Receipts and Collections (October 31, 2014)

- The Department of Convention and Event Services’ (CES) does not have sufficient monitoring controls over the Centerplate Contract (Contract) for food and beverage services. Specifically:
 - The CES does not have formal documented contract monitoring policies and procedures
 - The CES does not have sufficient contract monitoring activities
 - Not all Contract payment provisions are followed consistently
 - The CES contract administration was not timely and in accordance with City of Dallas (City) Administrative Directives
- The CES cannot ensure Centerplate complies with Contract terms, the City receives all revenue due, and Centerplate’s requests for expense reimbursement are accurate and in accordance with the Contract terms.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of CES:			
<ul style="list-style-type: none"> • Develop and implement formal documented policies and procedures for Contract monitoring that provide guidance to CES personnel on their Contract monitoring duties 	CES	Agree	March 31, 2015

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Improve and document monitoring activities to assess Centerplate's internal control effectiveness and Contract compliance by periodically: (1) observing and reconciling financial transactions performed by Centerplate; (2) validating expenses claimed as allowable; (3) validating compliance with Section XXII, Payments in the RFCSP; and, (4) validating the accuracy and completeness of food and beverage revenue and allowable expenses by requiring Centerplate to periodically submit independent financial or performance audits as authorized by the Contract 	CES	Agree	March 31, 2015
<ul style="list-style-type: none"> Monitor to ensure that Centerplate complies with Contract terms by depositing amounts equal to all checks and credit card charges net of any sales or alcoholic beverage taxes into a City bank account on a weekly basis 	CES	Agree	March 31, 2015
<ul style="list-style-type: none"> Implement effective contract administration procedures to ensure contracts are timely renewed, properly executed, and in accordance with Administrative Directive 4-5, <i>Contracting Policy</i> 	CES	Agree	March 31, 2015

Audit of South Dallas Fair Park Trust Fund (October 31, 2014)

- The South Dallas Fair Park Trust Fund (Trust Fund) performance measures do not include *outcome* measures to evaluate whether: (1) the Trust Fund grants and loans facilitate new or sustained economic and community development; and, (2) continuous public support of the same grant recipients is achieving the desired results.
- The Trust Fund has not consistently managed grants and loans according to Trust Fund Policies and Guidelines. Specifically:
 - Applications were approved without required documentation
 - Certain grant procedures were not completely met
 - Grant policies and checklists are not updated and consistently followed

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the Director of the Department of Economic Development (ECO):</p> <ul style="list-style-type: none"> Develop outcome performance measures which address whether the Trust Fund grants and loans facilitate new or sustained economic and community development in the South Dallas Fair Park community and whether continuous public support of the same grant recipients is achieving the desired results 	ECO	Agree	January 2015
<ul style="list-style-type: none"> Ensure that all required documentation is obtained and verified for accuracy and completeness prior to approval of grant and loan applications 	ECO	Agree	Immediately
<ul style="list-style-type: none"> Identify third party solutions, including the IRS, to obtain timely verification on applicant's non-profit status 	ECO	Agree	Immediately
<ul style="list-style-type: none"> Reassess the objective of the on-site notification letters and make the necessary procedural changes 	ECO	Agree	November 2014
<ul style="list-style-type: none"> Ensure the Policies and grant checklists are updated and consistently followed. For example, update the Grant Application/File Content Checklist to include separate sections to show which documents are: (1) required for all grants; (2) required for each specific grant (Challenge Grant, Public Safety Grant, and Community-Based Non Profit Grant); and, (3) optional and obtained based on certain unique grant applicant situations 	ECO	Agree	November 2015
<ul style="list-style-type: none"> Ensure that the Trust Fund retain sufficient evidence to show reimbursement workshops were held for the approved grantees 	ECO	Agree	Immediately

Audit of MuniServices, LLC Contract related to the Verification of Sales/Use Tax and Associated Fees (December 5, 2014)

- In Fiscal Year (FY) 2014, the Office of the City Auditor (Office) verified \$1,792,993 in sales tax receipts collections that MuniServices, LLC (Consultant) identified as owed to the City of Dallas (City) from businesses operating in the City. The Office also verified the accuracy of \$455,032 in Consultant invoices received for the period October 1, 2013 through September 30, 2014 for payment of the Consultant's percentage of the amount collected under the contingent fee contract arrangement with the City. (Note: The Consultant invoices are not paid until the Office verifies that the City has received the additional sales/use taxes).
- In 2010, the Office, in conjunction with City management, sought proposals for sales/use tax compliance review services. The City entered into a three-year contract with the Consultant to identify businesses operating in the City that are not properly collecting and/or reporting sales/use taxes. The contract ended on September 7, 2013; however, two one-year renewal options were approved by the City Council on August 14, 2013 and August 13, 2014, respectively, extending the contract term through September 7, 2015.

No associated recommendations with this report.

Audit of Payroll Processes related to City of Dallas' Retirement Programs (January 16, 2015)

- The City of Dallas' (City) process for accumulating and transferring pension data to the Employees' Retirement Fund of the City of Dallas (ERF) and the Dallas Police and Fire Pension System (DPFP) is accomplished with minimal errors.
- There are, however, opportunities for improvement that would provide additional assurance to the ERF and DPFP regarding data completeness and accuracy. Specifically:
 - Developing a data interface⁵ design document for ERF and DPFP
 - Modifying the data interface design
 - Reviewing File Transfer Protocol (FTP) user security access regularly
- These improvements would also increase efficiency by: (1) minimizing the number of meetings between the City and the pension funds to discuss and resolve errors in the pension data; and, (2) reducing the need for the City, ERF, and DPFP to research and take corrective actions.

⁵ The City exports detailed employee pension data from the City's payroll application and places the files on a FTP server. The ERF and DPFP import these files manually to account for employee contributions to the ERF and DPFP. For this report, this process is referred as an interface.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of the Department of Communication and Information Services (CIS), in consultation with ERF and DPFP, develop a data interface design document, specific to ERF and DPFP, including validation and edits, ownership of interface processes, and responsibilities for error correction and communication methods.	CIS	Agree	September 30, 2015
We recommend the Director of Human Resources (HR) and the City Controller work with the Director of CIS, in consultation with ERF and DPFP, to: (1) evaluate and document whether modifications to the current data interface design would improve pension data completeness and accuracy and increase efficiency; and, (2) implement modifications resulting from the evaluation.	HR / CCO	Agree	September 30, 2015
We recommend the Director of CIS: <ul style="list-style-type: none"> • Grant access to the File Transfer Protocol server at an individual user level to ensure that only authorized personnel are accessing the folders and contents within 	CIS	Agree	September 30, 2015
<ul style="list-style-type: none"> • Periodically review user access and permissions for the File Transfer Protocol server to ensure access is limited to appropriate users 	CIS	Agree	September 30, 2015

Audit of Parking Management Contract Oversight (February 13, 2015)

- The Dallas Police Department's (DPD) oversight and contract monitoring activities over the *Acquisition Contract for Services Related to Meter Operations and a Parking Management Information System* (Parking Management Contract) and cash collections do not sufficiently reduce the risk of financial loss or vendor noncompliance.
- While DPD performs certain contract monitoring activities related to cash, the DPD does not:
 - Have formal (documented) policies and procedures to guide DPD personnel's contract monitoring activities

- Sufficiently monitor the third party vendor's (ACS/Xerox) parking management activities to detect errors or potential fraud
- Have a process for monitoring Supplemental Agreement No. 3 which calls for specific credits and refunds to the vendor/City based on a payment rate calculation
- Ensure ACS/Xerox consistently follows City of Dallas (City) policy which requires cash to be deposited within one business day of receipt

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Chief of Police:			
<ul style="list-style-type: none"> • Develop and implement formal documented policies and procedures for contract monitoring activities that provide guidance to DPD personnel on their Parking Management Contract monitoring duties 	DPD	Agree	12/31/2015
<ul style="list-style-type: none"> • Improve and document monitoring activities to periodically validate: (1) ACS/Xerox's internal control effectiveness; (2) compliance with Parking Management Contract terms; and, (3) the City receives the appropriate parking revenue from ACS/Xerox. 	DPD	Disagree	12/31/2015
<ul style="list-style-type: none"> • Develop a process to monitor ACS/Xerox compliance with Supplemental Agreement No. 3, Exhibit A, 2 of the Parking Management Contract. 	DPD	Disagree	N/A
<ul style="list-style-type: none"> • Establish a monitoring activity for daily cash deposits and designate the DPD personnel responsible for monitoring ACS/Xerox's compliance with City policy. 	DPD	Disagree	N/A

Audit of Building Permits Cash Collections Internal Controls (March 20, 2015)

- The Department of Sustainable Development and Construction (SDC) has established internal controls over cash handling and collections (cash collections) for building permit fees.
- The SDC, however, could improve internal controls over cash collections for building permit fees by addressing the following:

- User access to the iNovah cashiering software application is not properly controlled and monitored
- Policies and procedures for cash collections and reconciliations are incomplete and not approved
- Training curriculum for cashiers and cashier supervisors is not documented and evidence to show the dates training occurred and the personnel who attended training is not retained
- The SDC has also not established adequate internal controls over cash collections in the Current Planning and Real Estate Divisions as follows:
 - Current Planning Division’s cashier activities are not properly segregated for recording, authorizing, and approving transactions
 - Real Estate Division has not developed adequate internal controls over cash collections and reconciliations
 - Current Planning and Real Estate Divisions’ documented policies and procedures for cash collections and reconciliations are incomplete and not approved in accordance with City of Dallas (City) policy

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of SDC:			
<ul style="list-style-type: none"> ● Properly control and monitor the iNovah cashiering software application user access to ensure: (1) personnel duties are properly segregated; (2) access is granted only after verifying the request is valid and appropriately approved by authorized SDC personnel, and is submitted on a Security Authorization Request (SAR) form; (3) only active users have access; and, (4) compliance with Administrative Directive (AD) 2-24, <i>Computer Security</i> by monitoring privileged user accounts for unauthorized activity 	SDC	Agree	06/30/2015
<ul style="list-style-type: none"> ● Review and update the cash collections policies and procedures 	SDC	Agree	06/30/2015

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Obtain formal approval of the policies and procedures from the Treasurer or City Controller's Office in accordance with AD 4-20, <i>Cash Handling and Cash Receipts</i>, Section 5.1.1 	SDC	Agree	06/30/2015
<ul style="list-style-type: none"> Document the training curriculum for cashiers and cashier supervisors and retain evidence to show the dates training occurred and the personnel who attended training 	SDC	Agree	06/30/2015
<ul style="list-style-type: none"> Implement segregation of duties controls over the cash collections process for the Current Planning Division 	SDC	Agree	09/30/2015
<ul style="list-style-type: none"> Implement proper internal controls for the Real Estate Division to ensure completeness and timeliness of cash collections 	SDC	Agree	09/30/2015
<ul style="list-style-type: none"> Ensure the policies and procedures for the Current Planning and Real Estate Divisions are complete and include best practices for internal controls over cash collections and reconciliations 	SDC	Agree	06/30/2015
<ul style="list-style-type: none"> Obtain formal approval of the Current Planning and Real Estate Divisions' policies and procedures from the Treasurer or City Controller's Office 	SDC	Agree	06/30/2015
<p>We recommend the Director of the Department of Communication and Information Services (CIS) comply with AD 2-24, <i>Computer Security</i> and CIS' Information Security Standard by: (1) ensuring that the SAR form is used prior to granting access; and, (2) identifying and implementing an appropriate security strategy(ies) for iNovah to allow SDC to monitor application privileged user access.</p>	CIS	Agree	06/30/2015

Audit of Controls over Weapons and Other High Risk Inventory for Dallas Police Department's Quartermaster Unit (April 17, 2015)

- Significant internal control deficiencies exist in the Dallas Police Department's (DPD) Quartermaster Unit's (Unit) management of high risk inventory (weapons, radios, badges, and Tasers) stored at and issued from the Unit's facility.
- Internal control deficiencies increase the risk of:
 - unauthorized and/or inappropriate access to the Unit's facility and automated systems
 - theft
 - accounting errors
 - inventory misstatements
 - fraud occurring and not being detected within a timely period by employees in the normal course of performing their assigned functions
- The internal control deficiencies noted relate to:
 - physical and software application security controls
 - management of high risk inventory
 - inconsistency in the application of high risk inventory procedures

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Chief of Police ensures Unit personnel:			
<ul style="list-style-type: none"> • Improve the existing physical security issues 	DPD	Agree	12/31/2015
<ul style="list-style-type: none"> • Properly secure high risk inventory ordered by other DPD divisions and damaged items received/stored by the Unit 	DPD	Agree	10/31/2015
<ul style="list-style-type: none"> • Establish and implement a formal process for granting, removing, and monitoring security badge access to the Unit's facility 	DPD	Agree	10/31/2015

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Evaluate and establish appropriate segregation of duties for all aspects of inventory management, including authorization, approval, receiving, and recording high risk inventory 	DPD	Agree	10/31/2015
<ul style="list-style-type: none"> Establish and implement security processes for the granting of, removal of, and monitoring of user access to WEPI and M5 inventory software applications 	DPD	Agree	10/31/2015
<ul style="list-style-type: none"> Improve password security for M5 inventory software application 	DPD	Agree	12/31/2015
<ul style="list-style-type: none"> Implement spreadsheet controls, including passwords, which conform to password parameters for the Unit's MS Excel spreadsheets 	DPD	Agree	06/30/2015
<ul style="list-style-type: none"> Develop and execute a plan with stated dates and deliverables so that all high risk inventory is recorded within the M5 inventory software application 	DPD	Disagree	Not Applicable
<ul style="list-style-type: none"> Follow established standard operating procedures so that high risk inventory adjustments are accurately recorded, including: (1) loans, (2) lost and stolen, (3) warranty service requirements; and, (4) disposal of weapons and badges with required documentation 	DPD	Agree	10/31/2015
<ul style="list-style-type: none"> Follow established procedures so that inventory control cards are completed fully and accurately until all high risk inventory can be transferred to M5 	DPD	Agree	12/31/2015
<ul style="list-style-type: none"> Review, update, and approve high risk inventory management procedures to reflect actual operations and activities 	DPD	Agree	10/31/2015
<ul style="list-style-type: none"> Periodically review the high risk inventory procedures, in accordance with DPD policies and/or as changes occur in operations, so that the documented procedures continue to reflect actual operations 	DPD	Agree	10/31/2015

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Follow established DPD's standard operating procedures so that received high risk inventory is recorded completely and timely 	DPD	Agree	10/31/2015
<ul style="list-style-type: none"> • Receive high risk inventories against a valid purchase order without quantities listed 	DPD	Disagree	Not Applicable
<ul style="list-style-type: none"> • Follow established standard operating procedures to: <ul style="list-style-type: none"> ○ Ensure Issue Request Forms are documented completely, accurately, and retained in the officers' personnel files for issuances and returns ○ Obtain prior approval for new recruits and reissuances and retain the approvals in the officers' personnel files ○ Develop appropriate issuance quotas completely for all DPD officers (sworn and non-sworn) and integrate the quotas into the inventory software application ○ Complete radio user agreements for every issued radio 	DPD	Agree	10/31/2015
<ul style="list-style-type: none"> • Comply with City and departmental procedures and perform consistent monthly, annual, and change of command physical inventories, including the associated reconciliations 	DPD	Agree	10/31/2015

Audit of the Paving and Maintenance Program / Capital Program Streets and Thoroughfares (June 19, 2015)

- The Department of Street Services (STS) has sufficient controls in place over the: (1) administration of service requests; and, (2) contractor payment process. The STS can, however, improve controls by ensuring:
 - Formal policies and procedures and trained back-up personnel are in-place for the:
 - Evaluation and selection of annual maintenance projects

- GEO project management system
- Inspection requirements are met for certain projects
- General Inspections are selected based upon service request, service requests categories or Service Maintenance Areas

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of STS:			
• Develop formal policies and procedures for the annual maintenance project evaluation and selection process and the GEO	STS	Agree	12/01/2015
• Ensure back-up personnel are designated and trained for the annual maintenance project evaluation and selection process and the GEO	STS	Agree	10/01/2015
• Update ISO project inspection policies and procedures to reflect current operations	STS	Agree	09/30/2015
• Develop a random inspection selection process that includes selection by service requests, service requests categories, and SMAs	STS	Agree	08/01/015

Audit of the Design of Controls over the Department of Dallas Water Utilities’ Meter-to-Billing Process (August 7, 2015)

- The Department of Dallas Water Utilities (DWU) has adopted the: (1) International Organization for Standardization (ISO) American National Standard for Quality Management Systems (QMS); and, (2) American Water Works Association (AWWA) standards, requirements, and best practices.
- Adoption of these standards, requirements, and best practices are important to assist DWU management in the oversight of the meter-to-billing process.
- The Office of the City Auditor’s (Office) design assessment shows that while these standards, requirements, and best practices are largely implemented for the meter-to-billing process, there are opportunities to strengthen the controls in that process.
- The design assessment did not include a test of the accuracy of customer bills.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of DWU further develop the meter-to-billing process to more fully comply with the ISO and AWWA standards, requirements, and recommended practices.	DWU	Agree	Fiscal Year 2015-2016

Audit of the Performance Measurement Process for the Department of Dallas Fire-Rescue (August 7, 2015)

- The City of Dallas’ (City) Department of Dallas Fire-Rescue (DFR) reported reliable results for the five Fiscal Year (FY) 2014 performance measures selected and tested.
- For the five performance measures selected, DFR had adequate:
 - Written policies and procedures that included performance measure collection, calculation, review, and reporting
 - Support for the methodology for the estimates reported in the FY 2013-14 Adopted Budget
 - Support for the actual data in PerformanceSoft
 - Data collection processes that were consistent with the performance measure definition
 - Controls over the performance measure data to ensure consistent reporting of reliable information
 - Results accurate within five percent of what was reported in FY 2013-14 Adopted Budget and in PerformanceSoft.

No associated recommendations with this report.

Audit of the City of Dallas’ Civilian Timekeeping and Internal Controls and Processes (August 14, 2015)

- During Fiscal Year (FY) 2013, certain civilian timekeeping internal controls and processes for the City of Dallas (City) were not adequate or reliable. Specifically:
 - The timekeeping records associated with an estimated 24 percent of 175,000 bi-weekly pay periods do not show a documented record of approval by supervisors prior to payroll processing, as required

- The count of approved timekeeping records in INFOR Lawson Human Resources Information System (Lawson) does not reflect the City's stated bi-weekly pay period approval practice
- The user IDs of the supervisors who approved 87,564 bi-weekly pay periods in Lawson were overwritten with the City Controller's Office (CCO) Payroll Manager's ID
- Lawson and Kronos do not have input controls to prevent City employees from entering paid leave (vacation, sick, compensatory, attendance incentive) durations longer than their available earned paid leave balances
- Manual payroll adjustment procedures are not properly segregated
- The City does not have a reasonable way of verifying what type of paid leave was appropriate for each employee absence
- A number of City departments have enacted internal written procedures for timekeeping and attendance that contain paid leave limitations not present in the City's Personnel Rules

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager:			
<ul style="list-style-type: none"> • Ensures the Director of Human Resources (HR) introduces compliance with timekeeping approval requirements as a performance evaluation measure for all City Department Directors. 	HR	Agree	December 31, 2015
• Ensures the Director of HR:			
<ul style="list-style-type: none"> ○ Adjusts paid leave balances of the four employees who did not report their absences in FY 2013 	HR	Agree	September 30, 2015
<ul style="list-style-type: none"> ○ Determine whether or not similar adjustments are needed for other fiscal years 			
<ul style="list-style-type: none"> • Ensures the Director of HR, in cooperation with the Director of the Department of Communication and Information Services (CIS), require that all Lawson timekeeping entries have a record of supervisory review and approval in line with the City's practice of approving the entire bi-weekly pay period of timekeeping records. If updating Lawson to create a record of supervisory review and approval for the entire bi-weekly pay period of timekeeping records is not feasible, we recommend this feature be included in the system specifications for future payroll systems. 	HR	Agree	Upon implementation of a new Human Capital Management system (assuming this functionality is available in the market and inclusion is cost effective)

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Ensures the Director of HR, in cooperation with the Director of CIS, develops procedures for recording and preserving the data field containing the user IDs of the individuals who approved timekeeping records in both Lawson and Kronos. 	HR	Agree	Upon implementation of a new Human Capital Management system (assuming this functionality is available in the market and inclusion is cost effective)
<ul style="list-style-type: none"> Ensures the Director of HR, in cooperation with the Director of CIS, develops procedures for preserving a list of designated approvers for Lawson and Kronos in a readily retrievable format. 	HR	Agree	Upon implementation of a new Human Capital Management system (assuming this functionality is available in the market and inclusion is cost effective)
<ul style="list-style-type: none"> Ensures the Director of HR, in cooperation with the Director of CIS, develops procedures for periodically comparing approver user IDs for Lawson and Kronos to the user IDs of designated approvers to identify unauthorized approvals and take appropriate action. 	HR	Agree	Upon implementation of a new Human Capital Management system (assuming this functionality is available in the market and inclusion is cost effective)
<ul style="list-style-type: none"> Ensures the Director of HR, in cooperation with the Director of CIS, develops procedures for payroll processing that will eliminate the need for the CCO Payroll Manager to approve timekeeping records for employees outside of the CCO Payroll Division. 	HR	Agree	Upon implementation of a new Human Capital Management System
<ul style="list-style-type: none"> Ensures the Director of HR, the City Controller, and the Director of CIS introduce a computerized input control that would prevent employees from entering paid leave claims in excess of available leave balances. If updating Lawson to include appropriate input controls is not feasible, we recommend input controls be included in system specifications for future payroll systems. 	HR / CCO / CIS	Agree	Upon implementation of a new Human Capital Management system (assuming this functionality is available in the market and inclusion is cost effective)

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Ensures the City Controller, in consultation with the Director of CIS, ensures the CCO Payroll Manager's duties are properly segregated. 	CCO	Agree	Upon implementation of a new Human Capital Management System
<ul style="list-style-type: none"> Evaluates the benefits and challenges of implementing a Paid Time Off program (PTO) to simplify the City's administration of paid leave. 	HR	Agree	March 31, 2016
<ul style="list-style-type: none"> If the City Manager decides not to implement a PTO, then the City Manager should ensure the Director of HR: <ul style="list-style-type: none"> Provides training to City employees on allowable usage of various categories of leave Introduces controls to prevent City employees from adjusting leave categories to gain additional paid leave 	HR	Agree	March 31, 2016
<ul style="list-style-type: none"> Ensures the Director of HR work with other City departments to revise their timekeeping and attendance procedures to bring them into compliance with the City's Personnel Rules. 	HR	Agree	December 31, 2016
<ul style="list-style-type: none"> Introduces a procedure to ensure departmental written timekeeping and attendance procedures are reviewed and approved by the City Attorney's Office prior to the adoption by the City departments. 	HR	Agree	December 31, 2016
<ul style="list-style-type: none"> Revises the provisions of Personnel Rules Sections 34-22 (g) and 34-23 (h) to eliminate the requirements for specific time increments for sick leave and vacation usage by civilian employees. 	HR	Agree	October 31, 2015

Audit of the Department of Business Development and Procurement Services' Internal Controls for Request for Proposal Procurements (August 14, 2015)

- The Department of Business Development and Procurement Services' (BDPS) internal controls for Request for Proposals (RFPs) do not ensure the:
 - RFPs are processed timely

- Effectiveness of the RFP process
- RFP documentation is proper, complete, and retained

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
----------------------	------------------------	------------------	---------------------

We recommend the Director of BDPS:

- Ensure timely processing of RFPs by including in BDPS' policies and procedures appropriate policies, standards, and procedures to measure and improve the timeliness of RFP processing as follows:
 - Establishing an expectation for the timely completion of RFPs within certain parameters, such as a specific number of days or service type
 - Adopting standards for timely completion of each step within the RFP process, including those steps that are not directly within BDPS' control
 - Benchmarking the actual time it takes to complete each step within the RFP process and the final RFP
 - Comparing actual results of RFP processing against the adopted standards to evaluate opportunities to further improve timeliness

BDPS

Agree

March 2016

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Improve the effectiveness of the RFP Process by requiring: <ul style="list-style-type: none"> ○ City employees in the departments initiating the procurements to complete non-disclosure statements and conflict of interest statements ○ BDPS' employees involved in preparing the RFP and evaluating the proposals to complete non-disclosure statements and conflict of interest statements ○ Evaluation committee members complete conflict of interest statements ○ Documentation of the methods BDPS used to select members of RFP evaluation committees, including the appropriate number of evaluators and their qualifications ○ Documentation of the evaluators' names, titles, departments, and dates of completion of the evaluator score sheets ○ Signature date line to be included in contracts ○ Documentation of BDPS' periodic reviews of Administrative Directive (AD) 4-5: <i>Contracting Policy</i> to ensure it aligns with the Legislative changes made to Texas Local Government Code (TxLGC) 	BDPS	Agree	January 2016
<ul style="list-style-type: none"> • Improve the effectiveness of the RFP Process by considering the inclusion of BID evaluations for revenue collection services in excess of \$250,000 	BDPS	No Agreement or Disagreement	No Implementation Date
<ul style="list-style-type: none"> • Update AD 4-5 to align with TxLGC Chapter 252 that allows the use of competitive sealed proposals for the purchase of goods 	BDPS	Agree	January 2016

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Enforce consistency in RFP documentation and filing by requiring: <ul style="list-style-type: none"> ○ A standard checklist of documents that should be retained in the RFP files ○ Consistent templates for the RFP documentation ○ Consistent order of documents placed in each of the RFP files ○ Periodic management review of RFP documentation for consistency ○ A single location is used for storing RFP files and individual documents 	BDPS	Agree	January 2016

Audit of Revenue Estimates Included in the Fiscal Year 2015-16 Proposed Annual Budget for the City of Dallas (September 4, 2015)

- In total, the revenue estimates included in the Fiscal Year (FY) 2015-16 Proposed Annual Budget appear reasonable.
- Although the revenue estimates in total appear reasonable, the Department of Aviation (AVI) did not provide the proper documentation for portions of its FY 2015-16 revenue estimate. Approximately \$43.2 million (Concessions of \$20.3 million and Rental on Airport of \$22.9 million): (1) was not supported by proper documentation; (2) contained calculation errors and internal inconsistencies; and, (3) was not fully supported by a formal documented methodology. As a result, AVI's revenue estimate methodologies were not always clear and the underlying calculations and documentation did not always support AVI's revenue estimates. According to management, the unexpected loss of a key employee contributed to these issues.
- The Office of the City Auditor reviewed approximately \$2.1 billion of the \$2.7 billion in proposed revenue estimates for the General Fund, Enterprise Funds, and Debt Service Fund, or 78 percent, of the revenue estimates included in the FY 2015-16 Proposed Annual Budget.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the Director of the Office of Financial Services (OFS) work with the Director of AVI to ensure all revenue estimates: (1) methodologies are formally documented; and, (2) are properly supported, including the verification of calculations and internal consistency.</p>	OFS	Agree	August 5, 2016

**City of Dallas
Office of the City Auditor
Attestation Services Highlights
Fiscal Year 2015**

Agreed-Upon Procedures

Sole Source / Single Bid Procurements

- Six sole source procurements (\$13,281,021) and 13 single bid procurements (\$20,993,168) totaling \$34,274,189 for efforts to increase competition and compliance with applicable requirements

**City of Dallas
Office of the City Auditor
Non-Audit Services Highlights
Fiscal Year 2015**

City Council Support

- Council Members supported individually upon request on a variety of topics, including:
 - South Dallas Fair Park Trust Fund –Sources and Amounts of Funds for the Last Five Years
 - South Dallas Fair Park Trust Fund – Loans and Grants
 - Department of Park and Recreation Capital Budget
 - Trinity River Corridor Project Invoice Research
 - Department of Sanitation Information Request

**City of Dallas
Office of the City Auditor
Investigative Services Highlights
Fiscal Year 2015**

Fraud / Waste / Abuse (FWA)

- 86 hotline complaints closed during Fiscal Year (FY) 2015
- 40 complaints were either investigated by the Office of the City Auditor (Office) or referred to the Dallas Police Department (DPD) for potential criminal investigation
- 22 complaints were referred to other City of Dallas (City) departments
- 24 complaints were not investigated due to not being related to City employees' actions or City vendors, insufficient information, or the risk-based evaluation showed the complaint did not merit assignment of limited investigative resources
- 24 open complaints active as of September 30, 2015
- Results from significant investigations conducted during FY 2015 include:

Department	Allegation	Outcome
Code Compliance	Theft	Employee was charged with felony theft by a public servant for promising a homeowner he would obtain a building permit in return for \$1,800 cash. The criminal case was dismissed when the employee paid the homeowner restitution. The employee was discharged from employment with the City.
Street Services	Theft of Time	Employee and City vehicle were observed at the employee's apartment on numerous occasions for an extended duration (average of 88 minutes – excluding lunch breaks) during the work day. The employee was discharged from employment with the City.

Department	Allegation	Outcome
Street Services	Theft of Time	Employee and City vehicle were observed in Irving, Texas during the work day. Employee was visiting the Irving location on an inconsistent basis and for short durations. The employee was suspended without pay for ten working days.
