

Office of the City Auditor

Auditor Briefing Update

Reports Released between January 14,
2023, and February 17, 2023

February 27, 2023
Mark S. Swann, City Auditor

Government Performance & Financial Management Committee





Audit of Fleet Availability and Downtime Accuracy

February 3, 2023

Mark S. Swann, City Auditor

Mayor

Eric Johnson

Mayor Pro Tem

Carolyn King Arnold

Deputy Mayor Pro Tem

Omar Narvaez

Council Members

Tennell Atkins

Adam Bazakdua

Paula Blackmon

B. Adam McGough

Cara Mendelsohn

Jesse Moreno

Jaime Resendez

Paul E. Ridley

Jaynie Schultz

Casey Thomas, II

Chad West

Gay Donnell Willis



Report Issued – February 3, 2023

Audit of Fleet Availability and Downtime Accuracy

Objective and Scope

The objectives of this audit were to determine the following:

1. Whether downtime performance and rental data is complete, accurate, monitored, and supported by evidence.
2. The extent of rental expenditures caused by downtime.

The audit scope was Equipment and Fleet Management rental, repair, and maintenance operations in fiscal years 2019 through 2021.

Report Issued – February 3, 2023

Audit of Fleet Availability and Downtime Accuracy

Observed Conditions

The Equipment and Fleet Management's downtime and availability data was generally complete, accurate, and supported by evidence during Fiscal Year 2019 through Fiscal Year 2021.

Closer monitoring of the accuracy of Fleet Focus M5 entries related to work order completion and rental vehicles is needed to ensure downtime data accuracy and to calculate the extent of rental expenditures related to downtime. In addition, some Fleet Focus M5 reports need to be revised to improve the quality of reporting.

Report Issued – February 3, 2023

Audit of Fleet Availability and Downtime Accuracy

Recommendations

A.1: Improve monitoring of work order completion in the Fleet Focus M5 system. **(Agree)**

A.2: Revise the format of *Unit Downtime History* reports to ensure they present accurate information on a fiscal year basis. **(Accept Risk)**

B.1: Make the “rental reason” a validated entry field in the Fleet Focus M5 system. **(Agree)**

B.2: Monitor the accuracy of rental reason and rental dates on *Rental Request Forms*. **(Agree)**

B.3: Ensure *Rental Request Forms* capture rental rates and total rental costs. **(Agree)**

B.4: Ensure Fleet Focus M5 entries match *Rental Request Forms*. **(Agree)**

C.1: Develop and implement written procedures for escalating notifications when repaired vehicles have not been picked up on time. **(Agree)**



External Quality Control Review

of the
City of Dallas

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period May 1, 2019 through April 30, 2022

Report Issued – February 3, 2023

External Quality Control Review of the City of Dallas Office of the City Auditor

Objective and Scope

To determine whether the City of Dallas Office of the City Auditor's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards issued by the Comptroller General of the United States and applicable legal and regulatory requirements.

The scope of the review included engagements issued between May 1, 2019, and April 30, 2022 (a three-year period.)

Report Issued – February 3, 2023

External Quality Control Review of the City of Dallas Office of the City Auditor

Observed Conditions

The City of Dallas – Office of the City Auditor's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with Government Auditing Standards and applicable legal and regulatory requirements for audits and attestation engagements.

Also, the peer review team noted areas where this Office excels:

- Engagement workpapers are well organized and documented to reference the applicable standards.
- Staff have a diverse set of educational backgrounds and certifications
- Training and certifications are encouraged to enhance audit quality.
- Policies and procedures are clear and easy to understand.

Report Issued – February 3, 2023

External Quality Control Review of the City of Dallas Office of the City Auditor

Recommendations

When providing a non-audit service that could create a threat to independence:

- Standard 3.64 (Independence) requires that auditors determine whether providing such a service would threaten independence either by itself or in aggregate with other non-audit services provided, with respect to any GAGAS engagement they conduct.

We recommend that the Office of the City Auditor use Attachment 1 from Policy 14-Section 5.1 Non-audit Services (GAGAS) to document this assessment. **(Agree)**

The Office does have additional controls in place to help ensure that the Office does not commence audit engagements where the completion of prior non-audit service engagements may impair our independence.

Office of the City Auditor

Auditor Briefing Update

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February 27, 2023
Mark S. Swann, City Auditor

Government Performance & Financial Management Committee



APPENDIX – Audit Reports

Here is the final report and link for your reference.

February Update:

- [Audit of Fleet Availability and Downtime Accuracy](#)
- [External Quality Control Review of the City of Dallas Office of the City Auditor](#)



Audit of Fleet Availability and Downtime Accuracy

February 3, 2023

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Executive Summary

Objectives and Scope

The objectives of this audit were to determine: (1) whether downtime performance and rental data is complete, accurate, monitored, and supported by evidence; and, (2) the extent of rental expenditures caused by downtime. The audit scope was Equipment and Fleet Management rental, repair, and maintenance operations during Fiscal Year 2019 through Fiscal Year 2021.

Recommendations

Management should:

- Improve monitoring of work order completion in Fleet Focus M5.
- Revise the format of *Unit Downtime History* reports to ensure they present accurate information on a fiscal year basis.
- Make "rental reason" a validated entry field in Fleet Focus M5.
- Monitor the accuracy of rental reason and rental dates on *Rental Request Forms*.
- Ensure *Rental Request Forms* capture rental rates and total rental costs.
- Ensure Fleet Focus M5 entries match *Rental Request Forms*.
- Introduce a standardized process for ensuring departments pick up repaired or maintained units on a timely basis.

Background

The Equipment and Fleet Management Department is an internal services department comprised of Fleet Management and Business Operations. As of December 1, 2022, Fleet Management is responsible for the repair and maintenance of 5,814 City vehicles and for fleet and equipment rental. As of July 14, 2022, there was a total of 6,365 units in the City's vehicle inventory (some of the vehicles are not in Fleet Management's care), of which 5,137 units (81 percent) were listed as available, and 1,228 units (19 percent) were listed as not available.

During Fiscal Years 2020 and 2021, the Equipment and Fleet Management Department records show the following numbers for workorders, units maintained and repaired, and related downtime:

Fiscal Year	Work Orders	Units	Hours
FY2020	50,212	5,373	6,975,108
FY2021	46,435	5,485	5,506,234

Observed Conditions

The Equipment and Fleet Management's downtime and availability data was generally complete, accurate, and supported by evidence during Fiscal Year 2019 through Fiscal Year 2021.

Closer monitoring of the accuracy of Fleet Focus M5 entries related to work order completion and rental vehicles is needed to ensure downtime data accuracy and to calculate the extent of rental expenditures related to downtime. In addition, some Fleet Focus M5 reports need to be revised to improve the quality of reporting.

Objectives and Conclusions

1. Is downtime and vehicle availability data complete, accurate, and supported by documentation?

Yes. Audit recalculations of downtime and vehicle availability data and tests of supporting documentation show the data is generally complete, accurate, and supported by evidence. However, closer monitoring by Equipment and Fleet Management Department management would help keep Fleet Focus M5 downtime data complete and accurate. (See [Observation A](#)).

2. Is rental data complete, accurate, and supported by documentation?

No. Opportunities exist to improve the completeness, accuracy, and documentation of rental data. (See [Observation B](#)).

3. Is it possible to determine to what extent the rental expenditures are caused by vehicle downtime?

No. Opportunities exist to improve the completeness, accuracy, and documentation of rental data. (See [Observation B](#)).

Audit Results

Both *City Council Resolution 88-3428* and Administrative Directive 4-09, *Internal Control*, prescribe policies for the City to establish and maintain an internal control system. The audit observations listed assist management in fulfilling their internal control responsibilities.

Observation A: Monitoring of Downtime and Vehicle Availability Data

Data related to the duration of downtime and the percentage of vehicles available for use is generally complete, accurate, and supported by evidence. Better monitoring and timely correction of work order completion exceptions and revision of *Unit Downtime History* reports would help to keep the Fleet Focus M5 downtime data complete and accurate.

Monitoring of Work Order Completion

Monitoring of work order completion could be improved. The Equipment and Fleet Management Department tracks vehicle repairs and downtime in the Fleet Focus M5 system. The data accuracy in Fleet Focus M5 relies upon entries by service center personnel. When a vehicle repair is completed, but the work order has not been marked as “completed” in Fleet Focus M5, downtime hours accumulate. For example, a Work Order 1300450805 for unit 120109 was opened on June 23, 2020, at 11:03:30 to have a flat tire repaired. The flat tire repair was completed later that day at 13:01:08, after about two hours of downtime. However, the work order was not marked “completed” in Fleet Focus M5 until 21:01:33, nearly eight hours after the repair.

Unit Downtime History Reports vs. Work Order Details Reports

Fleet Focus M5 *Unit Downtime History* reports do not match *Work Order Details* reports. Of the eight units sampled:

- None of the *Work Order Details* reports had downtime hours that matched the same units' *Unit Downtime History* reports.
- Four units (50 percent) were noted as “down” (with accumulated downtime) on the *Work Order Details report*, while the *Unit Downtime History* reports showed zero downtime.

In addition, Fleet Focus M5 *Unit Downtime History* reports are not enabled to present the data on a fiscal year basis, which makes comparing the two reports challenging.

Criteria

- ❖ Standards for Internal Control in the Federal Government:
 - *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

Low

We recommend the **Director of Equipment and Fleet Management:**

- A.1:** Improve monitoring of work order completion in the Fleet Focus M5 system.
- A.2:** Revise the format of *Unit Downtime History* reports to ensure they present accurate information on a fiscal year basis.

Observation B: Rental Expenditures Related to Downtime

An estimation of rental expenditures caused by vehicle downtime cannot be accurately established because the input of data is not controlled and is not supported by reliable documentation. As a result, the City's true cost of vehicle downtime may be higher than reflected in the Fleet Focus M5 system.

Fleet Focus M5 Rental Reason Entries Are Not Reliable

While Fleet Focus M5 has a field that tracks the reason for a rental, the field is not validated.¹ Therefore, entries in this field are vague and cannot be relied upon when determining whether the rental expense was truly caused by downtime or some other reason.

In addition, some *Rental Request Forms* are missing, which further complicates the verification of the reasons for the rental. For example, seven out of a judgmental sample of thirty *Rental Request Forms* (23 percent) were missing, and the forms available for review did not match Fleet Focus M5 entries.

Internal Rentals

- Seven of eleven internal *Rental Request Forms* (64 percent) had rental reasons that did not match Fleet Focus M5 entries.
- One Fleet Focus M5 entry (9 percent) had two corresponding *Rental Request Forms* for two different vehicles.
- Five forms (45 percent) had rental return dates that did not match the dates documented in Fleet Focus M5.

External Rentals

- Three of twelve external *Rental Request Forms* (25 percent) had rental reasons that did not match Fleet Focus M5 entries.
- One Fleet Focus M5 entry (8 percent) had four corresponding *Rental Request Forms* for four different vehicles.
- Twelve forms (100 percent) had rental return dates that did not match those documented in Fleet Focus M5.

Rental Expenditures Are Not Supported by Documentation

A cost comparison of 30 Fleet Focus M5 rental entries (15 internal and 15 external) to the corresponding *Rental Request Forms* showed that rental expenditures in Fleet Focus M5 are not supported by documentation because *Rental Request Forms* do not capture rental rates or total costs. In addition, *Rental Request Forms* are incomplete, and dates do not agree with the dates documented

¹ Data validation is the practice of checking the integrity, accuracy, and structure of data before it is used for a business operation.

in Fleet Focus M5.

Criteria

- ❖ Standards for Internal Control in the Federal Government:
 - *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

Low

We recommend the **Director of Equipment and Fleet Management**:

- B.1:** Make the “rental reason” a validated entry field in the Fleet Focus M5 system.
- B.2:** Monitor the accuracy of rental reason and rental dates on *Rental Request Forms*.
- B.3:** Ensure *Rental Request Forms* capture rental rates and total rental costs.
- B.4:** Ensure Fleet Focus M5 entries match *Rental Request Forms*.

Observation C: Repaired Vehicles Not Picked Up

User departments sometimes do not pick up their vehicles from the Equipment and Fleet Management Department immediately after repairs have been completed. As a result, the City may accumulate rental charges due to downtime even after the vehicles have been repaired.

For example, a review of a judgmental sample of six vehicles (three from the Southwest Service Center and three from the Central Service Center) showed that these vehicles remained parked at the service centers between one week and up to seven months after the repairs had been completed, and the user departments had been notified.

While the Equipment and Fleet Management service center staff send notifications to user departments about their vehicles being ready for pick up, the Equipment and Fleet Management Department does not have a process for escalating the notifications when repaired vehicles have not been picked up on time.

Criteria

- ❖ Standards for Internal Control in the Federal Government:
 - *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

Low

We recommend the **Director of Equipment and Fleet Management:**

- C.1:** Develop and implement written procedures for escalating notifications when repaired vehicles have not been picked up on time.

Appendix A: Background and Methodology

Background

The Equipment and Fleet Management Department provides full support to a City fleet of 5,814 vehicles,² including: (1) fleet assignment and management; (2) vehicle inspections and maintenance; (3) road call assistance; (4) paint and body repairs; and, (5) outside equipment rentals. As of December 1, 2022, the City's fleet was composed of the following categories (See [Exhibit 1](#) and [Exhibit 2](#)).

Exhibit 1

Equipment and Fleet Management Department's Fleet by Category

Category	Count	Percent of Total
Light Truck	1,544	26.56%
Marked Squad	950	16.34%
Admin Sedan	708	12.18%
SUV	486	8.36%
Van	341	5.87%
Dump Truck	337	5.80%
Rear Loader	127	2.18%
Air Compressor	104	1.79%
Automated loader	102	1.75%
Backhoe Trailer	81	1.39%
Rotoboom	66	1.14%
Air Compressor Trailer	61	1.05%
Backhoe	61	1.05%
Brush Trailer	60	1.03%
Brush Truck	59	1.01%
Other Trailers	57	0.98%
ENP Unit	51	0.88%
Backhoe Truck	47	0.81%
Motorcycle	42	0.72%
Gang Truck	39	0.67%
Training Unit	38	0.65%
Bucket Truck	35	0.60%
Enclosed Service Truck	32	0.55%
Skid Steer Loader	31	0.53%

² Some City departments maintain their own vehicles without Equipment and Fleet Management assistance, e.g., Dallas Fire Rescue and Dallas Water Utilities.

Category	Count	Percent of Total
Roller	27	0.46%
Transfer Trailer	23	0.40%
Crane Truck	23	0.40%
Forklift	22	0.38%
Wheel Loader	22	0.38%
Stake Bed Truck	20	0.34%
Transfer Truck	19	0.33%
Patch Truck	19	0.33%
Decoy Unit	15	0.26%
Mixer	14	0.24%
Sweeper	12	0.21%
Maintainer	12	0.21%
Concrete Truck	11	0.19%
Container Truck	9	0.15%
Flusher Truck	9	0.15%
Asphalt Truck	8	0.14%
Gradall	8	0.14%
Tractor Truck	7	0.12%
Wrecker	7	0.12%
Tug	6	0.10%
Chipper Truck	6	0.10%
Track Loader	5	0.09%
Roll-Off/Dumpster Truck	5	0.09%
Mower-Tractor	5	0.09%
Excavator	4	0.07%
Utility Service Truck	4	0.07%
Flat Bed Truck	4	0.07%
Tanker Truck	4	0.07%
Semi Automated 6cy Rear Loader	3	0.05%
Tailgate Roller / Tamper	3	0.05%
(blank)	2	0.03%
Pump	2	0.03%
Pavement Breaker	2	0.03%
Lube Truck	2	0.03%
Digger Derrick Truck	2	0.03%
Personnel Lift	2	0.03%
Delivery Truck	2	0.03%
Asphalt Paver	2	0.03%

Category	Count	Percent of Total
Aggregate Spreader	1	0.02%
Sewer Cleaner Truck	1	0.02%
Chipper	1	0.02%
Grand Total	5,814	100.00%

Exhibit 2

Fleet by Department

Department	Count
Dallas Police Department	1,776
Dallas Water Utilities	1,209
Public Works	559
Sanitation	473
Code Compliance	420
Park and Recreation	380
Equipment and Fleet Management	161
Dallas Fire Rescue	144
Transportation	129
Building Services	112
Development Services	98
Aviation	85
Dallas Animal Services	59
Management Services	53
Office of Environmental Quality	52
Courts and Detention Services	42
Housing	13
Other Departments	49
Grand Total	5,814

Source: Fleet Focus M5

Fleet Maintenance Operations

Five fleet management service centers provide mechanical repairs, preventive maintenance, state inspections, vehicle emissions testing, lubrication, fueling, and 24-hour road call assistance for all City

vehicles. In addition, specialty shops such as heavy equipment maintenance and welding offer services for City vehicles and equipment.

Other Fleet Management Operations

- Asset Management
- Vehicle Paint and Body Repair
- Fleet Operations and Assignment
- Fleet Parts Inventory
- Fleet Training
- Motor Pool
- Environmental Group

Methodology

To accomplish our audit objectives, we interviewed key personnel at the Equipment and Fleet Management Department, observed service center repair and maintenance operations, reviewed data in the Fleet Focus M5 work order system, reviewed applicable documentation, recalculated equipment and fleet downtime and availability hours and compared recalculations to monthly performance measures reported by Equipment and Fleet Management. The risk of fraud, waste, and abuse was also considered. In addition, all five components of *Standards for Internal Control in the Federal Government* were considered.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Anatoli Douditski, MPA, CIA, CFE, ACDA – Engagement Manager
Yzalida Hiley, MBA, LPEC – Auditor

Appendix B: Management's Response

Memorandum



DATE: January 30, 2023
TO: Mark S. Swann, City Auditor
SUBJECT: Response to Audit of Fleet Availability and Downtime Accuracy

This letter acknowledges the Equipment and Fleet Management Department (EFM) received the *Audit of Fleet Availability and Downtime Accuracy* and submitted responses to the recommendations.

EFM plays a critical role in the safe, efficient, and effective maintenance and operation of City equipment, upon which numerous departments rely in order to provide residents equitable and excellent service and engagement.

Recognizing the critical role EFM plays to the City and its residents, the department has focused on ensuring transparency, strong management oversight, and other key internal controls.

We are pleased the thorough audit concluded that downtime and vehicle availability data is complete, accurate, and supported, and they did not have any moderate-risk or high-risk recommendations.

However, we recognize there are always opportunities for improvement. Management agrees to strengthen monitoring of work order completion in the system, enhance the reliability of data and transparency regarding rental expenditures, and develop procedures for escalating notifications when vehicles are not promptly picked up following service.

At this time, however, management will accept the risk related to the discrepancies noted by the auditor between the Unit Downtime History and Work Order Details report. Management will need additional time to more fully research and determine if any issue exists, the cause of any identified issue, and the cost-benefit of resolving any identified issue.

Sincerely,

T.C. Broadnax
City Manager

"Our Product is Service"
Empathy | Ethics | Excellence | Equity

Assessed Risk Rating	Recommendation	Concurrence and Action Plan	Implementation Date	Follow-Up/ Maturity Date	
Low	We recommend the Director of Equipment and Fleet Management:				
	A.1: Improve monitoring of work order completion in the Fleet Focus M5 system.	Agree:	Equipment and Fleet Management (EFM) will add an audit component to the quarterly management review to monitor potential trends in the timely closing of work orders in the Fleet Focus M5 system (M5 system). The monitoring activity will be used to identify employees that may need additional reinforcement or training on EFM's existing processes.	12/31/23	6/30/24
	A.2: Revise the format of Unit Downtime History reports to ensure they present accurate information on a fiscal year basis.	Accept Risk:	Fleet Focus M5 system provides many static (i.e., "canned") reports, including the <i>Unit Downtime History</i> and <i>Work Order Details</i> reports, that EFM uses to ensure effective operations. These reports are designed for a unique purpose, and the report parameters could potentially cause variances if the reports were not designed to be reconcilable. To better understand the root cause of the auditor's observation, EFM conducted a preliminary review of the auditor's workpapers and other samples. EFM's preliminary review did not find inconsistent data. However, EFM recognizes that additional time is needed to definitively determine whether an issue exists, the risks related to any identified issue, and the cost-benefit of resolving identified issues. At this time, EFM is unable to agree to implement the recommendation but will perform additional internal research, including contacting the vendor to better determine the intended relationship, if any, between the two reports.	N/A	N/A

Assessed Risk Rating	Recommendation	Concurrence and Action Plan	Implementation Date	Follow-Up/ Maturity Date
	B.1: Make the "rental reason" a validated entry field in the Fleet Focus M5 system.	Agree: EFM will revise and standardize the rental reason entries in the M5 system to match the Rental Request Forms. Additionally, EFM will strengthen the monitoring process to ensure accurate data entry of the rental reason from the Rental Request Forms to the M5 system.	12/31/23	6/30/24
	B.2: Monitor the accuracy of rental reason and rental dates on <i>Rental Request Forms</i> .	Agree: EFM will strengthen the monitoring process to ensure Rental Request Forms are reviewed for completeness and accuracy, including rental reasons and rental dates, prior to entry into the M5 system.	12/31/23	6/30/24
	B.3: Ensure <i>Rental Request Forms</i> capture rental rates and total rental costs.	Agree: EFM will strengthen the monitoring process to ensure Rental Request Forms are reviewed for completeness and accuracy, including capturing rental rates and estimated total rental costs, prior to entry into the M5 system.	12/31/23	6/30/24
	B.4: Ensure Fleet Focus M5 entries match <i>Rental Request Forms</i> .	Agree: EFM will strengthen the monitoring process to review Rental Request Forms to ensure they match the Fleet Focus M5 entries.	12/31/23	6/30/24
	C.1: Develop and implement written procedures for escalating notifications when repaired vehicles have not been picked up on time.	Agree: EFM will update the existing written Work Order procedures to include a notification escalation process when repaired vehicles have not been picked up timely.	12/31/23	6/30/24



External Quality Control Review

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Conducted in accordance with guidelines of the
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for the period May 1, 2019 through April 30, 2022



Association of Local Government Auditors

February 3, 2023

Mark Swann, CPA, CIA, CISA
City Auditor
City of Dallas
1500 Marilla Street, Room 2FN
Dallas, TX 75201

Dear Mr. Swann,

We have completed a peer review of the City of Dallas – Office of the City Auditor for the period May 1, 2019 through April 30, 2022. In accordance with generally accepted government auditing standards peer review requirements, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to non-audit service engagements.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, City Council member, and City Manager to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case but does imply adherence in most situations. Organizations can receive a rating of pass, pass with deficiencies, or fail. The City of Dallas – Office of the City Auditor has received a rating of pass.

Further, based on the results of our review, it is our opinion that the City of Dallas – Office of the City Auditor's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits and attestation engagements during the period May 1, 2019 through April 30, 2022.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Courtney Smith

Courtney Smith,
CIA, CPA, CFE
City of Houston, TX

Susan Edwards

Susan Edwards,
CIA, CFE, CICA
City of Arlington, TX

Pamela Swinney

Pamela Swinney,
CPA
City of Chattanooga, TN



Association of Local Government Auditors

February 3, 2023

Mark Swann, CPA, CIA, CISA
City Auditor
City of Dallas
1500 Marilla Street, Room 2FN
Dallas, TX 75201

Dear Mr. Swann,

We have completed a peer review of the City of Dallas – Office of the City Auditor (CDOCA) for the period May 1, 2019 through April 30, 2022 and issued our report thereon dated February 3, 2023. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- The CDOCA's engagement workpapers were well organized. The audit templates used are designed to produce well documented workpapers that are referenced to the applicable standards.
- CDOCA staff have a diverse set of educational backgrounds and certifications. They are well trained, and the office encourages training and certification to enhance audit quality.
- The CDOCA is in the process of developing subject matter expertise to enhance audit quality.
- The CDOCA has policies and procedures that are clear and easy to understand.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

When providing a nonaudit service that could create a threat to independence:

- Standard 3.64 (Independence) requires that auditors determine whether providing such a service would create a threat to independence either by itself or in aggregate with other nonaudit services provided, with respect to any GAGAS engagement they conduct.

We recommend that the CDOCA use Attachment 1 from Policy 14-Section 5.1 Nonaudit Services (GAGAS) to document this assessment.

We extend our thanks to you, your staff, and the other officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Courtney Smith

Courtney Smith,
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City of Houston, TX

Susan Edwards

Susan Edwards,
CIA, CFE, CICA
City of Arlington, TX

Pamela Swinney

Pamela Swinney,
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CITY OF DALLAS

February 3, 2023

Courtney Smith
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CPA
City of Chattanooga, TN

Dear Peer Review Team:

Thank you for taking time away from your family and daily duties at work to perform the external quality control review for the Dallas Office of the City Auditor from May 1, 2019, through April 30, 2022. We appreciate your opinion that our audit quality control system complies with *Government Auditing Standards*. We also value your suggestions to help excel and improve the quality of our audit process.

In the future, as required by *Government Auditing Standards*, 3.64 (Independence), the Office will follow the existing Office of the City Auditor's Procedure 5.1, *GAGAS Requirements Related to Non-Audit Services*. This procedure is to document our determination before acceptance of a non-audit service engagement whether providing this service would create a threat to independence either by itself or in aggregate with other non-audit services provided, with respect to any GAGAS engagement we conduct.

The Office does have additional controls in place to help ensure that the Office does not commence audit engagements where the completion of prior non-audit service engagements may impair our independence. They include (1) a review and affirmation of independence for audit engagements included in the annual audit work plan and (2) a review and affirmation of the Office's and assigned auditor's ability to remain objective for each audit engagement started during the audit plan year.

It was a pleasure working with such a knowledgeable and skilled review team during this external quality control review.

Sincerely,

Mark S. Swann