

Memorandum



CITY OF DALLAS

DATE: October 26, 2018

TO: Honorable Mayor and Members of the City Council

SUBJECT: Office of the City Auditor – Services Summary Memo Report for Fiscal Year 2018

This report delivers a summary of the services provided by the City of Dallas' (City) Office of the City Auditor for Fiscal Year (FY) 2018¹.

The mission of the Office of the City Auditor is to promote public trust and advance accountability by providing independent, objective, and useful professional services. Throughout FY 2018, this mission continued to guide the Office of the City Auditor as it produced deliverables in support of the City Council's governance and City management's operational responsibilities, including:

- **Fifteen² performance audits** – Providing assurances about and opportunities to improve: (1) the efficiency, effectiveness and internal controls over City operations; and, (2) compliance with laws, regulations, and City administrative directives
- **Two attestation engagements³** – Assisting the Dallas City Council and City management in determining compliance with: (1) State of Texas laws and a City Administrative Directive relating to a \$206,700,000 construction procurement; and, (2) the City Secretary's Office's verification of signatures for a petition referendum
- **One hundred twenty-one fraud, waste, or abuse complaints** – Resulting in at least 26 accountability actions by City management
- **Twenty-seven other nonaudit services** – Providing other services to the City Council or City management to assist in the fulfillment of their responsibilities and the Office of the City Auditor's mission

Performance audits - Provided coverage of operational risks and produced 124 total recommendations (including sub-recommendations) to which management agreed to implement to reduce risks or improve operations. Areas of coverage included:

¹ October 1, 2017 to September 30, 2018

² One performance audit was issued as a Confidential Limited Use Report: Audit of Special Collections Operations.

³ These attestation engagements were performed under American Institute of Certified Public Accountants (AICPA) attestation standards for agreed-upon-procedures engagements.

- Design of internal controls over the Department of Dallas Fire-Rescue's personnel and training services and the Dallas Police Department's Record Management System where all crime-related data is processed and stored
- Internal controls over six City departments' construction-related procurements
- The Department of Housing and Community Services' homeless response system effectiveness
- The Department of Dallas Water Utilities' Special Collections Section cash handling and collection of alcoholic beverage license and permit fees
- Office of Environmental Quality's reporting processes, monitoring activities, and internal controls related to the management of environmental spills and scrap tire disposal
- Follow-up of 111 Prior Audit Recommendations, including the Follow-up of Continuity of Operations

In addition, the Office of the City Auditor conducted Special Audits in accordance with the City Charter of the accounts of four former City Council members, former City Secretary, Rosa A. Rios, and reviewed the methodology, assumptions, and calculations for approximately \$2.5 billion of the City's \$3.1 billion in proposed revenue estimates as shown in the FY 2018-19 Proposed Annual Budget in accordance with Council Resolution 904027.

Attestation engagements - Assisted the Dallas City Council and City management in: (1) determining the Office of Procurement Services' and the Department of Trinity Watershed Management's compliance with State of Texas laws and, Administrative Directive 4-05: *Contracting Policy*, for a procurement totaling \$206,700,000; and, (2) the City Secretary's Office in evaluating compliance with Texas Election Code, the Texas Local Government Code, and the Charter of the City of Dallas, Texas as specified in "*City Secretary's Office Procedures Process for Checking Petition(s) for an Initiative, Referendum, Local Option, Charter Amendment, Council Recall.*"

Investigative Services⁴ - Closed 121 fraud, waste or abuse complaints during FY 2018 that resulted in 26 accountability actions by City management. These actions included the filing of criminal charges, termination of employment, or the implementation of other disciplinary or administrative control measures. Criminal complaints related to City employees were referred to the Dallas Police Department – Public Integrity Unit (DPD-PIU) for investigation. Administrative investigations were conducted by the Office of the City Auditor (or by City management on behalf of the Office of the City Auditor) once DPD-PIU criminal investigations were completed and for non-criminal complaints received. The Office of the City Auditor began FY 2018 with 37 open complaints of fraud, waste or abuse. During FY 2018, 207 complaints were received, and 123 complaints remained open at fiscal year-end.

Other nonaudit services – Twenty-seven other nonaudit services were provided to City Council Members and City management during the fiscal year. These services included responses to

⁴ Investigations by the Office of the City Auditor are considered nonaudit services under generally accepted government auditing standards and are conducted in accordance with Quality Standards for Inspection and Evaluation established by Council of the Inspectors General on Integrity and Efficiency.

Honorable Mayor and Members of the City Council
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five City Council Members' requests for assistance, responses to nine requests for assistance from City departments, nine presentations to City staff and City Council committees, and four quarterly Office of the City Auditor's service updates. Nonaudit services refer to any professional services provided by the Office of the City Auditor that are not performed under Government Auditing Standards established by the United States Comptroller General. These standards require the Office of the City Auditor 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 of the City Auditor. We remain committed to supporting the City Council and City management as you continue to serve Dallas residents.

The attachments provide additional information on the Office of the City Auditor's operations and results for FY 2018. We appreciate the opportunity to serve you and are available to discuss our operations or results upon request.

Respectfully,



Carol A. Smith
Interim City Auditor

Attachment

C: T.C. Broadnax, City Manager
Christopher J. Caso, Interim City Attorney
Biliera Johnson, City Secretary



City of Dallas
Office of the City Auditor

**Services Summary Memo Report for
Fiscal Year 2018**

Fiscal Year 2018 – Services Summary

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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

Staff Composition Highlights⁵

	Percent
Staff Tenure with Office	
Under Two Years	37.5
Two to Five Years	29.2
Six to Ten Years	8.3
More than Ten Years	25.0
Education*	
Some College, No Degree	4.2
Bachelor's Degree	95.8
Master's Degree	70.8
Doctor in Jurisprudence	4.2
Professional Certifications/Designations**	
Certified Public Accountant (CPA)	41.7
Certified Internal Auditor (CIA)	41.7
Certified Information System Auditor (CISA)	16.7
Certified Fraud Examiner (CFE)	20.8
Certified Financial Forensics (CFF)	4.2
Licensed Attorney	4.2
Other Certifications	12.5

*Does not total to 100 percent as all employees with master's degrees also have bachelor's degrees.

**Does not total to 100 percent as all employees do not have professional certifications/designations and some staff members have more than one professional certification/designation.

	Office	Percent Dallas Fort-Worth Metropolitan Area	Dallas, Texas
Gender			
Male	50.0	49.3	49.7
Female	50.0	50.7	50.3
Ethnicity***			
Non-Hispanic White	58.3	47.1	29.3
Non-Hispanic Black	12.5	15.2	24.3
Hispanic	8.4	28.6	41.7
Race - Other	20.8	9.1	4.7

***Source: Best Places.net

⁵ Office of the City Auditor's staff information as of September 30, 2018 was compiled from relevant employee personnel files.

Audit and Attestation Report Highlights *

Audit Services

Audit of Construction-Related Procurements (October 20, 2017)

- The Department of Dallas Water Utilities (DWU), one of six City of Dallas (City) departments with construction procurement authority had well documented internal controls in place and supporting documentation to demonstrate Administrative Directive 4-05, *Contracting Policy* (AD 4-05) was consistently followed. The AD 4-05 establishes City policy for:
 - Complying with applicable State of Texas laws governing construction contracting processes
 - Ensuring fair competition for City contracts and that the City receives: (1) the most qualified architectural, engineering, or land surveying services (professional services) at a fair and reasonable price; and, (2) the lowest responsible bid for construction projects
- The DWU's internal controls provided the City with reasonable assurance that construction-related procurements were conducted in a uniform, transparent, and equitable manner while reducing the risk of fraud, waste, or abuse
- The City, however, does not have sufficient internal controls, such as formal, up-to-date departmental policies and procedures and adequate documentation, to demonstrate that all departments consistently follow AD 4-05 for construction-related procurements
- Without appropriate internal controls, including supporting documentation, the City cannot be assured that construction-related procurements are conducted in a uniform, transparent, and equitable manner and the risk for fraud, waste, or abuse is increased

* All audit and attestation services are conducted under authority of the City Charter, Chapter IX, Section 3, and in accordance with the Annual Audit Plan approved by the City Council. We conduct our work in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective(s). Fraud investigations are conducted in accordance with Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

** Note: No Investigative reports have been issued to date in Fiscal Year 2018. A brief update pertaining to the work completed in the FY 2018 by Investigative Services is provided both in the memorandum and Attachment IV.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager:			
<ul style="list-style-type: none"> Requires all departments involved in construction-related procurements adopt uniform internal control best practices, such as those used by DWU, to ensure compliance with State of Texas law and AD 4-05 	CMO	Agree	June 30, 2018
<ul style="list-style-type: none"> Ensures the City departments authorized to conduct construction-related procurements have formal (written, approved, signed, and dated) policies and procedures 	CMO	Agree	June 30, 2018
<ul style="list-style-type: none"> Ensures the Director of the Office of Procurement Services (OPS) formerly known as the Department of Business Development and Procurement Services, develops formal (written, approved, signed, and dated) policies and procedures that describe OPS' responsibilities for facilitating construction-related procurements 	CMO	Agree	June 18, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Ensures City departments, authorized to conduct construction-related procurements, and OPS implement the internal controls needed to ensure AD 4-05 is uniformly followed by: <ul style="list-style-type: none"> ○ Decreasing the complexity of AD 4-05 and/or clarifying the requirements by developing an implementation guide. The result should specify: <ul style="list-style-type: none"> - Professional services procurement requirements, such as the process departments must use after the Request for Qualifications to select the most highly qualified firm (i.e., Request for Proposals, negotiations, etc.) - Screening and selection committee composition requirements to minimize potential conflicts of interest, including documentation such as a signed conflict of interest statement - Allowable exceptions to the procurement process, such as when the most highly qualified firm is not selected ○ Requiring departments to develop consistent policies and procedures ○ Monitoring departments for conformity with AD 4-05 for construction-related procurements 	CMO	Agree	June 30, 2018
<ul style="list-style-type: none"> • Ensures City departments, in collaboration with the City Attorney's Office, develop internal controls to ensure distributing the work practices are transparent, consistent, documented, and comply with AD 4-05 	CMO	Agree	June 30, 2018
<ul style="list-style-type: none"> • Ensures policies and procedures are developed to require department Directors to document their reasoning for selecting a specific firm when the: (1) selection committee scoring and ranking process results in a tie; or, (2) the firm selected is not the most highly qualified firm recommended by the selection committee 	CMO	Agree	June 30, 2018

Audit of MuniServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees (November 3, 2017)

- In Fiscal Year (FY) 2017, the Office of the City Auditor (Office) verified \$814,270 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 \$241,244 in Consultant invoices received for the period October 1, 2016 through September 30, 2017 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)
- *No recommendations associated with this report*

Audit Follow-Up of Line-of-Duty Death Report Recommendations (December 8, 2017)

- Following a condominium complex fire in May 2013 leading to the death of City of Dallas (City) Firefighter Stanley Wilson, three separate investigations were conducted which resulted in 19 recommendations to the Department of Dallas Fire-Rescue (DFR)
- The implementation of the recommendations produced significant improvements to DFR's:
 - Departmental procedures
 - Training program
 - Post-incident analysis
- The sustainability of these improvements depends, however, upon DFR's training program and DFR's ability to identify Officer, Member, and Command Technician training needs, monitor participation, analyze the benefits, and adjust training accordingly
- An evaluation of the DFR's training program, including a review of relevant DFR policies and procedures and three separate judgmental samples of training attendance records of Officers, Members, and Command Technicians, showed DFR can further:
 - Improve the DFR's capabilities for monitoring training progress, analyzing training needs, and assessing DFR's training catalog by:
 - Implementing an automated system and digitizing and consolidating all training records to enable more effective and efficient monitoring of training attendance and analysis of course offerings
 - Preparing and monitoring training reports periodically to analyze DFR's progress in meeting both mandatory courses and annual hour requirements
 - Surveying other large fire departments to leverage solutions and best practices
 - Incorporate short-term solutions, such as: (1) establishing performance measurement goals for mandatory courses; (2) communicating training progress with Members and their supervisors; (3) offering group-basis Medic-CE.com, LLC courses; and, (4) using light duty personnel to perform internal reviews and inspections of training records

- o Document completion of Command Technician refresher training to demonstrate compliance with DFR's Manual of Procedures and implementation of DFR's internal recommendations
- o Use consistent terminology for strategic tactics in all DFR communications, including the DFR Manual of Procedures, training materials, the Incident Safety Officer checklist, After Action Reports, and all other verbal and written communications to promote consistency during incidents
- o Implement the State Fire Marshal's Office of the Texas Department of Insurance's (SFMO) recommendation to monitor the fireground tactical communications channel, based on DFR's assessment of the risks, costs, and benefits associated with this issue

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the DFR Fire Chief:			
<ul style="list-style-type: none"> • Improves DFR's capabilities for monitoring training attendance as well as its assessment of the training curriculum offered 	DFR	Agree	Corrective action plan with implementation dates by May 4, 2018
<ul style="list-style-type: none"> • Enhances DFR's Manual of Procedures to require documentation of attendance at every training exercise for all attendees, including instructors, moderators, and trainees, to ensure compliance with both DFR and SFMO training requirements. 	DFR	Agree	No later than December 31, 2017
<ul style="list-style-type: none"> • Revises the language used in all DFR's communications, including the DFR Manual of Procedures, training materials, Incident Safety Officer checklist, After Action Reports, and all other oral and written communications, to ensure that Members use consistent terminology to avoid confusion during an incident 	DFR	Agree	April 6, 2018
<ul style="list-style-type: none"> • Continues to consider implementing SFMO's recommendation to monitor the fireground tactical channel, based on DFR's assessment of the risks, costs, and benefits associated with this issue 	DFR	Agree	Contingent on funding being approved. If approved as part of the FY2019 budget, possible implementation in FY 2021

Audit of Homeless Response System Effectiveness (December 11, 2017)

- The City of Dallas (City) cannot tell how well the homeless response system is performing and needs to improve: (1) oversight of the Metro Dallas Homeless Alliance (MDHA) and The Bridge; and, (2) how the City evaluates, coordinates, and monitors homeless services. The homeless response system is the coordinated government and community effort to resolve, prevent, and end homelessness in the area.
 - Incomplete Homeless Management Information System Limits Ability to Assess Effectiveness
 - The Homeless Management Information System (HMIS) that the area relies on to evaluate the effectiveness of homeless resources is incomplete, covering only 30 percent of the beds in 2016 dedicated to the homeless, including homeless emergency shelters and longer-term housing. As a result, the City cannot fully evaluate how the homeless response system's resources are contributing to reducing homelessness, and the area is receiving less money in competitive Federal grants, including a reduction of \$1.1 million from two years earlier.
 - Inadequate Homeless Management Information System Implementation, Procurement, and Oversight
 - The MDHA's implementation of a new HMIS from a vendor without prior HMIS experience faced multiple challenges, including delays, a lack of system capabilities for homeless emergency shelters, and technical difficulties. The new HMIS was purchased in a non-competitive process, which violated Federal procurement requirements and could result in the loss of the HMIS' Federal funding. During the implementation period, the City's oversight of MDHA was inadequate.
 - Ineffective Contract Oversight of The Bridge Homeless Assistance Center
 - Delayed payment from the City pushed The Bridge, the City's homeless assistance center, to the brink of temporary closure twice in 2017 due in part to challenges with the HMIS implementation. The City's monitoring and oversight of the contract with The Bridge to operate a homeless assistance center is inadequate to ensure effectiveness of services, compliance with contract terms, and the financial viability of The Bridge. The Office of the City Auditor's risk evaluation indicates The Bridge's financial viability warrants closer monitoring. The Bridge's reliance on government for 84 percent of its funding in Fiscal Year (FY) 2016 increased the risk The Bridge could not continue to serve the homeless should the funding be delayed, reduced, or eliminated.

o Insufficient Evaluation and Monitoring of City Homeless Services

A review of the City's homeless services determined:

- The City uses multiple City and United States Department of Housing and Urban Development (HUD) required plans; however, they are not adequately aligned to: (1) allow for clear decision-making; (2) assess homeless services' performance; and, (3) monitor progress in meeting key objectives
- Fragmentation exists in both case management and compliance oversight, and the monitoring of services is not sufficient to ensure effectiveness
- The City is not spending grant money timely, returning a combined \$531,105, or 9.7 percent, in unspent grant funds to the Federal government for FY 2015 and FY 2016
- The City does not have an adequate and timely system for receiving and responding to feedback from homeless services clients
- Policies and procedures do not specifically ensure segregation of duties following a past fraud incident to prevent recurrence

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager:			
<ul style="list-style-type: none"> • Prioritizes increasing the participation in the HMIS by the methods identified through the survey, including using data-driven solutions to end homelessness and incentivizing HMIS participation by providing resources, such as grant allocations, software licenses, or other assistance 	CMO	Agree	October 1, 2016 (in progress) through Second Quarter FY 2018
<ul style="list-style-type: none"> • Works with the MDHA to improve the planning, coordination, and implementation of the HMIS by: (1) prioritizing HMIS customization to meet homeless emergency shelters' needs; (2) understanding current homeless emergency shelter system capabilities; and, (3) ensuring effective stakeholder engagement as HMIS customization continues 	CMO	Agree	January 24, 2018 (pending City Council approval)

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Ensures appropriate and effective oversight of the MDHA, which may include working with MDHA and the City Attorney's Office, to: (1) increase the City's representation on the MDHA Board of Directors; (2) improve its contract oversight; and, (3) request increased reporting on MDHA performance and initiatives 	CMO	Agree	2 nd Quarter FY 2018
<ul style="list-style-type: none"> In coordination with the Chief of Community Services (CCS), adopts a comprehensive and cohesive strategic review process that aligns with City-wide objectives and clearly defines what constitutes success/progress for each key objective of reducing homelessness and increasing housing placement opportunities. The City Manager should consider including the Government Accountability Office's seven criteria when developing and implementing the strategic plan for key objectives 	CMO/CCS	Agree	2 nd Quarter FY 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the Chief of Community Services:</p> <ul style="list-style-type: none"> Provides additional oversight to ensure MDHA is administering the local HMIS to meet all Federal procurement requirements and has processes in place for the retention of documents. If additional oversight language is needed in the contract with MDHA, we recommend the Chief of Community Services works with the City Attorney's Office to revise the contract. 	CCS	Agree	January 24, 2018 (pending City Council approval)
<ul style="list-style-type: none"> Ensures The Bridge remains able to provide services to the City's homeless residents 	CCS	Agree	June 2017 (in progress) through December 13, 2017 (pending City Council approval)
<ul style="list-style-type: none"> Implements procedures to more closely monitor the financial viability of The Bridge 	CCS	Agree	December 13, 2017 (pending City Council approval)

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Implements procedures to ensure both the City's and The Bridge's compliance with the management services contract or work with the City Attorney's Office and The Bridge to align the contract with agreed-upon operating and financial oversight procedures 	CCS	Agree	December 13, 2017 (pending City Council approval)
<ul style="list-style-type: none"> Develops measurable performance expectations and requirements that hold The Bridge accountable for the delivery of effective and quality services, including identification of how performance will be evaluated, particularly against meaningful established performance outcomes and expectations 	CCS	Agree	December 13, 2017 (pending City Council approval)
<ul style="list-style-type: none"> Strengthens payment processing procedures to include documented financial review in relation to The Bridge's operating budget and validation and evaluation of performance data and performance data adjustments for completeness and accuracy 	CCS	Agree	December 13, 2017 (pending City Council approval)
<ul style="list-style-type: none"> Works with The Bridge to minimize the risk of loss of its bank funds above FDIC limits 	CCS	Agree	December 13, 2017 (pending City Council approval)
<ul style="list-style-type: none"> Assesses coordination and fragmentation between the City departments, divisions, and units providing homeless services to identify ways to improve the effectiveness and efficiency of services. The assessment should include the City's use of staff caseworkers for assisting clients' transitions to permanent housing 	CCS	Agree	October 1, 2017 (in progress)
<ul style="list-style-type: none"> Develops and implements a process to improve coordination and communication between departments and divisions providing services related to homelessness 	CCS	Agree	October 1, 2017 (in progress)
<ul style="list-style-type: none"> Ensures that performance measures tracked in performance reports align with City priorities, such as for reducing homelessness and increasing housing placements 	CCS	Agree	2 nd Quarter FY 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Assesses the demand for homeless prevention resources, including ESG homeless prevention rental assistance funds, to ensure the funds are being used effectively to keep people housed 	CCS	Agree	2 nd Quarter FY 2018
<ul style="list-style-type: none"> Determines the cost of homeless services across City government 	CCS	Agree	2 nd Quarter FY 2018
<ul style="list-style-type: none"> Assesses the effectiveness of the Gateway to Permanent Housing and Rapid Rehousing/My Residence programs and develops and implements processes to ensure Continuum of Care grant funds are spent within the appropriate grant period 	CCS	Agree	2 nd Quarter FY 2018
<ul style="list-style-type: none"> Designs a feedback process that involves receiving timely input from clients as they are receiving services. This includes surveying clients about satisfaction of services received; areas that can be improved; and, making staff accountable for responding to feedback and implementing suggested improvements to services. 	CCS	Agree	January 25, 2018
<ul style="list-style-type: none"> Formally adopts and documents policies and procedures to mitigate risks of fraud related to segregation of duties and reviews policies and procedures to ensure proper documentation of controls related to risk of fraud 	CCS	Agree	2 nd Quarter FY 2018

**Special Audit of the Accounts of Four Former City Council Members
(January 26, 2018)**

- The Office of the City Auditor (Office) completed the *Special Audit of the Accounts of Four Former City Council Members* (Special Audit) regarding the former City of Dallas (City) Council Members whose terms expired on June 19, 2017. This Special Audit verified whether the City and/or former City Council Members Monica R. Alonzo, Carolyn King Arnold, Erik Wilson, and Tiffinni A. Young properly:
 - Controlled and accounted for any City assets assigned to and/or purchased with City funds by the former City Council Members
 - Removed the former City Council Members as authorized agents of the City
 - Ensured the former City Council Members did not have any outstanding debts owed to the City

In addition, we evaluated the adequacy of employee processing controls related to the termination of the former City officials.

- The Office found that the City continues to have difficulties consistently following appropriate procedures to meet these objectives. As a result:
 - Certain City policies and procedures were not always followed
 - An outstanding debt was owed to the City. **Note:** The outstanding debt owed to the City was subsequently paid as of January 16, 2018.
 - Compliance exceptions reported in prior Special Audits still exist
- This Special Audit also determined nine of eleven recommendations included in the *Special Audit of the Accounts of Six Former City Council Members*, Report Number A16-005, issued January 22, 2016, were implemented

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager:			
<ul style="list-style-type: none"> • Ensures the Mayor and City Council (MCC) staff consistently follow City Code, Vol. 1, Chapter 15A, Article I-b <i>City-Funded Officeholder Accounts</i>, (Effective July 1, 2017), to ensure that city-funded officeholder accounts are not used as a gift or transfer of public funds to individuals or entities 	CMO	Agree	July 1, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Ensures the MCC staff consistently follow Administrative Directive 4-15 <i>Purchasing Card Policy and Procedures</i> (AD 4-15) 	CMO	Agree	July 1, 2018
<ul style="list-style-type: none"> Continues to identify and formally inform City Council Members prior to their departure of any indebtedness to the City 	CMO	Agree	July 1, 2018

Special Audit of the Accounts of Former City Secretary, Rosa A. Rios (February 9, 2018)

- The Office of the City Auditor (Office) completed the *Special Audit of the Accounts of Former City Secretary, Rosa A. Rios* and determined the accounts of the former City Secretary were in order
- The former City Secretary, who resigned on November 18, 2017, was timely removed from access to City of Dallas (City) systems and does not owe any debt to the City. All City items assigned to the former City Secretary were substantiated
- *No recommendations associated with this report*

Audit of Special Collections Operations (March 23, 2018)

- In response to a cash theft identified by the Department of Dallas Water Utilities (DWU) in February of 2015, DWU implemented additional internal controls over cash handling. These internal controls significantly improved the DWU Special Collections Sections (SCS) daily cash collections operations.
 - The Office of the City Auditor, however, identified opportunities to further improve certain internal controls as follows:
 - Segregation of cash handling duties
 - Establishment of Systems, Applications and Products System Incorporated (SAP System) user profiles and access privileges
 - Annual monitoring of SAP System user profiles and access privileges

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of the Department of Dallas Water Utilities (DWU):			
<ul style="list-style-type: none"> • Further improves segregation of duties by specifying appropriate job descriptions for cash handling personnel in Special Collections Sections (SCS) job descriptions 	DWU	Agree	December 2019
<hr/>			
<ul style="list-style-type: none"> • Further improves SCS cash handling controls by: <ul style="list-style-type: none"> ○ Developing a role-based security matrix to establish SAP System user profiles and access privileges. If business process changes result in the need to modify existing user profiles, management should evaluate these modifications for inadequate segregation of duties ○ Monitoring SAP System user profiles and access privileges at least annually ○ Documenting the monitoring results of the SAP System user profiles and access privileges and actions taken to investigate and correct errors or fraud 	DWU	Agree	December 2019
<hr/>			
<ul style="list-style-type: none"> • Further improves compliance and oversight of cash collections processes by implementing the recommendations stated in Attachment I⁶ 	DWU	Agree	September 2018

⁶ Attachment I refers to Attachment I in the original report, *Audit of Special Collections*.

Audit of Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities (March 30, 2018)

- The Office of Environmental Quality's (OEQ) mission is to protect and improve the environment by leading and guiding the City of Dallas' (City) efforts on environmental compliance, pollution prevention, and continual improvement. The OEQ has responsibility for various aspects of the Environmental Management System (EMS).
- City departments designated by the City Manager to implement EMS, share responsibility for the implementation and management of the EMS. Given the breadth of the City's environmental responsibilities, this audit only focused on: (1) spill prevention, control and counter measures; and, (2) scrap tire disposal at City Facilities.
- Opportunities to improve monitoring activities and internal controls related to the management of environmental spills and scrap tire disposal were identified for both OEQ and the responsible departments. Specifically:
 - Implementing internal controls to increase assurance that spill incident tracking and reporting processes are accurate, consistent, and complete
 - Improving internal controls related to the effectiveness of OEQ's semi-monthly facility inspections
 - Strengthening internal controls to ensure Environmental Incident Reports (EIRs) are consistently reviewed and properly reported to OEQ and that preventable, repetitive spills are effectively addressed
 - Consistently performing and documenting daily inspections on the Pollution Prevention Daily Checklists
 - Ensuring the Department of Water Utilities' (DWU) Southside Wastewater Treatment Plant complies with environmental quality rules
 - Consistently complying with environmental quality rules for scrap tire storage and scrap tire disposal manifests

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the Director of the OEQ develops and implements internal controls to ensure:</p> <ul style="list-style-type: none"> <li data-bbox="285 373 727 510">• Spill incidents reported to the Texas Commission on Environmental Quality (TCEQ) are documented accurately in the OEQ Incidents Summary <li data-bbox="285 541 727 594">• OEQ uses consistent thresholds for reporting hydraulic fluid spills <li data-bbox="285 625 727 812">• OEQ Incidents Summary includes information such as the date the spill incident was reported and the associated TCEQ case number so OEQ can efficiently track and monitor spill incidents reported to TCEQ 	OEQ	Agree	May 31, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the OEQ improves the effectiveness of semi-monthly inspections by:</p> <ul style="list-style-type: none"> • Assessing risk on an annual basis to identify City operated facilities that are susceptible to significant environmental incidents and performing semi-monthly inspections of those facilities • Monitoring the quality of the semi-monthly inspections • Monitoring the results of the semi-monthly inspections to ensure past environmental noncompliance incidents are corrected timely • Monitoring OEQ Environmental Specialists' activities to ensure environmental noncompliance incidents noted during semi-monthly inspections are consistently communicated to each facility's manager and staff • Ensuring OEQ Environmental Specialists consistently email or otherwise provide the OEQ Inspection Report to the facility manager within three days of the inspection • Monitoring OEQ Environmental Specialists' OEQ Inspection Reports for consistency in identifying all environmental noncompliance incidents 	<p>OEQ</p>	<p>Agree</p>	<p>May 31, 2018⁷ June 30, 2018⁸ Annually by October 31⁹</p>

⁷ Implementation of the revised OEQ internal environmental inspection procedure, OEQ-PRO-005

⁸ Implementation of OEQ's Fiscal Year (FY) 2017/FY 2018 facility environmental inspection plan

⁹ OEQ will review this plan and OEQ's Compliance Audit Tracking Table and assess the risk of the facilities.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of the Department of Aviation (AVI), the Chief of the Department of Dallas Fire-Rescue (DFR), the Director of the Department of Equipment and Building Services (EBS), and the Director of the Department of Sanitation (SAN) ensure Assistant Directors sign the Environmental Incident Reports (EIRs) evidencing review before EIRs are submitted to the OEQ	AVI	Agree	Ongoing
	DFR	Agree	September 7, 2018
	EBS	Agree	May 2018
	SAN	Agree	April 1, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of AVI and the Director of EBS establish required periodic training to ensure staff are properly trained to identify and report spill incidents to OEQ	AVI	Agree	Ongoing
	EBS	Agree	March 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of SAN ensures:			
<ul style="list-style-type: none"> SAN staff are trained to inspect sanitation trucks prior to use and to report mechanical issues Sanitation trucks are properly maintained and not dispatched when mechanical issues exist An in-depth analysis of sanitation truck preventative maintenance and fleet size is conducted 	SAN	Agree	Annual/Ongoing ¹⁰
We recommend the Director of SAN ensures scrap tire transporter invoices are received and paid timely to help prevent noncompliance with environmental quality rules related to scrap tire storage	SAN ¹¹	Agree	September 13, 2017 March 31, 2018 May 1, 2018

¹⁰ Staff truck driver training program (began February 2016); Environmental Training (Annual/Ongoing); Internal fleet maintenance and replacement assessment Fiscal Year 2016/2017 (Implementation Ongoing); EBS fleet study completion (Estimated completion 2018).

¹¹ September 13, 2017 – New Tire Collection Contract to ensure New Manifest Compliance; March 31, 2018 – New aging invoice process; May 1, 2018 – Work Instructions and Procedure Updates

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Directors of AVI, EBS, and SAN and the Chiefs of DFR and the Dallas Police Department (DPD) ensure responsible personnel perform the daily inspections and document the results in the Pollution Prevention Daily Checklists	AVI	Agree	Ongoing ¹²
	DFR	Agree	March 12, 2018
	DPD	Agree	September 27, 2018
	EBS	Agree	May 2018
	SAN	Agree	May 1, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the Director of Dallas Water Utilities (DWU) ensures the DWU's Southside Wastewater Treatment Plant's Heavy Equipment Shop:</p> <ul style="list-style-type: none"> • Timely corrects all environmental noncompliance incidents observed by the Office of the City Auditor staff • Properly trains management and staff on all aspects of environmental compliance related to spills, scrap tires, and general housekeeping • Trains staff performing daily inspections to properly complete the Pollution Prevention Daily Checklist and trains the DWU supervisors responsible for reviewing the results • Stores scrap tires in compliance with City Code Chapter 19 Section 34.1 <i>ACCUMULATION OF TIRES</i> 	DWU	Agree	April 2, 2018

¹² "Already done on a daily basis."

Audit Recommendation	Responsible Department	Agreement Status	Implementation Dates
We recommend the Chief of DFR and the Directors of EBS and SAN ensure all 30 Texas Administrative Code (TAC) § 328.58 Manifest System requirements are followed by:			
• Completing all fields on the manifest form properly	DFR	Agree	October 17, 2018
• Training department staff responsible for processing scrap tire disposals on 30 TAC § 328.58 Manifest System requirements	EBS	Agree	May 2018
	SAN ¹³	Agree	September 13, 2017 March 31, 2018 May 1, 2018
• Ensuring State recordkeeping requirements are consistently followed, including verifying completed manifest forms are obtained within 60 days of transporting the tires off-site			

Fiscal Year 2017 Audit Follow-Up of Prior Audit Recommendations (April 13, 2018)

- The *Fiscal Year 2017 Audit Follow-Up of Prior Audit Recommendations* covered 65 recommendations that were included in seven audit reports issued in Fiscal Year (FY) 2015 and FY 2016. City of Dallas (City) management agreed to implement these recommendations by December 31, 2016. The Office of the City Auditor's assessment showed City management implemented 26 of the 65 recommendations, or 40 percent.
- This result shows the full implementation of recommendations to address financial, operational, and compliance risks identified in prior audits continues to be a challenge. While City management made concerted efforts, recommendations were not considered fully implemented if the underlying risks identified in the prior audits were not sufficiently mitigated.
- Factors such as the need for: (1) timely implementation of information technology (IT) systems; and, (2) coordination of agreement and actions among departments impacted the implementation status of recommendations
- Opportunities continue to exist for City management to improve the effectiveness of internal controls to address financial, operational, and compliance risks in the following areas:
 - Standards and recommended practices for water meter billing, including tests for meter accuracy, equipment, and meters-in-service

¹³ September 13, 2017 – New Tire Collection Contract to ensure New Manifest Compliance; March 31, 2018 – New aging invoice process; May 1, 2018 – Work Instructions and Procedure Updates

- Timeliness, effectiveness, and consistency of City procurements through requests for proposals
 - Condition of emergency vehicles
 - Staff retention and succession planning
 - IT user access controls
 - Policies and procedures necessary to establish an internal control framework
- *No recommendations associated with this report*

Audit Follow-Up of Prior Audit Recommendations - Audit of the Design of the City of Dallas' Pandemic Influenza Continuity of Operations Basic Plan (June 15, 2018)

- Between Fiscal Year (FY) 2013 and FY 2017, the Office of Emergency Management (OEM), with the assistance of a consulting firm and certain department directors, identified and prioritized City of Dallas' (City) mission essential functions and updated the City's Continuity of Operations (COOP) Basic Plan and department specific annexes
 - This updated information was used by the Department of Communication and Information Services (CIS) to develop a framework for a comprehensive Disaster Recovery Plan (DRP)
 - Although annual updates are required, in FY 2017 most of the departments' annexes were not updated
- Despite measurable progress by OEM and CIS, the following three recommendations which were included in the original audit, *Audit of the Design of the City of Dallas' Pandemic Influenza Continuity of Operations Basic Plan*, Report No. A13-009, September 13, 2013, were not fully implemented:
 - The City Manager and/or designated continuity personnel develop and implement the ten Continuity Management Functions of the COOP Plan
 - The City Manager and/or designated continuity personnel provide periodic updates to the City Council on the project to ensure transparency
 - The City Manager and the Director of CIS develop a DRP using the information from the ten Continuity Management Functions of the COOP Plan

- Full recommendation implementation required City management to:
 - Address 50 critical characteristics identified in the original audit as missing components from the ten Continuity Management Functions
 - Communicate with City Council
 - Develop a comprehensive DRP

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the City Manager in coordination with the Directors of OEM and CIS:</p>			
<ul style="list-style-type: none"> • Develop an administrative directive that establishes the City's policy regarding business continuity planning and the COOP Basic Plan at both a citywide and departmental level 			
<ul style="list-style-type: none"> • Establish an organizational structure that clearly defines roles, responsibilities, and accountability related to business continuity planning and the COOP Basic Plan 			
<ul style="list-style-type: none"> • Dedicate continuity of operations personnel with the appropriate authority and resources 	OEM	Agree	October 1, 2019
<ul style="list-style-type: none"> • Obtain departmental commitment to ensure: (1) the City's COOP Basic Plan and the departments' annexes are complete, including adequate information technology (IT) resources and other supplies necessary to restore and maintain essential functions for 30 days; (2) regularly updated (at least annually); and, (3) properly tested 			
<ul style="list-style-type: none"> • Develop or obtain IT systems to document the departments' annexes and monitor annual updates 			
<ul style="list-style-type: none"> • Reach a consensus among departments regarding which IT systems must be restored 			

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager in coordination with the Director of CIS:			October 1, 2018 ¹⁴
<ul style="list-style-type: none"> Develop a comprehensive DRP by establishing a formal plan that includes measurable milestones to demonstrate progress 	CIS	Agree	December 31, 2018 ¹⁵ Ongoing ¹⁶

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager periodically briefs the City Council on the City's business continuity			
Note: Per management's response, OEM and CIS will provide periodic updates to City Council	City Manager	Agree	Ongoing ¹⁷

Audit of the Dallas Police Department's Records Management System (June 22, 2018)

- For the audit period, (June 1, 2014 through June 30, 2017), the Dallas Police Department (DPD) had adequate internal controls to ensure that all crime related data were processed efficiently and effectively. The DPD reported complete, correctly classified, and accurate counts of serious crime incidents and arrests to the Texas Department of Public Safety (TX DPS). As a result, the citizens of Dallas, the TX DPS, and the United States Federal Bureau of Investigation (FBI) can rely on the crime statistics reported by DPD.
- The DPD's internal controls related to the Records Management System (RMS), however, are not sufficient to:
 - Prevent and detect unauthorized deletions or alterations of RMS data
 - Ensure only users who need access to RMS to perform their job responsibilities have access

¹⁴ Refine Requirements

¹⁵ Update formal plan

¹⁶ Demonstrate progress – provide annual updates to Internal Audit

¹⁷ Upon completion of each milestone

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Chief of Police:			
<ul style="list-style-type: none"> • Implements formal policies and procedures to ensure: <ul style="list-style-type: none"> ○ Any legitimate alteration and expungement of data from RMS is formally requested, authorized, and documented by DPD management ○ Crime data audit logs are preserved, and regularly reviewed for indications of inappropriate or unusual activity 	DPD	Agree	November 30, 2018
<ul style="list-style-type: none"> • Develops a matrix of user access privileges in RMS that would ensure segregation of incompatible duties and the assignment of least privileges to each user that are essential to perform the user's assigned duties 	DPD	Agree	November 30, 2018
<ul style="list-style-type: none"> • Uses the matrix of user access privileges in RMS to reassign user access based on the principles of segregation of incompatible duties and the assignment of least privileges to each user that are essential to perform the user's intended duties 	DPD	Agree	November 30, 2018
<ul style="list-style-type: none"> • Implements formal policies and procedures to perform an annual comparison of user access privileges in RMS to the matrix of user access privileges 	DPD	Agree	November 30, 2018
<ul style="list-style-type: none"> • Deactivates RMS user accounts of users who are no longer employed by the City 	DPD	Agree	November 30, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Ensures DPD complies with the City's Enterprise Information Security Standard (EISS), specifically: <ul style="list-style-type: none"> ○ Assigns a unique personal user account to every RMS user ○ Limits temporary access to an elevated privilege, such as an administrator, to seven days ○ Disables and locks RMS users' accounts when the individual has not accessed RMS for any consecutive 90-day period ○ Deactivates/disables vendor accounts if the accounts have not been used in any consecutive 90-day period ○ Revokes user access to RMS immediately upon termination of employment ○ Logs the activities of all elevated accounts and reviews the logs regularly to ensure that inappropriate activities are identified early and resolved 	DPD	Agree	November 30, 2018

Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations (June 22, 2018)

- The Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations covered 43 recommendations that were included in five audit reports issued in Fiscal Year (FY) 2016 and FY 2017. The Office of the City Auditor's verification results showed City management implemented 19 of the 43 recommendations, or 44 percent.
- While City management made concerted efforts, recommendations were not considered fully implemented if the underlying risks identified in the prior audits were not sufficiently mitigated. The Office of the City Auditor identified opportunities to improve the following:
 - Policies and procedures necessary to establish an internal control framework
 - Monitoring of the timeliness, effectiveness, and consistency of the established internal controls

- Proper and consistent documentation of transactions, internal controls, and organizational events
- Appropriate design and implementation of information systems
- *No recommendations associated with this report.*

Audit of Miscellaneous Permit Fee Revenues (September 14, 2018)

- Opportunities exist to improve the internal controls over the administration and collection of City of Dallas (City) fees applied to holders of alcoholic beverage licenses and permits issued by the Texas Alcoholic Beverage Commission (TABC) for businesses located within the City.
- Between October 1, 2014 and March 31, 2017, the City collected approximately \$1.4 million in alcoholic beverage license and permit fees, averaging about \$553,000 per year. Improved internal controls could have resulted in increased revenues of approximately \$341,000, or 25 percent, during this same period. Specifically:
 - Alcoholic beverage license and permit fee processes including duties, responsibilities, and enforcement mechanisms are not clearly defined
 - Information about the City's alcoholic beverage license and permit fees and the associated processes, which would encourage voluntary compliance, is limited and not readily available through the City's website
 - Billing processes do not identify all businesses required to pay City alcoholic beverage license and permit fees; and the City's Alcoholic Beverage Fee Schedule (Fee Schedule) is not always set at the maximum permitted under State of Texas law as required by City Ordinance 30653
- As a result, there is an increased risk that certain revenues that support General Fund initiatives such as public safety and quality of life are not maximized, and businesses that operate within the City without paying all required fees are not held accountable

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager:			
<ul style="list-style-type: none"> In consultation with the City Attorney's Office, determines if further updates to the Dallas City Code, Chapter 6 are needed to more clearly address areas such as: (1) the City's duties and responsibilities for application processing, collecting fees, issuing receipts, refunding payments, and enforcing delinquent payments; and, (2) enforcement mechanisms such as penalties, late fees, posting of receipts by businesses, citations, and reporting of non-compliance 	CMO	Agree	December 31, 2019
<ul style="list-style-type: none"> Develops a city-wide policy, such as an Administrative Directive to provide an internal control framework for all City departments involved in the alcoholic beverage license and permit fee processes 	CMO	Agree	December 31, 2019
<ul style="list-style-type: none"> Ensures responsible departments comply with: (1) the newly established requirements in the Dallas City Code, Chapter 6, if deemed appropriate; and, (2) the new city-wide policy 	CMO	Agree	December 31, 2019

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
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(continued...)

- With the assistance of the Director of the Department of Communication and Information Services (CIS) and directors from other relevant departments such as Departments of Dallas Water Utilities and Sustainable Development and Construction, ensures the City's website is designed to provide a positive user experience and the content is sufficient to effectively communicate with businesses that should apply to pay the City's alcoholic beverage license and permit fees, including the following important information:

- The City's authorization to charge alcoholic beverage license and permit fees
- The original and renewal application processes for alcoholic beverage license and permit fees, including the required supporting documentation
- The Fee Schedule for different types of alcoholic beverage license and permit fees
- The alcoholic beverage license and permit fee enforcement process and the associated penalties for not paying alcoholic beverage license and permit fees
- Other relevant information as deemed necessary

CMO

Agree

December 31, 2019

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of DWU:			
<ul style="list-style-type: none"> Reviews systematically the: (1) <i>Texas Alcoholic Beverage Code</i>; (2) <i>TABC's Guide for Tax Assessor Collectors and information</i>; and, (3) other relevant guidance to update the Fee Schedule as permitted by the TABC 	DWU	Agree	August 31, 2019
<ul style="list-style-type: none"> Improves internal controls such as systematically comparing the population of active licenses and permits issued by the TABC with the population of active license and permit fees issued by the City to ensure the City issues and collects all alcoholic beverage license and permit fees as permitted by the <i>Texas Alcoholic Beverage Code</i> 	DWU	Agree	August 31, 2019
<ul style="list-style-type: none"> Revises DWU-PRO-156-RB <i>Beer and Liquor</i> to incorporate the improved internal controls 	DWU	Agree	August 31, 2019
<ul style="list-style-type: none"> Retains documentation of monitoring controls including review of the Fee Schedule updates, identification of original licenses and permits, and comparison of the City's population of active license and permit fees with the TABC's population of active licenses and permits 	DWU	Agree	August 31, 2019

Audit of Revenue Estimates Included in the Fiscal Year 2018-19 Proposed Annual Budget for the City of Dallas (September 14, 2018)

- In total, the revenue estimates included in the *Fiscal Year 2018-19 Proposed Annual Budget* appear reasonable
- The Office of the City Auditor's assessment included approximately \$2.5 billion of the \$3.1 billion in proposed revenue estimates for the General Fund, Enterprise Funds, and Debt Service Fund, or 80 percent, of the revenue estimates included in the *Fiscal Year 2018-19 Proposed Annual Budget*. The remaining \$608.3 million in revenue estimates, which are mainly derived from department reimbursements, and City of Dallas (City) employee and retiree contributions for retirement and health benefits, were excluded from the assessment.
- *No recommendations associated with this report*

Attestation Services

Independent Auditor's Report on Applying Agreed-Upon Procedures for Bid #CIZ1677: Department of Trinity Watershed Management – Storm Drainage Improvements Mill Creek/Peaks Branch/State-Thomas Drainage Relief Tunnel Procurement, \$206,700,000 (January 18, 2018)

- Assist the Dallas City Council and City management in evaluating the Office of Procurement Services', (OPS), formerly the Department of Business Development and Procurement Services, and the Department of Trinity Watershed Management's (TWM) compliance with the requirements of Texas Local Government Code (TLGC) Chapter 252, *Purchasing and Contracting Authority of Municipalities; Government Code, Chapter 2269, Contracting and Delivery Procedures for Construction Projects*; and, Administrative Directive (AD) 4-05: *Contracting Policy*.

Exceptions noted and associated City Management actions to address the exceptions:

- Exceptions were noted for seven of 18 Agreed-Upon Procedures related to areas such as documentation of bid specification changes, conflict-of-interest policies and disclosure requirements, and the Trinity Watershed Management's (TWM) evaluation of the low bidder's experience, safety, and environmental record. After the Office of the City Auditor notified City management, the TWM took subsequent actions to address most of the exceptions noted, as detailed in the report.

The Office of the City Auditor also identified relevant information for Agreed-Upon Procedures 15 and 17 related to the low bidder's: (1) subcontractor's safety record; and, (2) Minority and Women Business Enterprises goal achievement. This information is included in Attachment I of the report as *Knowledge of a Matter Outside the Agreed-Upon Procedure*.

Independent Auditor's Report on Applying Agreed-Upon Procedures for Petition Processing by the City Secretary's Office (July 27, 2018)

- Assist the Dallas City Council and the City Secretary's Office (SEC) in evaluating SEC's compliance with the requirements of the Texas Election Code, the Texas Local Government Code, and the Charter of the City of Dallas, Texas as specified in "*City Secretary's Office Procedures Process for Checking Petition(s) for an Initiative, Referendum, Local Option, Charter Amendment, Council Recall*"

Exceptions Noted and the Associated Secretary's Office's Actions to Address the Exceptions:

- A statistical sample of 392 petition signature lines was randomly selected from a population of 30,400 petition signature lines. The sample showed that SEC incorrectly:
 - Rejected 22 of 392 signatures or six percent
 - Accepted one of 392 signatures or 0.26 percent
- During the first four days of petition signature validation, the SEC did not process signatures written outside of the pre-numbered lines on petition pages because the Dallas County's voter registration verification system (VOTEC) was programmed for only ten signature lines per petition page
- A statistical sample of 392 petition signature lines was randomly selected from a population of 138,290 petition signature lines. The sample showed that SEC incorrectly:
 - Rejected 21 of 392 signatures or five percent
 - Accepted seven of 392 signatures or two percent

After notification from the Office of the City Auditor, the SEC took subsequent actions to address the exceptions noted, as detailed in the report.

Investigative Services Highlights

Fraud, Waste and Abuse

- 121 hotline complaints closed during Fiscal Year (FY) 2018
- 37 complaints were either investigated by the Office of the City Auditor or referred to the Dallas Police Department for potential criminal investigation
- 50 complaints were referred to other City of Dallas (City) departments
- 34 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
- 123 open complaints active as of September 30, 2018
- Results from significant investigations completed in FY 2018 include:

Department	Allegation	Outcome
Department of Park and Recreation (PKR)	Discrimination	A PKR employee was alleged to have engaged in hiring practices that were discriminatory. PKR's inquiry substantiated the allegation. The employee was suspended for five days, mandated to attend Fair Hiring Practice Training and PKR stated they would monitor all hiring practices and procedures of this employee for at least one year.
Department of Dallas Water Utilities (DWU)	Theft of Service	An anonymous complaint alleged that a citizen was stealing water service at their residential home. DWU's inquiry substantiated the allegation. DWU turned off the water meter and installed a security plug to prevent further illegal use of water. The occupant had to accept a citation and enter into payment arrangements with DWU before getting water service restored to the location.
Department of Code Compliance (CODE)	Safety and Zoning Issues	An anonymous complaint alleged that a property had been occupied and was running a business without having obtained a Certificate of Occupancy and in violation of zoning requirements for the area. CODE's inquiry substantiated the allegation. CODE issued a Notice of Violation for Illegal Land Use and following the issuance of the notice the property owner evicted the tenants.

Department	Allegation	Outcome
Department of Human Resources (HR)	Healthcare Fraud	A retired City employee alleged that she had called a specified telephone number looking for assistance with City benefits but was instead directed to a telephone scam. HR's inquiry substantiated the allegation. HR updated the website to include the correct benefits service center telephone number.

Other Nonaudit Services Highlights

City Council Support

- Council Members supported individually upon request on a variety of topics including:
 - *Audit of VisitDallas*
 - *Follow-Up Audits: Timeliness of Construction Payments; Cash Controls at the Department of Sanitation*

Department Support

- City Departments supported upon request on a variety of topics, including:
 - MuniServices Invoices
 - TexasCity Services Invoices

