

Memorandum



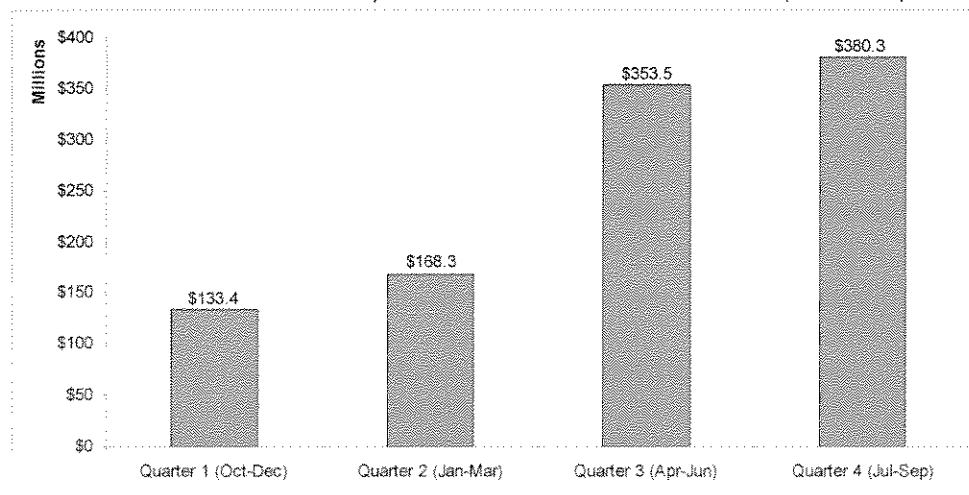
CITY OF DALLAS
(Report No. A08-008)

Date: March 21, 2008
To: Honorable Mayor and Members of the City Council
Subject: Final Report – Audit of Fiscal Year 2007 Year-End Expenditures for Goods and Services

Citywide expenditures for goods and services were significantly higher in the third and fourth quarters of Fiscal Year (FY) 2007 than in the first half of the fiscal year. Although expenditures made near fiscal year-end represent a higher risk for funds to be expended on unnecessary activities, the audit showed that expenditures were justified and reasonable.

Analysis of Office of Financial Services (OFS) data showed that \$380.2 million of the \$1.035 billion (37 percent) in FY 2007 expenditures for goods and services occurred in the fourth quarter of FY 2007. The expenditures for each quarter during FY 2007 are shown in the following chart.

Exhibit 1. FY 2007 Expenditures for Goods and Services (All Funds)



Source: Office of Financial Services

Further analysis was conducted to identify trends of actual expenditures for each department. Using data mining and statistical analysis, three departments were identified with the highest percentage of expenditures during the fourth quarter. Interviews of department personnel and reviews of documentation did not identify any unusual year-end spending activity.

The following items are some specific causes for the increased year-end spending in FY 2007:

- Bond payments and inter-fund transfers, such as transfers from General Fund to capital improvement funds;
- Costs associated with implementing new or expanding existing programs and services, such as waste recycling and cart delivery to citizens or a recruiting campaign by the Police Department;
- Billing of inter-departmental charges, such as for vehicle purchase, information technology services, and copier lease;
- Billing of inter-departmental charges for fleet repair, fuel, and utilities that could not be billed monthly because of computer system problems that should have occurred monthly, but were delayed due to conversion to a new computer system; and,
- Payments to vendors who had not timely billed the City for services and goods provided, such as payments for protocol services, waste and brush collection, household hazardous waste program, purchases of police equipment, ammunition, etc.

The objective of our audit was to determine whether the City of Dallas is adequately managing its fiscal year-end spending. The audit was conducted under authority of the City Charter, Chapter IX, Section 3, and in accordance with generally accepted government auditing standards.

We appreciate City management's cooperation and timely response in providing information to complete this audit.

If you have any questions or need additional information, please contact me at 214-670-3222 or Gary Lewis, Audit Manager, at 214-670-5347.

Sincerely,



Craig D. Kinton
City Auditor

C: Mary K. Suhm, City Manager
David K. Cook, Chief Financial Officer