

Memorandum



CITY OF DALLAS

DATE: October 31, 2013

TO: Honorable Mayor and Members of the City Council

SUBJECT: Office of the City Auditor – Services Summary Memo Report for Fiscal Year 2013

This memo report provides a summary of the services provided by the City of Dallas (City) Office of the City Auditor (Office) for Fiscal Year (FY) 2013 (October 1, 2012 to September 30, 2013). The Office serves as a broad general control in support of the City Council's governance and management's operational responsibilities. The mission of the Office is to promote public trust and advance accountability by providing independent, objective, and useful professional services.

In fulfillment of its mission, the Office delivered the following professional services:

- Twelve performance audit reports, resulting in recommendations to improve internal controls and operational efficiency and effectiveness in a wide range of City operations such as:
 - Follow-Up of Prior Year Audit Recommendations – FY 2010 - 2011 (58 recommendations)
 - Monitoring of Tax Increment Financing (TIF) Districts
 - Dallas Central Appraisal District's Internal Control over Tax Exemption Processing
 - Self-Insured General Liability Program
 - Security Alarm Permits and Fees
 - Design of the Pandemic Influenza Continuity of Operations Basic Plan
- Twenty-one attestation engagements (Agreed-Upon Procedures) providing independent assessments of:
 - Sole source procurements (six totaling \$4.2 million)
 - Single bid procurements (nine totaling \$34.3 million)
 - Refunding bonds issuances (three totaling \$608.1million)
 - Weapons destructions (two totaling 3,169 weapons)
 - Drug articles destruction (one totaling 222 drug articles)

"Dallas, the City that Works: Diverse, Vibrant, and Progressive."

- One-hundred thirty Fraud, Waste and Abuse Hotline Complaint Closures resulting in:
 - Investigations by the Office and/or Dallas Police Department – 65
 - Referrals to other City Departments – 32
 - Closures due to insufficient information or other factors – 33

In addition to providing professional services for the City, the Office underwent an evaluation of its own operations in FY 2013. The Office received from the Association of Local Government Auditors (ALGA) an unqualified or “clean” opinion and a rare “no recommendations” management letter for the peer review covering the three-year period ending April 30, 2013. The purpose of the peer review was to evaluate the Office’s system of quality control and compliance in order to provide reasonable assurance of conformance with applicable professional standards. Generally accepted government auditing standards, established by the United States (US) Government Accountability Office, require external peer reviews at least once every three years.

The Office also continued its leadership role in the government accountability community. The City Auditor completed terms as the Chairman of the Southwest Intergovernmental Audit Forum (four years) and Chairman of the ALGA Advocacy Committee (three years). He was elected as an at-large board member for ALGA and continues to serve as a local audit representative for the US Comptroller General’s Domestic Working Group. Three members of the senior staff were awarded leadership positions (President-Elect, Treasurer, and Early Careers Director) with the Association of Government Accountants (AGA) – Dallas Chapter.

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

The attachments provide additional information on the Office’s operations and results thereof for FY 2013. We appreciate the opportunity to serve you and are available to discuss our operations or results further if requested.

Respectfully,



Craig D. Kinton
City Auditor

Attachments

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

ATTACHMENTS

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

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

VISION

A dynamic audit organization that is a catalyst for accountable, efficient, and effective government for the citizens of Dallas.

MISSION

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

STATEMENT OF VALUES

We achieve our mission with **PRIDE**:

Professionalism
Respect
Integrity
Diversity
Excellence

**City of Dallas
Office of the City Auditor
Staff Composition Statistics
Fiscal Year 2013¹**

Staff Tenure with Office	
	Percent
One Year or Less	47.4
Two to Five Years	10.5
Six to Ten Years	31.6
More than Ten Years	10.5

Gender		
	Office Percent	Dallas, TX * Percent
Male	73.7	50.4
Female	26.3	49.6

* Source: US Census Bureau 2010 (Estimate)

Ethnicity		
	Office Percent	Dallas, TX * Percent
Non-Hispanic White	68.4	28.6
Non-Hispanic Black	10.5	23.4
Hispanic	0.0	43.9
Other Race	21.1	4.1

* Source: Economic Development Profile –
Office of Economic Development, 2011 (Estimate)

Education *	
	Percent
Some College, No Degree	5.0
Bachelors Degree	95.0
Masters Degree	47.0

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

Professional Certifications *	
	Percent
Certified Public Accountant (CPA)	32.0
Certified Internal Auditor (CIA)	47.0
Certified Information System Auditor (CISA)	16.0
Certified Fraud Examiner (CFE)	16.0
Certified Financial Forensics (CFF)	5.0
Other Certifications	16.0

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

¹ As of September 30, 2013

**City of Dallas
Office of the City Auditor
Audit Report Highlights
Fiscal Year 2013**

Audit of Monitoring Controls Over Tax Increment Financing (TIF) Districts (December 7, 2012)

- The Department of Economic Development's (ECO) Tax Increment Financing Program (TIF Program) has sufficient monitoring controls to help ensure compliance with TIF District Agreements.
- Judgmental samples of tax increment revenues (revenues) of approximately \$20.1 of \$26.2 million, or 77 percent, and TIF Districts' expenditures of approximately \$22 of \$24 million, or 92 percent, for calendar year 2011 showed: (1) revenues were properly supported and accounted for; and, (2) payments and transfers made to entities associated with these TIF Districts were for allowable expenses, adequately supported, and appropriately authorized.
- The ECO, however, does not have formal TIF Program policies and procedures.
- The ECO's monitoring responsibilities for the 17 individual TIF Districts are not formally documented and ECO cannot ensure that monitoring processes by personnel are properly documented and performed timely and consistently.

Audit Follow-Up of Prior Year Audit Recommendations – Fiscal Years 2010 to 2011 (December 7, 2012)

- During Fiscal Year (FY) 2009-2010 and FY 2010-2011, the Office of the City Auditor (Office) issued 15 audit reports which included 58 recommendations that seven City of Dallas (City) departments and Dallas Zoo Management, Inc. (DZM) agreed to implement.
- Progress was made by all seven departments and DMZ towards the implementation of audit recommendations.
- When the audit began, management reported that five of the 58 recommendations had not been implemented. Forty-six of the remaining 53 recommendations were selected for audit testing of the implementation status as of February 2012. Testing results indicated that 35 of 46 (76 percent)

were not sufficiently implemented to fully address the underlying areas of risk associated with each recommendation.

- The Departments of Communication and Information Services (CIS) and Equipment and Building Services (EBS) were responsible for 18 of the recommendations identified as not implemented (eleven and seven, respectively). These recommendations involved highly complex activities, such as software implementation, facilitating business process changes within and across multiple departments, and establishing internal controls which were either missing or poorly designed. Although not fully implemented, progress was made to address risks associated with the computing operations and the fleet management operations. According to CIS and EBS management, the initial implementation timelines were overly optimistic. Leadership changes in both CIS and EBS and other personnel issues also contributed to implementation delays.

Confidential Security Administration Limited Use Report – Audit Follow-Up of Prior Year Recommendations – Fiscal Years 2010 to 2011 as it Relates to Audit of Selected General Computer Controls for the Dallas Police Department and the Dallas Fire-Rescue Primarily Administered by the Department of Communication and Information Services (December 7, 2012)

- Issues and associated prior audit recommendations related to certain aspects of security administration have been omitted from the publicly released report based on:
 - Government Auditing Standards, December 2011 Revision, Sections 7.39 – 7.43 Reporting Confidential or Sensitive Information; and,
 - Texas Government Code Section 552.139. EXCEPTION: GOVERNMENT INFORMATION RELATED TO SECURITY OR INFRASTRUCTURE ISSUES FOR COMPUTERS

Confidential Security Administration Limited Use Report – Audit Follow-Up of Prior Year Recommendations – Fiscal Years 2010 to 2011 as it Relates to Audit of Selected General Computer Controls Over Various Revenue Sources for the Department of Park and Recreation (December 7, 2012)

- Issues and associated prior audit recommendations related to certain aspects of security administration have been omitted from the publicly released report based on:

- Government Auditing Standards, December 2011 Revision, Sections 7.39 – 7.43 Reporting Confidential or Sensitive Information; and,
- Texas Government Code Section 552.139. EXCEPTION: GOVERNMENT INFORMATION RELATED TO SECURITY OR INFRASTRUCTURE ISSUES FOR COMPUTERS

Audit of Administrative Actions (December 7, 2012)

- The preparation, authorization, and review of Administrative Actions (AAs) processed during Fiscal Year (FY) 2011, as well as six months before and after, met applicable City of Dallas (City) guidelines and criteria.
- Audit testing of AAs showed:
 - AAs were processed in compliance with City Code and Administrative Directive (AD) 4-5, *Contracting Policy*.
 - City departments initiating the AAs made no attempts to bypass competitive bid requirements and/or City Council approval processes.
 - All AAs were accounted for and processed.

Audit on the Design of Dallas Central Appraisal District's Internal Control over Total Exemption Processing (February 1, 2013)

- The Dallas Central Appraisal District's (DCAD) Property Records/Exemption (PRE) department has designed reasonable controls to ensure that partial and total property tax exemptions are awarded in accordance with the Texas Property Tax Code, Chapter 11. The internal control design includes both manual and automated controls, such as computer application access, processing, and monitoring controls.
- Although the internal control design was reasonable, PRE's Total Exemption policies and procedures were not always reflective of current practices relating to field inspections performed to assist in determining Total Exemption status.
- The observation was discussed with PRE management which immediately began the process of updating the policies and procedures.

Audit of MuniServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees (February 1, 2013)

- The Office of the City Auditor (Office) has verified \$783,376 in sales/use tax receipts collections that MuniServices, LLC (Consultant) identified as owed to the City of Dallas (City) from businesses operating in the City. The Office has also verified the accuracy of \$195,844 in Consultant invoices received since contract inception through September 30, 2012 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 tax).
- In 2010, the Office, in conjunction with City management, sought proposals for sales/use tax compliance review services. The City entered into a three-year contract with the Consultant to identify businesses operating in the City that are not properly collecting and/or reporting sales/use tax.
- The Consultant, through various methods, identifies businesses operating in the City that are not properly collecting and/or reporting sales/use tax. The Consultant then works directly with the identified businesses in an attempt to achieve voluntary tax compliance by assisting the businesses with tax code interpretations and preparation of amended tax returns. If the identified businesses do not voluntarily comply, referrals are made to the Texas State Comptroller requesting audit assistance to achieve compliance.

Special Audit of the Accounts of Former Director of the Department of Park and Recreation, Paul Dyer (February 15, 2013)

- The Office of the City Auditor (Office) determined that the former Director's accounts were in order. The former Director, who resigned on October 30, 2012, was timely removed from access to City systems and does not owe any debt to the City. All City items assigned to the former Director were substantiated.
- The Office issued a Management Letter that included certain processing control issues noted during the Special Audit. Some of these or similar processing control issues were also reported in the *Special Audit of the Accounts of Three Former Council Members and a Former City Secretary* (Report Number A12-002, issued December 9, 2011). Although no formal response to these issues was requested of management, the Office will follow-up on these issues during subsequent special audits to determine whether corrective actions were taken.

Audit City of Dallas' Self-Insured General Liability Program (April 26, 2013)

- The Office of Risk Management (ORM) has designed reasonable processes to administer and oversee the City of Dallas' Self-Insured General Liability Program (Program).
- Opportunities to improve internal controls include:
 - Secure the password protected user access into the ORM automated claims system. Current practices increase the risk that a user could access the ORM claims system with another user's logon credentials (ID and password) and make unauthorized changes, create false and/or misleading comments within the claims files, or upload fraudulent documents.
 - Ensure claims processing policies and procedures are consistently followed. A random sample of 30 claims revealed significant percentages of non-compliance with policies and procedures related to: (1) initial claims set-up and handling; (2) investigation and documentation of claims; and, (3) claims settlement and payment.
 - Organize files to facilitate monitoring and to protect personal identity information. Audit sampling showed that claim files are not consistently organized and documents containing personal identity information, such as names, social security numbers, driver's license numbers, and medical information, are not securely attached to each file.

Audit of Security Alarm Permits and Fees (June 7, 2013)

- Internal controls over the City of Dallas' (City) Security Alarm (burglar and panic/hold-up alarms) Program are not sufficient to ensure security alarm data accuracy and compliance with Dallas City Code Chapter 15C, *Emergency Reporting Equipment and Procedures, Article 1, Alarms Responded to by the Police Department* (Chapter 15C). The internal control deficiencies identified include both information technology and security alarm procedural controls. For example:
 - The transition of the security alarm processing function from the Miscellaneous Accounts Receivable System (MARS) to the Systems, Applications and Products in Data Processing system (SAP) disrupted security alarm billing, permit processing, and the enforcement of the security alarm ordinance from November 2008 to August 2010.
 - The SAP security alarm data authorizations are not properly defined to ensure that both the Department of Dallas Water Utilities (DWU) Special Collections Division (SCD) and Dallas Police Department (DPD) personnel do not control all stages of the security alarm process.

- The DPD and DWU do not have sufficient data validation rules for Computer Aided Dispatch (CAD) security alarm permit numbers entered by the DPD Police Report Representatives who perform alarm call-taking duties.
- The SCD, DPD, and Department of Communication and Information Services (CIS) do not monitor the completeness of daily transfers of security alarm data from CAD to SAP.
- The DPD Alarm Unit does not have sufficient internal controls in place to ensure that security alarm companies comply with Dallas City Code Section 15C-7.1 *Requirements for Alarm Companies* (Section 15C-7.1).

Audit of the Design of the City of Dallas' Pandemic Influenza Continuity of Operations Basic Plan (September 13, 2013)

- The Office of the City Auditor's (Office) design assessment of the City of Dallas' (City) Continuity of Operations (COOP) Plan indicated that the City made progress toward establishing and implementing a COOP Plan. Many of the Federal Emergency Management Association's (FEMA) best practices, however, are either not in place or are incomplete.
- As a result, the City's COOP Plan does not fully incorporate the ten Continuity Management Functions that FEMA considers essential to support and guide continuity personnel during a significant event. Specifically, the City's COOP Plan:
 - Partially satisfies *four* of the Continuity Management Functions; and,
 - Does not satisfy *six* of the Continuity Management Functions
- The City's COOP Plan also does not apply FEMA's Continuity Program Foundation's supporting continuity planning components, such as risk-based analysis and budgeting for on-going acquisition of resources. Furthermore, the City's COOP plan is not sufficiently developed to provide the Department of Communication and Information Services (CIS) the necessary information to develop a robust Disaster Recovery Plan (DRP).

An Audit of Revenue Estimates Included in the Fiscal Year 2013-2014 Proposed Annual Budget for the City of Dallas (September 13, 2013)

- In total, the revenue estimates included in the Fiscal Year (FY) 2013-2014 Proposed Annual Budget appear reasonable. Although revenue estimates in total appear reasonable, the Department of Convention and Event Services (CES) revenue estimate methodology and the underlying assumptions for Hotel/Motel (HOT) Tax continue to lack adequate analysis and supporting documentation. As a result, it was not clear why the methodology and underlying assumptions did not align with supporting economic and industry projections provided by City of Dallas (City) management.

- The Office of the City Auditor (Office) reviewed approximately \$1.84 billion of the \$2.44 billion in proposed revenue estimates for the General Fund, Enterprise Funds, and Debt Service Fund, or 76 percent, of the revenue estimates included in the FY 2013-2014 Proposed Annual Budget. Our review did not include the remaining \$593 million in revenue estimates which are mainly derived from department reimbursements and City, employee, and retiree contributions for retirement and health benefits.
- City management is responsible for preparing reasonable revenue estimates for inclusion in the FY 2013-2014 Proposed Annual Budget. In preparing these revenue estimates, City management develops revenue estimate methodologies, such as regression analyses and/or historical trends, and documents the significant assumptions used to support those methodologies. This information is reviewed by the Office for reasonableness; however, neither City management nor the Office guarantees the achievement of the FY 2013-2014 revenue estimates.

**City of Dallas
Office of the City Auditor
Attestation Services Highlights
Fiscal Year 2013**

Agreed-Upon Procedures

Final Official Statements

- Official Statements to minimize concerns that the City's financial condition is not accurately disclosed for:
 - Two general obligation refunding bonds for \$451,580,000
 - One waterworks and sewer system revenue refunding bonds for \$156,540,000

Drug Articles Destructions

- 82 drug invoices and associated 222 drug articles totaling 2,632.45 pounds destroyed through control and monitoring of one drug destruction event

Weapons Destructions

- 3,169 weapons destroyed through control and monitoring of two weapons destruction events

Sole Source / Single Bid Procurements

- Six sole source bid procurements (\$4,246,914) and nine single bid procurements (\$34,304,282) totaling \$38,551,196 for efforts to increase competition and compliance with applicable requirements

**City of Dallas
Office of the City Auditor
Non-Audit Services Highlights
Fiscal Year 2013**

City Council Support

- Council Members supported individually upon request on a variety of topics, including:
 - City of Dallas' (City) significant revenue sources, associated City departments, and the extent of related audit coverage
 - District 14 street-related projects
 - Follow-up status on prior audit recommendations
 - Oil lease drilling payment information
 - Dallas Convention Center selected financial information for fiscal years 2009 to 2011
 - False alarm fee revenue

**City of Dallas
Office of the City Auditor
Investigative Services Highlights
Fiscal Year 2013**

Fraud / Waste / Abuse (FWA)

- 130 hotline complaints closed during Fiscal Year (FY) 2013
- 65 complaints were either investigated by the Office or referred to DPD for potential criminal investigation
- 32 complaints were referred to other City of Dallas (City) departments
- 33 complaints were not investigated due to insufficient information or the risk-based evaluation showed the complaint did not merit assignment of limited investigative resources
- 28 open complaints active as of September 30, 2013
- Results from significant investigations conducted during FY 2013 include:

Department	Allegation	Outcome
Dallas Fire-Rescue	Misuse of accrued sick leave prior to voluntary resignation	Supervisors were disciplined; additional training was conducted to ensure compliance to sick leave policy.
Dallas Water Utilities	Public water system monitoring and reporting issues to the Texas Commission on Environmental Quality (TCEQ)	Management: (1) notified TCEQ; (2) replaced a Division Manager and an Operations Supervisor; (3) took appropriate disciplinary action for involved personnel; (4) increased awareness of monitoring and reporting requirements within the plant; (5) increased inventory of replacement equipment related to monitoring; and, (6) submitted to TCEQ a request for alternative testing points for emergency or equipment failures.
Library	Sexual activity in the workplace during the employee's work hours	Management discharged the employee and re-assigned the position to a supervisor on the same floor; all other positions were reviewed to ensure supervision, and no other oversight issues were found.

Department	Allegation	Outcome
Business Development and Procurement Services / Equipment and Building Services	Irregularities of City-supervised used tire auctions	Management changed to a third-party company to conduct on-line auctions and updated work instructions.
Park and Recreation	Misuse of City resources by performing repair work on non-City equipment on City time with City equipment and parts	Management: (1) terminated the employment of two employees; (2) implemented detailed schedule of equipment and supply inventories; (3) issued a memorandum stating work on personal vehicles, mowers, and other power equipment will not be permitted to take place in City maintenance facilities; and, (4) stated maintenance facilities will not be used as storage locations for personal vehicles and/or associated parts.
Sanitation Services	Misuse of City equipment and employee services involving brush and bulk trash collection	<p>Management terminated the employment of two employees and issued a 10-day suspension to a third employee. Also, management: (1) performed a review and update of internal control processes; (2) reinforced to employees that unauthorized use of City equipment and/or accepting payment for unauthorized services is a violation of City Personnel Rules and violators are subject to disciplinary action and criminal prosecution; and, (3) ensured all department employees attended City ethics training.</p> <p>Criminal cases pending.</p>
Dallas Water Utilities	Water meter fraud by reconnecting service for unauthorized cash payment	<p>Management terminated employment of two employees, continues to monitor daily reports of accounts eligible for disconnection in order to identify patterns that may lead to abuse and fraud, and conducts quarterly field inspections of selected meters with zero consumption that may lead to identification of tampered meters.</p> <p>Criminal cases pending.</p>

Department	Allegation	Outcome
Communication and Information Services	Violation of the City's Charter, Code of Ethics, and Personnel Rules through involvement of a family member used as a vendor	Employee was demoted and vendor was debarred for a one year period.
Code Compliance	Solicitation of bribes from business owners in lieu of issuing citations for alleged City Code violations	Employee was terminated from employment with the City. Criminal case pending.
Trinity Watershed Management	Illegal use of City-issued bulk fuel card to steal gasoline	Employee resigned position with City prior to the pre-termination hearing. Additionally, the department's vehicles were fitted with sensors that activate at recently upgraded fuel islands, and the department is participating in pilot program which replaces fuel cards with a combination of valid City identification badge and PIN number. Criminal case pending.
Housing	Abuse of position to obtain housing for niece	Employee retired prior to employment with the City being terminated. Criminal case pending.
Dallas Water Utilities	Theft of copper and brass without authorization and selling of materials for cash	Management terminated the employee from City position. Criminal case pending.
Park and Recreation	Theft of cash from a recreation center by an interim manager	The employee resigned from position with the City prior to any discipline being taken. Criminal case pending.
Sustainable Development and Construction – Building Inspection	Theft of time and intimidation of a citizen	Management terminated employee's position with the City.
Housing	Women, Infants and Children Program (WIC) fraud through creating false WIC accounts	Employee was terminated from position with the City.

**City of Dallas
Office of the City Auditor
Peer Review Letters and Certificate of Compliance
Fiscal Year 2013**



**External
Quality
Control Review**

of the
City of Dallas
Office of the City Auditor

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period May 1, 2010 – April 30, 2013



Association of Local Government Auditors

June 7, 2013

Mr. Craig Kinton
City Auditor
City of Dallas, Texas
City Hall
1500 Marilla
Dallas, TX 75201

Dear Mr. Kinton,

We have completed a peer review of the City of Dallas Office of the City Auditor for the period May 1, 2010 through April 30, 2013. In conducting our review, 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 operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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 non-audit service working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee 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.

Based on the results of our review, it is our opinion that the City of Dallas Office of the City Auditor internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period May 1, 2010 through April 30, 2013.

We have prepared a separate letter identifying strengths of your office that are noteworthy.

Sincerely,

David A. Schroeder
Office of the City Controller
Houston, Texas

Jurelda J. Solomon
Office of the City Auditor
Fort Worth, Texas

Joyce Patton
City Auditor's Office
Kansas City, Missouri



Association of Local Government Auditors

June 7, 2013

Mr. Craig Kinton
City Auditor
City of Dallas, Texas
City Hall
1500 Marilla
Dallas, TX 75201

Dear Mr. Kinton,

We have completed a peer review of the City of Dallas Office of the City Auditor for the period May 1, 2010 through April 30, 2013 and issued our report thereon dated June 7, 2013. We are issuing this companion letter to offer these observations stemming from our peer review.

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

- Exhibits strong executive leadership, a high level of professionalism, and demonstrates commitment to continuous improvement in product and service quality.
- Uses automated working papers containing integrated templates that have been developed for various scopes of work, which ensures consistent and continual adherence to professional standards.
- Fosters best practice in directing engagement efforts towards risk and controls by having 'focus meetings'. These are essentially advanced planning meetings that require input from all team members and thus create synergies of human resources.
- Reports contain efficient and readable executive summaries.

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

Sincerely,

David A. Schroeder
Office of the City Controller
Houston, Texas

Jurelder J. Solomon
Office of the City Auditor
Fort Worth, Texas

Joyce Patton
City Auditor's Office
Kansas City, Missouri



The Association of Local Government Auditors

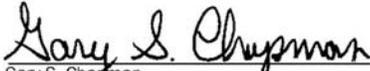
Awards this

Certificate of Compliance

to

***City of Dallas
Office of the City Auditor***

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit and attestation engagements during the period May 1, 2010, through April 30, 2013.



Gary S. Chapman
ALGA Peer Review Committee Chair



Bill Greene
ALGA President