

Memorandum



CITY OF DALLAS

DATE: January 25, 2019

TO: Honorable Mayor and Members of the City Council

SUBJECT: Office of the City Auditor – Audit, Attestation, and Investigative Services Update:
Fiscal Year 2019 – Second Quarter

The *Audit, Attestation, and Investigative Services Update: Fiscal Year 2019 – Second Quarter* (Update) is presented to provide current information about the results and status of audit, attestation, and investigative service projects of the City of Dallas' (City) Office of the City Auditor.

Five audit reports were issued in the first quarter of Fiscal Year (FY) 2019, including the:

- Audit of the Dallas Police Department's Off-Duty Employment Program
- Audit of Surveillance Camera Oversight
- Audit of MuniServices, LLC Contract – Summary of Sales/Use Tax Receipts and Associated Fees
- Audit of TexasCityServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees
- Audit of Business Partners Oversight – Department of Park and Recreation

The key points from these reports are included in Section II of the Update. Of the 74 recommendations, including sub-recommendations contained in these reports, City management agreed to implement 80 percent. Sections III through VI of the Update include: (1) the key points for the Audit of VisitDallas and the Summary of Investigative Reports Closed in Fiscal Year 2018, released in January 2019; (2) reports anticipated to be released; (3) projects currently in progress; and, (4) anticipated projects to be started in the second quarter of FY 2019.

In addition, Investigative Services opened 37 new cases during the first quarter resulting from complaints received through the Fraud, Waste and Abuse Hotline. Examples of allegations received include violations of departmental policy; environment, health, and safety issues; theft; and, misuse of City resources.

Eighty-three cases were closed during the period. Of these, 13 were investigated and closed by the Office of the City Auditor resulting in two substantiated complaints, both of which related to employee relations. The substantiated complaints led to accountability actions including reassigned seating for employees as well as employee counseling. The remaining 70 complaints were not investigated, as ten were not related to the City and 60 pertaining to the same incident were dismissed by the Ethics Advisory Commission's Preliminary Panel.

Approved Audit Plans allow the City Auditor to make additions to, deletions from, or other changes to the plan(s) when deemed necessary upon written notification to the City Council. Accordingly, the Office of the City Auditor is providing notification of the deletion of the Office of Economic Development (ECO) – Economic Development Programs and Incentives audit that was included in the Fiscal Year 2018 Audit Plan. This change is necessary given the recent reorganization within ECO impacting how programs and incentives function. The project will be included in the FY 2020 proposed audit plan presented to the City Council. Moving this project to next year's audit plan will allow time for ECO to update policies and procedures and achieve a steady state of operation before the audit is conducted.

Should you have any questions or need additional information, please contact Theresa Hampden, Interim First Assistant City Auditor, at 214-670-4968 or by email at theresa.hampden@dallascityhall.com; or me at 214-670-4517 or by email at carol.smith@dallascityhall.com.

Sincerely,



Carol A. Smith, CPA, CIA, CFE, CFF
Interim City Auditor
Attachment

C: T.C. Broadnax, City Manager
Christopher J. Caso, Interim City Attorney
Biliera Johnson, City Secretary
Kimberly Bizer Tolbert, Chief of Staff
M. Elizabeth Reich, Chief Financial Officer



City of Dallas
Office of the City Auditor

Audit, Attestation, and Investigative
Services Update

Fiscal Year 2019 – Second Quarter

Table of Contents

Audit, Attestation, and Investigative Services Fiscal Year 2019

| | | |
|--------------|---|----|
| Section I: | Summary of Audit, Attestation, and Investigative Services | 1 |
| Section II: | Reports Issued – First Quarter October 1 to December 31 | 4 |
| Section III: | Reports Issued – Second Quarter to Date January 1 to January 25 | 17 |
| Section IV: | Anticipated Report Releases – Second Quarter January 1 to March 31 | 26 |
| Section V: | Projects in Progress – Second Quarter January 1 to March 31 | 27 |
| Section VI: | Anticipated Project Starts – Second Quarter January 1 to March 31 | 30 |

Summary of Audit, Attestation, and Investigative Services

Audit¹ – Reports that provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability

Attestation² – Reports that cover a broad range of financial or non-financial objectives; results in an examination, a review, or an agreed-upon procedures report on a subject matter or an assertion about a subject matter that is the responsibility of another party

Investigative³ – Reports providing evaluations and results of substantiated allegations of fraud, waste and abuse

Fiscal Year 2019

Reports Issued – First Quarter | October 1 to December 31

Note: See Section II for details

Audit Services

- Audit of the Dallas Police Department's Off-Duty Employment Program (A19-001)
- Audit of Surveillance Camera Oversight (A19-002)
- Audit of MuniServices, LLC Contract – Summary of Sales/Use Tax Receipts and Associated Fees (A19-003)
- Audit of TexasCityServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees (A19-004)
- Audit of Business Partners Oversight – Department of Park and Recreation (A19-005)

¹ 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.

²To date, no attestation reports have been released in Fiscal Year 2019.

³ Investigative reports are only reported publicly if they meet certain criteria. A brief update pertaining to the work completed in the first quarter by Investigative Services is provided in the memorandum, and any public releases are noted in the appropriate quarter.

Reports Issued – Second Quarter to Date | January 1 to January 25

Note: See Section III for details

Audit Services

- Audit of VisitDallas (A19-006)

Investigative Services

- Summary of Investigative Reports Closed in Fiscal Year 2018 (I19-001)
 - Dallas Public Library – Theft
 - Building Services Department – Criminal Trespass
 - Building Services Department – Theft and Tampering with a Government Record

Anticipated Report Releases – Second Quarter | January 1 to March 31

Note: See Section IV for details

Audit Services

- Special Audit of the Accounts of Former City Attorney, Larry Casto
- Special Audit of the Accounts of Former City Council Member, Dwaine R. Caraway
- Water Quality and Safety, Testing, and Monitoring – Department of Dallas Water Utilities

Projects in Progress | Second Quarter – January 1 to March 31

Note: See Section V for details

Audit Services

- Business Partner Oversight of Texas Horse Park – Department of Dallas Water Utilities
- Business Partner Oversight of White Rock Boathouse – Department of Park and Recreation
- City of Dallas' Purchasing and Travel Cards – Office of Procurement Services/Multiple Departments
- Dallas Police Department's Complaint Process
- Fiscal Year 2019 Audit Follow-Up of Prior Audit Recommendations: Construction-Related Procurements – Multiple Departments

- Fiscal Year 2019 Audit Follow-Up of Prior Audit Recommendations: Court Information System – Cash Management/Collections Processes
- Fiscal Year 2019 Audit Follow-Up of Prior Audit Recommendations: Fiscal Years 2016, 2017, and 2018 – Multiple Departments
- Fiscal Year 2019 Audit Follow-Up of Prior Audit Recommendations: Homeless Response System Effectiveness – Office of Homeless Solutions
- Management of the City's Surplus Real Properties – Department of Sustainable Development and Construction
- Open Records Request Process – City Secretary's Office
- Performance Measurement Process – Multiple Departments
- Security and Safety Protocols for Large Public Venues Owned or Managed by the City – Multiple Departments
- Franchise Fees Review through Third-Party Vendor (*Ongoing*)
- Sales/Use Tax Compliance Review through Third-Party Vendor (*Ongoing*)

Anticipated Project Starts – Second Quarter | January 1 to March 31

Note: See Section VI for details

Audit Services

- Audit of Information Technology – Department of Communication and Information Services
- Audit of Notification of Security Violations – Department of Communication and Information Services

**Reports Issued – First Quarter
October 1 to December 31**

Audit Services

**Audit of the Dallas Police Department's Off-Duty Employment Program
(November 9, 2018)**

- The Dallas Police Department's (DPD) Off-Duty Employment Program (Program) allows sworn DPD officers to work off-duty law enforcement jobs (off-duty employment) in addition to regular on-duty work hours. Studies show off-duty employment programs can provide benefits both to the City of Dallas and to the individual police officers.
- The DPD's General Order 421.00, *Off-Duty Employment* (General Order 421.00), establishes the policies and procedures for the Program; however, DPD officers do not always comply with the existing internal controls included in General Order 421.00. Additionally, DPD does not have adequate information and internal controls to manage and monitor the Program. As a result, the potential benefits of the Program may be diminished.
- For example, internal controls are not adequate to ensure DPD officers are not: (1) working excessive hours; (2) performing tasks that do not align with DPD's General Orders; and, (3) working at unapproved times and locations.
- The following issues were noted where additional information and internal controls are needed to improve the Program. Specifically,
 - Internal controls specified in General Order 421.00 do not consistently align with the best practices of the: (1) International Association of Chiefs of Police (IACP) Model Policy for *Secondary Employment* (IACP Model Policy); and, (2) majority of the 19 city police departments judgmentally sampled to benchmark policies and procedures for administering an off-duty employment program
 - DPD officers do not always comply with existing internal controls included in General Order 421.00 when requesting, approving, and monitoring off-duty employment requests
 - The off-duty module of the Intelligent Workforce Management (IWM) System, DPD's automated workforce management system, does not include the necessary information and internal controls to properly manage off-duty employment requests, the associated supervisory approvals, and ongoing monitoring activities

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|---|------------------------|------------------|-------------------------------|
| <p>We recommend the Chief of Police implements additional internal controls over the Program to align with the IACP Model Policy and the best practices of the majority of the 19 city police departments benchmarked by:</p> | | | |
| <ul style="list-style-type: none"> Implementing a dedicated central authority within DPD with responsibility for Program oversight, such as a contract system Decreasing total work hours from 112 hours per week to an amount that minimizes the risks that the IACP identified. Note: Total work hours consist of regular-duty hours (including overtime and court duties) and off-duty employment hours. | | | December 1, 2018 ⁴ |
| <ul style="list-style-type: none"> Consolidating guidelines for restrictions and prohibitions related to off-duty employment into one section of General Order 421.00 | DPD | Agree | October 1, 2019 ⁵ |
| <ul style="list-style-type: none"> Providing clear definitions for important terms in General Order 421.00, including aligning DPD's terms with the IACP Model Policy definitions for secondary employment | | | |
| <ul style="list-style-type: none"> Updating all areas of General Order 421.00 to reflect current DPD practices and procedures | | | |
| <ul style="list-style-type: none"> Giving DPD supervisors authorizing off-duty requests direct oversight of the off-duty employment | | | |

⁴ Rewrite of General Orders

⁵ Submission of new civilian positions

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|--|------------------------|------------------|------------------------------|
| <p>We recommend the Chief of Police ensures DPD officers comply with existing internal controls included in General Order 421.00 when requesting, approving, and monitoring off-duty employment by:</p> <ul style="list-style-type: none"> • Developing and implementing training that includes General Order 421.00, and requiring DPD officers to complete the training prior to requesting off-duty employment • Confirming DPD officers submit off-duty employment requests timely and properly document late requests • Requiring DPD supervisors to compare DPD officers' sick leave requests and off-duty employment requests prior to approving the off-duty employment requests • Confirming DPD supervisors approve off-duty employment requests timely • Verifying the Safety Unit confirms and files long forms for off-duty employment requests where the DPD officers obtained approval to work at an establishment whose principal specialty is dispensing/selling alcoholic beverages • Verifying that DPD supervisors: (1) complete periodic on-site inspections of off-duty employment locations; and, (2) document and properly file the <i>Off-Duty Employment Verification</i> form • Establishing a monitoring process to periodically evaluate DPD officers' and supervisors' compliance with General Order 421.00 | DPD | Agree | January 1, 2019 ⁶ |

⁶ Implementation of new General Orders with roll call training bulletin

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|--|------------------------|------------------|-------------------------------|
| <p>We recommend the Chief of Police ensures the IWM System or an alternative automated system includes the necessary information and internal controls to properly manage off-duty employment requests, the associated supervisory approvals, and ongoing monitoring activities by:</p> <ul style="list-style-type: none"> • Including the actual off-duty employment hours worked • Notifying DPD supervisors authorizing off-duty employment requests when off-duty employment requests are pending approval • Ensuring DPD supervisors authorizing off-duty employment requests can independently confirm the DPD officers' compliance with General Order 421.00 prior to approving off-duty employment requests • Including edit checks that automatically reject certain off-duty employment requests when: <ul style="list-style-type: none"> ○ Certain parameters are not met, such as confirming the requestor is eligible to participate in the Program ○ DPD officers' projected hours exceed specified thresholds, such as exceeding the 16 hour a day limit | DPD | Agree | October 20, 2018 ⁷ |

⁷ Work will begin on creating tracking sheets in an Excel database for tracking compliance and report audits.

Audit of Surveillance Camera Oversight (December 7, 2018)

- The Office of the City Auditor’s internal control design assessment showed the City of Dallas (City) does not have appropriate internal controls for managing and maintaining closed-circuit television (CCTV) camera systems at City owned and leased facilities. As a result, the City’s use of CCTV camera systems for: (1) public safety and security; (2) monitoring operational activities; and, (3) safeguarding property and equipment may not be effective. Specifically, the City does not have formal policies and procedures (written, approved, and dated) for the management and maintenance of CCTV camera systems, such as defining formal data retention requirements.
- The basis for the internal control design assessment was the *Audit of Surveillance Camera Oversight Survey* which was developed using the U.S. Department of Homeland Security’s (DHS) *CCTV: Developing Privacy Best Practices* report as a benchmark. This benchmark was selected as the City, like DHS, has the responsibility to protect the City’s property and the individuals on the property.

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|----------------------|------------------------|------------------|---------------------|
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We recommend the City Manager ensures:

- The City has appropriate internal controls for the management and maintenance of CCTV camera systems by developing formal city-wide policies and procedures (e.g., Administrative Directive), that incorporate standards or best practices such as the DHS’ *CCTV: Developing Privacy Best Practices* principles and relevant elements, including defining the formal data retention requirements for CCTV camera systems’ data
- Responsible departments comply with the newly established requirements in the city-wide policies and procedures

CMO

Disagree

N/A

Audit of MuniServices, LLC Contract – Summary of Sales/Use Tax Receipts and Associated Fees (December 7, 2018)

- Since contract inception, the Office of the City Auditor has verified a total of:
 - \$6,171,795 in sales/use tax receipts collections the MuniServices, LLC (Consultant) identified as owed to the City of Dallas (City) [\$121,890 of these collections related to Fiscal Year (FY) 2018]
 - \$1,649,221 in Consultant invoices for payment of the Consultant's percentage of the amount collected under the contingent fee contract arrangement with the City (\$35,449 of these invoices related to FY 2018)
- *No recommendations associated with this report*

Audit of TexasCityServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees (December 7, 2018)

- From January 1, 2017 through October 11, 2018, the Office of the City Auditor verified \$3,871,338 in sales/use tax receipts collections that TexasCityServices, LLC (Consultant) identified as owed to the City of Dallas (City) from businesses operating in the City.
- The Office of the City Auditor also verified that \$929,120 in Consultant invoices received were accurate. These invoices were for payments of the Consultant's percentage of the amounts collected under the contingent fee contract arrangement with the City. The Consultant's invoices were not paid until the Office of the City Auditor verified that the City received the additional sales/use tax.
- *No recommendations associated with this report*

Audit of Business Partners Oversight – Department of Park and Recreation (December 7, 2018)

- The Department of Park and Recreation's (PKR) Leisure Venue Destination Management Division (LVDM) has policies and procedures in place for oversight and monitoring of long-term facility contracts (Contracts). Certain contract monitoring procedures, however, were either not performed or not fully completed. The Office of the City Auditor's risk evaluation also identified some areas of financial risk for the Dallas Zoological Society/Dallas Zoo Management, Inc. (DZS/DZM) and the Dallas Arboretum and Botanical Society (DABS). As a result, PKR cannot ensure adequate oversight and contract monitoring of DZS/DZM and DABS and closer monitoring by PKR is warranted.
- In addition, revenues generated by Elm Fork Shooting Sports, Inc., and the golf courses and the tennis centers were not sufficiently validated to ensure complete and accurate revenues were received by the City of Dallas (City). Shortcomings with DZS/DZM and DABS Contracts were also noted.

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|--|------------------------|------------------|---------------------|
| <p>We recommend the Director of PKR:</p> <ul style="list-style-type: none"> • Ensures LVDM performs and fully completes contract oversight and monitoring procedures as specified by LVDM policies and procedures • Maintains adequate and qualified personnel by working with the City's Department of Human Resources to evaluate and streamline the recruiting and hiring process for LVDM contract administrators | PKR | Agree | September 30, 2020 |
| <p>We recommend the Director of PKR ensures all necessary contract monitoring activities are properly executed by:</p> <ul style="list-style-type: none"> • Minimizing the fragmentation and increasing coordination among PKR's divisions and other City departments which may include: <ul style="list-style-type: none"> ○ Defining and agreeing upon roles and responsibilities ○ Establishing compatible policies and procedures across PKR divisions with contract oversight and monitoring responsibilities ○ Reinforcing LVDM's role as the centralized oversight function within PKR to monitor and evaluate the adequacy of contract monitoring activities performed by PKR divisions and other City departments • Confirming personnel have the specialized skills and experience to oversee specific contract oversight and monitoring activities, such as conveyance of capital assets and analysis of financial data to ensure contract compliance | PKR | Agree | September 30, 2020 |

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|---|------------------------|------------------|----------------------|
| <p>We recommend the Director of PKR in coordination with the City Manager:</p> <ul style="list-style-type: none"> • Develops a consistent process for receiving DZS/DZM requests to convey new assets; identifies the City department or division to receive such requests; and communicates the process to DZS/DZM • Develops and implements policies and procedures to ensure new assets acquired by DZS/DZM are consistently conveyed to the City. This may include: <ul style="list-style-type: none"> ○ Defining and agreeing upon roles and responsibilities ○ Establishing compatible policies and procedures to operate across departments and PKR divisions ○ Centralizing oversight by LVDM to ensure receipt of information needed to fulfill contract monitoring responsibilities related to conveyance of assets | <p>PKR</p> | <p>Agree</p> | <p>June 30, 2021</p> |

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|---|------------------------|------------------|---------------------|
| <p>We recommend the Director of PKR:</p> <ul style="list-style-type: none"> Ensures completion of an energy audit to establish the optimum energy usage Coordinates with DABS and appropriate authorities, such as the City Council and the Dallas Park and Recreation Board, to establish more clearly defined caps or limitations on the amounts the City is authorized to disburse for utilities consumed at the Dallas Arboretum Ensures LVDM's Senior Contract Compliance Administrator or other designated personnel reviews DABS' utility invoices before payment disbursement to ensure proper payment as authorized by the contract and applicable current or future City Council resolution(s). If a pre-review of utility invoices is not feasible, ensure that a post-payment review of utility invoices is completed. | PKR | Disagree | N/A |

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|--|------------------------|------------------|---------------------|
| <p>We recommend the Director of PKR:</p> <ul style="list-style-type: none"> Ensures LVDM and PKR Special Services validate the accuracy and completeness of gross sales and revenue reported by the contractors managing Elm Fork, the golf courses, and the tennis centers Implements consistent policies and procedures to review additional contractor documentation, such as daily cash drawer counts, close out reports to credit card reports (z-tapes), cash receipts, check deposits, and bank reconciliations Requires the golf courses and the tennis centers to obtain and provide externally validated or audited gross sales reports Requires contractors to apply appropriate internal controls for the handling and recording of cash receipts by formally notifying contractors either in supplemental contract agreements or when contracts are renewed | PKR | Agree | September 30, 2020 |

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

We recommend the Director of PKR:

- Assesses the current policy and procedure for distributing Dallas Arboretum complimentary tickets to identify ways to accomplish the objective to provide all City residents equitable access to the Dallas Arboretum
- Implements a consistent procedure for:
 - Communicating the overall purpose of the Program to recreation center staff responsible for distributing the complimentary Dallas Arboretum tickets
 - Advertising or communicating the availability of the complimentary Dallas Arboretum tickets to the public
 - Managing practical aspects of the Dallas Arboretum ticket program (Program), such as the number of complimentary Dallas Arboretum tickets allowed annually per resident and how to distribute the tickets equitably across the City, by continuing to monitor the Program and make adjustments as necessary

PKR

Agree

September 30, 2020

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|---|------------------------|------------------|---------------------|
| <p>We recommend the Director of PKR, in consultation with the City Attorney's Office, work with DZS/DZM and the Department of Sustainable Development and Construction to:</p> | | | |
| <ul style="list-style-type: none"> Clarify the language in the contract regarding ownership of land purchased by DZS/DZM before the Dallas Zoo privatization | PKR | Agree | September 30, 2019 |
| <ul style="list-style-type: none"> Convey the land to the City if the clarified contract language results in a determination that the land should have been transferred | | | |
| <hr/> <p>We recommend the Director of PKR:</p> | | | |
| <ul style="list-style-type: none"> Develops a process to annually define the specific performance indicators or measures and other relevant information agreed upon by DZS/DZM and DABS | | | |
| <ul style="list-style-type: none"> Identifies how PKR personnel will evaluate performance, including the specific performance information required for evaluation and when the information should be received by PKR personnel | PKR | Agree | September 30, 2020 |
| <ul style="list-style-type: none"> Ensures that PKR personnel are conducting periodic performance analysis as required by LVDM policies and procedures | | | |
| <hr/> | | | |
| <p>We recommend the Director of PKR, in consultation with the City Attorney's Office, work with DZS/DZM and DABS to include in a supplemental contract agreement a process to annually define the specific performance indicators or measures and other relevant information as described in Recommendation VIII. *</p> | PKR | Agree | September 30, 2020 |
| <p>*Recommendation VIII refers to the preceding recommendation above.</p> <hr/> | | | |

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|---|------------------------|------------------|---------------------|
| We recommend the Director of PKR implements procedures to more closely monitor the financial position of these two business partners, including the financial risks noted. | PKR | Agree | September 30, 2021 |
| We recommend the Director of PKR works with the DZS/DZM and DABS to seek ways to diversify their revenue sources and obtain sustainable investment options. This may require memorandums of understanding or supplemental agreements to the existing Contracts that include performance expectations that measure fundraising progress or other initiatives that seek to diversify DZS/DZM and DABS' funding sources. | PKR | Disagree | N/A |
| We recommend the Director of PKR implements policies and procedures to ensure DABS' fulfillment of matching requirements aligns with Section 3.2 of the contract. If additional or revised language is needed, we recommend the Director of PKR, in consultation with the City Attorney's Office, works with DABS to develop a supplemental contract agreement. | PKR | Agree | September 30, 2020 |

Reports Issued – Second Quarter to Date January 1 to January 25

Audit Services

Audit of VisitDallas (January 4, 2019)

The City of Dallas (City) does not have sufficient mechanisms in place to effectively evaluate services provided by VisitDallas and needs to improve the Department of Convention and Event Services' (CES) and the Office of Economic Development's (ECO):

- **Oversight and monitoring of the VisitDallas contracts and reporting**

The City's oversight and monitoring of the contracts with VisitDallas and Dallas Tourism Public Improvement District (DTPID) does not consistently include substantive analysis of reported information and commitments. The City also does not ensure timely collection of contractual payments from VisitDallas.

- **Reliability and accountability of controls over VisitDallas' performance measures and expenses**

The City does not ensure the system of controls over key performance measures for VisitDallas and the Kay Bailey Hutchison Convention Center Dallas (Convention Center) allows for consistent, complete and reliable information. Controls over certain VisitDallas expense activities of VisitDallas are not adequate and may not consistently ensure that the City receives the expected benefit.

As a result: (1) the City cannot ensure compliance with Hotel Occupancy Tax (HOT) and DTPID requirements; and, (2) the City's ability to adequately evaluate VisitDallas' performance may be impaired.

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|---|------------------------|------------------|---------------------------|
| <p>We recommend the Director of CES improves monitoring of VisitDallas by:</p> | | | |
| <ul style="list-style-type: none"> • Developing and adopting formal procedures to: <ul style="list-style-type: none"> ○ Document a more in-depth review of VisitDallas' expenses ○ Obtain and review annually VisitDallas' Form 990 ○ Request VisitDallas presents annual briefings on VisitDallas' budget, activities, and performance goals to the appropriate City Council committee ○ Ensure formal City approval (City Manager or City Manager's designee) of VisitDallas' performance goals ○ Ensure formal City approval (City Manager or City Manager's designee) of VisitDallas' annual budget • Working in coordination with VisitDallas to create a financial reporting format that: (1) segments spending by funding source and in total across all funding sources for the same categories of expenses; and, (2) provides more detailed information • Consulting with the City Attorney's Office, to implement a memorandum of understanding or supplemental contract agreement with VisitDallas that stipulates reasonable due dates for contractual obligations | <p>CES</p> | <p>Agree</p> | <p>September 30, 2021</p> |

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|----------------------|------------------------|------------------|---------------------|
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We recommend the Director of CES:

- Ensures CES timely invoices VisitDallas for the annual capital contribution to meet VisitDallas' annual \$500,000 funding commitment to CES
- Monitors the timeliness of collections and performs appropriate collection efforts if capital contributions are not received timely
- In consultation with the City Attorney's Office, determines the appropriate funds for sourcing capital contributions to ensure compliance with the State of Texas Local Government Code for Improvement Districts in Municipalities and Counties Chapter 372.003(b)(13): Authorized Improvements
- In coordination with VisitDallas, works to take appropriate corrective actions, if the City Attorney's Office determines capital contributions were incorrectly sourced

CES

Agree

February 29, 2020

We recommend the Director of ECO:

- Ensures ECO timely invoices VisitDallas for quarterly installment payments to meet VisitDallas' annual \$100,000 funding commitment to ECO and Creative Industries
- Monitors the timeliness of collections and performs appropriate collection efforts if quarterly installment payments are not received timely

ECO

Agree

December 31, 2019

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|--|------------------------|------------------|---------------------|
| <p>We recommend the Director of ECO requests VisitDallas provide monthly financial reports in accordance with the City Service Contract with VisitDallas, in a format that allows Creative Industries to efficiently reconcile direct expense payments for program activity to VisitDallas' financial reports.</p> | ECO | Agree | December 31, 2020 |
| <p>We recommend the Director of ECO, as allowed by the City contract with DTPID and VisitDallas:</p> <ul style="list-style-type: none"> • Develops a formal contract monitoring procedure • Requests and documents timely collection of contract deliverables • Obtains and reviews annually DTPID's Form 990 and VisitDallas' Form 990 | ECO | Agree | December 31, 2021 |
| <p>We recommend the Director of ECO periodically performs detailed compliance reviews of VisitDallas' expenses as allowed by the City contract with DTPID and VisitDallas and monitors DTPID's expenses to ensure compliance with the DTPID Board Orientation, Operational Guidelines & Policies and the <i>VisitDallas' Policies and Procedures Manual</i> and State of Texas laws for Tourism Public Improvement Districts by analyzing, reviewing, and documenting expenses on a random sample basis within periodic intervals, such as monthly, quarterly or annually. This review should be documented, including the resolution of any non-compliance noted.</p> | ECO | Disagree | N/A |

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

We recommend the Director of ECO, in coordination with VisitDallas and in consultation with the City Attorney's Office, addresses the interim adjustments and excess assessments to ensure the City has formal authority to accept these assessments, including determining and documenting:

- The authority regarding hotels, not on the annual DTPID assessment roll, donating to the DTPID
- If ECO can obtain City Council approval as needed to formally accept additional hotels into the district
- The appropriate disposition of excess DTPID collections from FY 2015 and FY 2016

ECO

Disagree

N/A

We recommend the Director of CES:

- Requests VisitDallas develops policies and procedures that document the methodology, formulas, and associated definitions, used in preparing both the monthly VisitDallas Metrics report and the annual Accomplishments and Action Plan report
- Reviews these VisitDallas policies and procedures for completeness and reasonableness and requests VisitDallas amends any aspects that are not considered sufficient
- Obtains underlying source documentation used by VisitDallas to produce metrics and periodically validates the accuracy of reported information

CES

Agree

September 30, 2021

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|--|------------------------|------------------|---------------------|
| We recommend the Director of CES, in coordination with VisitDallas, works to provide adequate assurance that key metrics such as economic impact, bookings, and consumed activity are independently validated and documented either by an independent consultant/contractor, or CES, on a periodic basis and relevant supporting historical data is retained. | CES | Disagree | N/A |
| We recommend the Director of CES, in coordination with VisitDallas, works to factor in historical results of consumed events when setting Citywide event bookings performance goals. | CES | Disagree | N/A |
| <p>We recommend the Director of CES:</p> <ul style="list-style-type: none"> • Develops procedures for data and metrics measuring the success of the Convention Center including retaining proper supporting documentation • Conducts a documented comparative analysis on a periodic basis of the Convention Center space rental rates | CES | Agree | September 30, 2021 |
| We recommend the Director of CES implements monitoring of VisitDallas' compensation to ensure that paid compensation is properly documented according to VisitDallas' compensation policies in order to demonstrate compliance with State law related to HOT. | CES | Disagree | N/A |
| We recommend the Director of CES monitors VisitDallas' compensation practices with particular focus on employee incentive compensation adjustments for the actual results of groups/events. | CES | Disagree | N/A |
| We recommend the Director of CES monitors VisitDallas' compensation practices with particular focus on the basis for the CEO's annual compensation goals in order to demonstrate compliance with State law related to HOT. | CES | Agree | September 30, 2020 |

| Audit Recommendation | Responsible Department | Agreement Status | Implementation Date |
|--|------------------------|------------------|---------------------|
| <p>We recommend the Director of CES monitors VisitDallas' expenses to ensure compliance with VisitDallas' Policies and Procedures Manual and State of Texas laws for HOT by analyzing, reviewing, and documenting expenses on a random sample basis within periodic intervals, such as monthly, quarterly or annually. This review should be documented, including the resolution of any non-compliance noted.</p> | CES | Disagree | N/A |
| <p>We recommend the Director of CES requests that VisitDallas strengthens the VisitDallas' Policies and Procedures Manual to provide adequate guidance on allowable expenses to better ensure the City achieves the expected benefit from expenses made from HOT and DTPID funds.</p> | CES | Agree | September 30, 2021 |
| <p>We recommend the Director of CES requests VisitDallas complies with State of Texas law for HOT funds by maintaining a separate bank account for HOT funds.</p> | CES | Agree | December 31, 2019 |
| <p>We recommend the Director of ECO requests VisitDallas complies with the DTPID administrative contract with VisitDallas by maintaining a separate bank account for DTPID funds.</p> | ECO | Agree | December 31, 2020 |

Investigative Services

Summary of Investigative Reports Closed in Fiscal Year 2018 (January 23, 2019)

This memorandum provides a brief overview of the results for three separate investigative reports closed during Fiscal Year 2018.⁸ Specifically, these results include criminal investigations of allegations involving:

- Theft of cash by Dallas Public Library employee, Shameka Griffith, Customer Service Representative
- Criminal trespass by Building Services Department⁹ (BSD) employees: Jeffrey Landsbaum, Alan Ramos, and Nicholas Smith
- Engaging in an organized criminal activity – theft of City of Dallas (City) property and tampering with a government record by various BSD employees¹⁰

In response to these investigative results, City management reported taking subsequent corrective actions as noted below.

Dallas Public Library – Theft

The Dallas Public Library (Library) implemented internal controls to reduce the number of Library staff who have:

- Access to Library buildings at all hours
- Access to the safe in each of the Library buildings

Building Services Department – Criminal Trespass

The BSD increased oversight of employee activities by:

- Creating and filling a dedicated Heating, Ventilation, and Air Conditioning (HVAC) Manager position to provide a more focused organizational structure for HVAC technicians and supervisors
- Enhancing daily activity logs to provide much more detailed information on each HVAC technician's specific work orders

⁸ For matters involving criminal activity by City of Dallas employees, the Office of the City Auditor takes steps to validate and corroborate information pertaining to the underlying criminal investigations before reporting a summary of the outcomes, resulting in a delay in the issuance of a report.

⁹ The Building Services Department (BSD) was previously known as the Department of Equipment and Building Services.

¹⁰ The BSD employees responsible for theft include: Hector Botello, Jeffrey Landsbaum, Brian Mallett, and Arturo Molinar. The BSD employees responsible for tampering with a government record include: Hector Botello, Michael Golden, Jeffrey Landsbaum, Brian Mallett, and Arturo Molinar

- Implementing additional executive-level scrutiny of employee overtime by work unit
- Implementing additional review of work orders reported as complete, including random visits of work sites and updated checklists for various preventative maintenance activities
- Increasing management review and monitoring of employees' Global Positioning System data management

Building Services Department – Criminal Theft and Tampering with a Government Record

The BSD Management supported ethics awareness and increased oversight over employee activities; and, implemented internal controls by:

- Disseminating throughout the department additional ethics awareness information with an emphasis on the consequences of unethical behavior
- Requiring management approval for orders for refrigerant
- Making management responsible for reviewing and submitting all new tool orders
- Setting expectations for management to periodically review tool inventories and to require justification from employees for any discrepancies
- Requiring police reports be submitted for all tools reported as stolen

In addition, a new Enterprise Workorder and Asset Management System is scheduled for implementation in April of 2019 (according to the latest Department of Communication and Information Services schedule) to allow asset inventory data to be tied to work orders, and to aid management in identifying potential issues in the future.

**Anticipated Report Releases – Second Quarter
January 1 to March 31**

Audit Services

Special Audit of the Accounts of Former City Attorney, Larry Casto – City Attorney’s Office

- Anticipated Report Date: March 2019
- Project Objective(s): Comply with Chapter IX, Section 4, Special Audit, of the Dallas City Charter that requires an audit and report upon the death, resignation, removal, or expiration of the term of any officer of the City

Special Audit of the Accounts of Former City Council Member Dwaine R. Caraway – Mayor and City Council Office

- Anticipated Report Date: March 2019
- Project Objective(s): Comply with Chapter IX, Section 4, Special Audit, of the Dallas City Charter that requires an audit and report upon the death, resignation, removal, or expiration of the term of any officer of the City

Water Quality and Safety, Testing, and Monitoring – Department of Dallas Water Utilities

- Anticipated Report Date: March 2019
- Project Objective(s): Determine whether DWU has: (1) adequate policies and procedures in place for ongoing accuracy testing and monitoring of City water quality and safety; and, (2) effective means of communicating with City residents (customers) regular testing and monitoring results

Projects in Progress – Second Quarter January 1 to March 31

Audit Services

Business Partner Oversight of Texas Horse Park – Department of Dallas Water Utilities

- Anticipated Report Date: On Hold
- Project Objective(s): Evaluate the financial, operational, and other risks for Texas Horse Park, a business partner operating a City-owned facility under the oversight of the Department of Dallas Water Utilities, and the City's oversight and monitoring controls

Business Partner Oversight of White Rock Boathouse – Department of Park and Recreation

- Anticipated Report Date: Third Quarter Fiscal Year 2019
- Project Objective(s): Evaluate the financial, operational, and other risks for White Rock Boathouse, a business partner operating City-owned facilities under the oversight of the Department of Park and Recreation, and the City's oversight and monitoring controls

City of Dallas' Purchasing and Travel Cards – Office of Procurement Services/Multiple Departments

- Anticipated Report Date: Fourth Quarter Fiscal Year 2019
- Project Objective(s): Evaluate controls and compliance with the City's Purchasing and Travel Cards policies and procedures

Dallas Police Department's Complaint Process

- Anticipated Report Date: Third Quarter Fiscal Year 2019
- Project Objective(s): Determine if: (1) the Dallas Police Department's complaint process is accessible; (2) internal and external complaints are processed consistently; and, (3) appropriate and consistent corrective actions are taken

Fiscal Year 2019 Audit Follow-Up of Prior Audit Recommendations: Construction-Related Procurements – Multiple Departments

- Anticipated Report Date: Third Quarter Fiscal Year 2019
- Project Objective(s): Evaluate management's implementation of prior audit recommendations

Fiscal Year 2019 Audit Follow-Up of Prior Audit Recommendations: Court Information System – Cash Management/Collections Processes

- Anticipated Report Date: Third Quarter Fiscal Year 2019
- Project Objective(s): Evaluate management's implementation of prior audit recommendations

Fiscal Year 2019 Audit Follow-Up of Prior Audit Recommendations: Fiscal Years 2016, 2017, and 2018 – Multiple Departments

- Anticipated Report Date: Third Quarter Fiscal Year 2019
- Project Objective(s): Evaluate management's implementation of prior audit recommendations

Fiscal Year 2019 Audit Follow-Up of Prior Audit Recommendations: Homeless Response System Effectiveness – Office of Homeless Solutions

- Anticipated Report Date: Third Quarter Fiscal Year 2019
- Project Objective(s): Evaluate management's implementation of prior audit recommendations.

Management of the City's Surplus Real Properties – Department of Sustainable Development and Construction

- Anticipated Report Date: Third Quarter Fiscal Year 2019
- Project Objective(s): Evaluate the City's processes for identifying, managing, and disposing of surplus real property

Open Records Request Process – City Secretary’s Office

- Anticipated Report Date: Third Quarter Fiscal Year 2019
- Project Objective(s): Evaluate the effectiveness of the Office of the City Secretary’s¹¹ compliance with State law and whether there are cost-saving opportunities

Performance Measurement Process – Multiple Departments

- Anticipated Report Date: Fourth Quarter Fiscal Year 2019
- Project Objective(s): Conduct an audit of the performance measures included in the City’s 365 website to evaluate whether performance data are meaningful, accurate, supportable, reliable, and valid

Security and Safety Protocols for Large Public Venues Owned or Managed by the City – Multiple Departments

- Anticipated Report Date: Third Quarter Fiscal Year 2019
- Project Objective(s): Evaluate the adequacy of the security and safety protocols in place for large public venues owned or managed by the City

Franchise Fees Review through Third-Party Vendor (*Ongoing*)

- Anticipated Report Date: Periodic, as warranted
- Project Objective(s): Verify that franchise fees (which may include utilities, cable, and telephone) identified by a third-party vendor are received by the City

Sales/Use Tax Compliance Review through Third-Party Vendor (*Ongoing*)

- Anticipated Report Date: Periodic, as warranted
- Project Objective(s): Identify and collect new and misreported tax revenue identified through a third-party vendor which will conduct Sales and Use Tax Compliance Review and Recovery Services

¹¹ The responsibility for the open records request process was transferred from the Public Information Office (PIO) to the City Secretary’s Office. Therefore, the Fiscal Year 2018 Audit Plan originally referred to the PIO.

**Anticipated Project Starts – Second Quarter
January 1 to March 31**

Audit Services

Audit of Information Technology – Department of Communication and Information Services

- Project Objective(s): To procure and monitor professional services necessary to perform a security program maturity assessment and evaluate the City's: (1) information security risk management strategy; (2) security architecture; and, (3) implementation of information technology security and privacy controls

Audit of Notification of Security Violations – Department of Communication and Information Services

- Project Objective(s): Evaluate the policies and procedures used by the Department of Communication and Information Services to train and provide mechanisms to employees on reporting security violations such as phishing and email compromise