

# Memorandum



CITY OF DALLAS

**DATE:** May 2, 2018

**TO:** Honorable Members of the Government Performance and Financial Management Committee: Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee M. Kleinman, Philip T. Kingston, Tennell Atkins, Kevin Felder

**SUBJECT:** Office of the City Auditor Fiscal Year 2018 – Third Quarter Update

I will provide a briefing to the members of the Government Performance and Financial Management Committee on Monday, May 7, 2018 regarding:

- Office of the City Auditor – FY 2018 Third Quarter Update

Respectfully,

A handwritten signature in black ink that reads "Craig D. Kinton".

Craig D. Kinton  
City Auditor

c: Honorable Mayor and Members of the City Council  
T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
M. Elizabeth Reich, Chief Financial Officer  
Biliera Johnson, City Secretary  
Daniel F. Solis, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jo M. (Jody) Puckett, Assistant City Manager (Interim)  
Nadia Chandler Hardy, Chief of Community Services  
Raquel Favela, Chief of Economic Development & Neighborhood Services  
Theresa O'Donnell, Chief of Resilience  
Directors and Assistant Directors

# **Office of the City Auditor – Fiscal Year 2018 Third Quarter Update**

**Government Performance and  
Financial Management Committee  
May 7, 2018**

**Craig D. Kinton, City Auditor  
Office of the City Auditor  
City of Dallas**



# Audit and Attestation Services Reports Issued

(Second Quarter Fiscal Year 2018 through April 20, 2018)

## Performance Audits

- Special Audit of the Accounts of Four Former City Council Members (Briefed to GPFM on February 5, 2018)
- Special Audit of the Accounts of Former City Secretary, Rosa A. Rios
- Special Collections Operations
- Special Collections Operations - Confidential Limited Use Report
- Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities
- Fiscal Year 2017 Audit Follow-Up of Prior Audit Recommendations



# Special Audit of the Accounts of Former City Secretary, Rosa A. Rios

---

Release Date: February 9, 2018

Objectives: Ensure that the City properly controlled and accounted for any City of Dallas (City) assets assigned to the former City Secretary, removed the former City Secretary as an authorized agent of the City, and ensure the former City Secretary did not have any outstanding debts owed to the City.

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

Scope: Fiscal Year (FY) 2017 and FY 2018

Conclusion: The accounts of Former City Secretary, Rosa A. Rios were in order. She was timely removed from access to City systems and all assigned items were substantiated.

# Special Collections Operations

---

- Release Date: March 23, 2018
- Objective: Determine whether internal controls are adequate to ensure cash receipts are timely deposited and accounted for properly.
- Scope: FY 2015 through the first quarter of FY 2017
- Conclusion: The Department of Dallas Water Utilities (DWU) implemented additional internal controls that significantly improved the DWU Special Collections Section's (SCS) daily cash collections operations over cash handling in response to a cash theft identified in February 2015. Additional opportunities to improve controls were identified including:
- Segregation of cash handling duties
  - Establishment of system user profiles and access privileges
  - Annual monitoring of system user profiles and access privileges

# Special Collections Operations

---

**We recommended the Director of the DWU further improves:**

- Segregation of duties by specifying appropriate job descriptions for cash handling personnel in SCS job descriptions
- SCS cash handling controls
- Compliance and oversight of cash collections processes



# Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities

Release Date: March 30, 2018

Objective: Determine whether the City complies with the United States Environmental Protection Agency regulations which may include the Clean Water Act, and/or other Federal/State environmental requirements regarding the handling/disposing of hazardous waste. Given the breadth of the City's environmental responsibilities, **this audit focused specifically on the management of spill prevention, control and countermeasures, and scrap tire disposal at City facilities.**

Scope: October 2014 through March 2017

Conclusion: Opportunities to improve monitoring activities and internal controls related to the management of environmental spills and scrap tire disposal were identified for both the Office of Environmental Quality (OEQ) and the responsible departments.

# Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities

---

Conclusion (continued)

Specifically:

OEQ can improve monitoring activities related to the management of environmental spills and scrap tire disposal facilities by:

- 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

7



# Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities

Conclusion (continued)

City departments can improve management of environmental spills and scrap tire disposal at City facilities by:

- 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 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

8

# Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities

---

## We recommended:

The Director of **OEQ**:

- Develops and implements internal controls to ensure: (1) Spill incidents reported to Texas Commission on Environmental Quality (TCEQ) are documented accurately in the OEQ Incidents Summary, (2) OEQ uses consistent thresholds for reporting hydraulic fluid spills; and, (3) 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
- Improves the effectiveness of semi-monthly inspections

9

# Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities

---

## We recommended:

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 EIRs evidencing review before EIRs are submitted to the OEQ

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

10

# Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities

---

## We recommended:

The Director of **SAN**:

- Ensures: (1) SAN staff are trained to inspect sanitation trucks prior to use and to report mechanical issues; (2) sanitation trucks are properly maintained and not dispatched when mechanical issues exist; and, (3) an in-depth analysis of sanitation truck preventative maintenance and fleet size is conducted
- Ensures scrap tire transporter invoices are received and paid timely to help prevent noncompliance with environmental quality rules related to scrap tire storage

11



# Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities

---

## We recommended:

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



# Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities

---

## We recommended:

The Director of **DWU** Ensures the DWU's Southside Wastewater Treatment Plant's Heavy Equipment Shop:

- 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 the daily inspections to properly complete the Pollution Prevention Daily Checklist and trains the DWU supervisors responsible for reviewing the result
- Stores scrap tires in compliance with City Code Chapter 19 Section 34.1 *ACCUMULATING TIRES*

13

# Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities

---

## We recommended:

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



# Fiscal Year 2017 Audit Follow-Up of Prior Audit Recommendations

Release Date:	April 13, 2018
Objective:	Evaluate whether, as of December 31, 2016, certain FY 2015 and 2016 prior audit recommendations were implemented.
Scope:	FY 2015 and FY 2016 up to December 31, 2016
Conclusion:	City Management implemented 26 of 65 recommendations (40 percent) that were included in seven audit reports issued in FY 2015 and FY 2016.

This result shows the full implementation of recommendations to address financial, operational, and compliance risks identified in prior audits continues to be a challenge. 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.



# Fiscal Year 2017 Audit Follow-Up of Prior Audit Recommendations

Conclusion (continued)

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
- 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

Recommendations: (None)

16

# Anticipated Report Releases

Third Quarter FY 2018

---

- Continuity of Operations Audit Follow-Up
- Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations
- Off-Duty Employment Administration – Dallas Police Department
- Records Management System

17



# Audit and Attestation Services Projects In Progress

Third Quarter, Fiscal Year 2018

---

- Business Partner Oversight
- Dallas Convention & Visitors Bureau (VisitDallas)
- Miscellaneous Permit Fee Revenues
- Surveillance Camera Oversight
- Performance Measurement Process
- Water Quality and Safety, Testing, and Monitoring
- Franchise Fees Review through Third-Party Vendor (*Ongoing*)
- Sales/Use Tax Compliance Review through Third Party Vendor (*Ongoing*)

18



# Audit and Attestation Services

## Anticipated Project Starts

Third Quarter, Fiscal Year 2018

---

- Dallas Fire-Rescue Occupational Safety and Health Program
- Dallas Police Department's Complaint Process
- Economic Development Programs and Incentives
- Management of the City's Surplus Real Properties
- Open Records Request Process
- Security and Safety Protocols for Large Public Venues Owned or Managed by the City

19



# Appendix – Report Links

---

## Audit Reports

- [Special Audit of the Accounts of Four Former City Council Members](#)
- [Special Audit of the Accounts of Former City Secretary, Rosa A. Rios](#)
- [Audit of Special Collections Operations](#)
- [Audit of Environmental Compliance – Management of Environmental Spills and Scrap Tire Disposal at City Facilities](#)
- [Fiscal Year 2017 Audit Follow-Up of Prior Audit Recommendations](#)



# **Office of the City Auditor – Fiscal Year 2018 Third Quarter Update**

**Government Performance and  
Financial Management Committee  
May 7, 2018**

**Craig D. Kinton, City Auditor  
Office of the City Auditor  
City of Dallas**

