

Memorandum



CITY OF DALLAS

DATE June 1, 2018

TO Honorable Mayor and Members of the City Council

SUBJECT **Fiscal Year 2017 Audit of Prior FY15-16 Audit Recommendations**

At the May 7 meeting of the Government Performance and Financial Management Committee, staff was requested to provide additional information on the status of managements' implementation of prior audit recommendations from Fiscal Year (FY) 2015 and FY 2016. The implementation cut-off date for the audit scope was December 31, 2016.

On March 20, 2018, the City Auditor's Office convened a meeting of executive staff to review the audit of prior audit recommendations from FY 2015 and FY 2016. The audit advised that 40% of the audit recommendations were implemented (See attached chart and figures), and this percentage is fairly consistent with implementation rates for previous years. However, the City Auditor aspires for a 70% implementation rate.

Although the following recommendations were *not implemented* by December 2016, I am providing staff's justification below and will continue to work with the City Auditor to address any outstanding implementation issues:

- **Dallas Water Utilities**. Further develop the meter-to-billing process to more fully comply with the ISO and AWWA standards, requirements, and recommended practices.
 - Resource Management – The organization shall determine and provide the resources needed. *At the time of the audit, there was a lack of technology available to implement the recommendation. Action is now pending implementation of Field Mobility, and funding is currently in the FY19 Planned Budget.*
 - Product Realization (Tolerance Settings) – The organization shall plan and develop the processes needed for product realization (e.g. customer billings). *Staff believes the recommendation was implemented by the targeted date. DWU is currently performing additional statistical analysis to further verify results provided to City Auditor's Office.*
 - Measurement, Analysis, and Improvement (Performance Measures) – The organization shall plan and implement the monitoring, measurement, analysis, and improvement processes needed to demonstrate, ensure and continually improve the effectiveness of the system. *Staff believes the recommendation was implemented by the targeted date. DWU is currently performing additional statistical analysis to further verify results provided to City Auditor's Office.*

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- Meter Accuracy Tests (Statistical Sampling) – All meters should be tested for accuracy of registration at flow rates and test-flow quantities. A statistical sample testing of new meter shipments to verify accuracy is an efficient cost alternative to testing every new meter. *Staff believes the recommendation was implemented by the targeted date. The City Auditor's Office disagreed and DWU revised the implemented process in April 2018 – after the City Auditor's cut-off date.*
- Meter Accuracy Tests (Lower Standard than AWWA) – All sampled meters must meet accuracy limits at different flow rates. *Staff believes the recommendation was implemented by the targeted date. The City Auditor's Office disagreed and DWU revised the implemented process in January 2018 – after the City Auditor's cut-off date.*
- Periodic Meters-in-Service Tests (Large Meters Maintenance) – In most cases it is impossible to ascertain, without actual testing, whether meters-in-service are registering with the required degree of accuracy. Consequently, to ensure reliable meter measurements, it is essential that all meters be subject to periodic testing. *Work performed by third party consultant was necessary to implement the billing system changes required to meet audit recommendation. The recommendation was completed in March 2017 – after the City Auditor's cut-off date.*
- **Business Development and Procurement Services' (BDPS) Internal Controls for Request for Proposal Requirements.**
 - Ensure timely processing of RFPs by including in BDPS' policies and procedures appropriate policies, standards, and procedures to measure and improve the timeliness of RFP processing as follows: (1) establishing an expectation for the timely completion of RFPs within certain parameters, such as a specific number of days or service type; (2) adopting standards for timely completion of each step within the RFP process, including those steps that are not directly within BDPS' control; (3) benchmarking the actual time it takes to complete each step within the RFP process and the final RFP; and (4) comparing actual results of RFP processing against the adopted standards to evaluate opportunities to further improve timeliness. *Management did not agree to implement the recommendation as written but agreed to a similar solution. A project management solution was put in place to gather the necessary analytics to benchmark the process. However, BDPS did not allow adequate time to fully develop and implement by the City Auditor's cut-off date. The system was implemented in October 2017.*
 - Improve the effectiveness of the RFP process by requiring: (1) City employees in the departments to complete non-disclosure statements and conflict of interest (COI) statements (Statements); (2) BDPS' employees involved in

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preparing the RFP and evaluation the proposals to complete Statements; (3) evaluation committee members complete COIs; (4) documentation of the methods BDPS used to select members of RFP evaluation committees, including the appropriate number of evaluators and their qualifications; (5) documentation of the evaluators' names, titles, departments, and dates of completion of the evaluator score sheets (Score Sheets); and (6) signature date line to be included in contracts. *Procedures were developed but the process was not monitored to determine if the procedure was effective in mitigating the risk. OPS management provided additional training and has implemented additional processes to improve the compliance. The checklist and work instructions were revised three times (July 2015, June 2016 & December 2016) since the original audit review for continued improvement. OPS is currently evaluating an electronic procurement system that will incorporate all necessary digital approvals and document management, mitigating the risk for the City (eliminating the labor-intensive, paper-driven process). Staff anticipates implementation prior to the end of the FY18.*

- Update AD 4-05 to align with Texas Local Government Code Chapter 252, *Purchasing and Contracting Authority of Municipalities* that allows the use of competitive sealed proposals for the purchase of goods. *The recommendation was fully implemented in April 2018, after the City Auditor's cut-off date. The review process involved numerous meetings with the City Attorney's Office and the client departments to ensure the recommended changes met both the operational and statutory guidelines. Based on the meetings, a number of City Code changes were recommended and briefed to the GPFM Council committee on March 19, 2018, and subsequently approved by City Council on April 11, 2018.*
- Enforce consistency in RFP documentation and filing by requiring (1) a standard checklist (Checklist) of documents that should be retained in the Files; (2) consistent templates for the RFP documentation; (3) consistent order of documents placed in each of the Files; (4) periodic management review of RFP documentation for consistency; and (5) a single location is used for storing Files and individual documents (Single Filing Location). *Procedures were developed but the process was not monitored to determine if the procedure was effective in mitigating the risk. OPS management provided additional training and has implemented additional processes to improve the compliance. The checklist and work instructions were revised three times (July 2015, June 2016 & December 2016) since the original audit review for continued improvement. OPS is currently evaluating an electronic procurement system that will incorporate all necessary digital approvals and document management, mitigating the risk for the City (eliminating the labor-intensive, paper-driven process). Staff anticipates implementation prior to the end of the FY18.*

- **Dallas Fire-Rescue's Fleet Maintenance Management.**

- Ensure PM services are performed timely and in accordance with the NFPA's and the manufacturers' recommended schedules for all DFR emergency vehicles by creating reports to evaluate periodically when PM services are due, so that the PM services can be scheduled and fire station personnel are notified. *The current workload at DFR Fleet Maintenance exceeds the work capacity of existing personnel. Although DFR has been authorized to hire six additional mechanics, the positions could not be filled. The shortage resulted in a backlog of work orders, which resulted in a less than 100% completion rate of Preventive Maintenance (PM) tasks. Contributing factors include 1) starting salary; 2) mandated certifications; 3) tight labor pool; 4) Civil Service processing; and 5) existing personnel on limited duty due to either on-the-job or off-duty injuries. DFR is seeking to supplement the workforce by enlisting a private contractor to conduct PMs at the individual fire stations. DFR has executed worker safety training and providing additional safety gear. Additionally, DFR is addressing the limited duty quandary in accordance with City of Dallas Administrative Directive 3-55. A new compensation structure was proposed by DFR in FY 2016 and was partially approved by Human Resources and implemented in October 2017. However, in order to meet market competition for the classification, full implementation would entail increasing compensation to competitive market levels. DFR will continue to work with Human Resources to fully implement the entire program by October 1, 2019, subject to budget approval. This task is On-Going.*
- Work with the Director of the Office of Procurement Services formerly known as the Department of Business Development and Procurement Services (BDPS) to establish an efficient procurement method, such as a master agreement, to readily obtain emergency vehicles' parts. *Although DFR is continually working with BDPS to establish agreements, there is not a single vendor that can supply the myriad of specialty components on a master agreement. A number of master agreements have been established (ex. Sept. 28, 2016; 16-1555 BN 1604 and April 12, 2017; 17-0568 BN 1702) and DFR continues to undergo a comprehensive evaluation of current practices to establish an efficient procurement method, in coordination with Procurement. A "Pilot Program" RFP is being fashioned to identify vendors who can provide emergency repairs and parts, thereby reducing DFR managed inventory. This task is ongoing.*
- Ensure the Division mechanic supervisors consistently perform quality control procedures for all PM services by preparing, signing, and retaining the Division's checklists. *Current retention of PM records is kept via manual hard copies, (paper and pen). In an effort to standardize the input and retention of data for internal Quality Assurance and Quality Improvement checks, the City of Dallas CIS was tasked with creating an input and query user-friendly*

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database. As of today, the archive has not been created. The shortage of personnel renders the manual reviews much more difficult to achieve. Until the full-staffing dilemma, and database creation issues are resolved, DFR is not likely to meet the desired goals. CIS is anticipated to complete a Business Requirement Document and then work with M5 to map out the way ahead with timelines. They will work to gather the requirements and have it ready by June 15, 2018.

- *Segregate the M5 software application MGMT roles between the Fleet Section Manager and the Automotive Parts Warehouse Manager. The M5 system is the City's fleet asset management system utilized to, among other things, capture work performed on City of Dallas fleet assets. Staff believes the recommendation was implemented by the targeted date and confirmed in June 2017 that the implementation was completed. A report was produced to confirm that the roles had been segregated as requested by DFR.*
- *Review M5 software application user accounts periodically to ensure appropriate personnel have access to the system. All DFR mechanics are set up in M5, and members who no longer work for DFR must be removed in order to allocate new licenses. The process is ongoing due to frequent turnover; DFR personnel designated as "users" of the M5 system leave the City of Dallas or are hired/promoted by another City Department. At the time of the audit, former personnel maintained user rights, yet had left City of Dallas employment for over a year. EBS administers access and terminates access upon request via the DFR Access-Removal Request Form or the HR termination report. Prior to creation of the Access-Removal Request Form, formal requests to remove or add users were done via e-mail only. DFR will continue to monitor the effectiveness and administration of the new notification process to ensure compliance.*
- *Create incentives to encourage mechanics to obtain relevant certifications. On May 8, 2018, DFR received official notice from Human Resources that an incentive plan via a certification structure has been approved. DFR is in the process of rolling out the program and will work with Human Resources to fully implement on October 1, 2018.*
- *Implement a compensation structure with guidance from the City's Department of Human Resources to ensure high-performing mechanics are rewarded for their performance, years of experience, and certifications. A new compensation structure was proposed by DFR in FY 2016 and was partially approved by Human Resources and implemented in October 2017. However, in order to meet market competition for the classification, full implementation would entail increasing compensation to competitive market levels. DFR will continue to*

work with Human Resources to fully implement the entire program by October 1, 2018, subject to budget approval.

- Retain training records to verify each mechanic has completed the minimum training requirements. *DFR Fleet Maintenance implemented the recommended minimum training requirements of 25-hours annually in April 2017, after the targeted cut-off date. Training hours are scheduled quarterly. The City Auditor's Office requested manufacturers' and/or outside continuing education (CE) instructors to provide syllabi and training materials. The syllabi and training materials were withheld, citing proprietary property by the vendor(s). However, DFR maintains training reports and attendance copies, which are available upon request.*
- **Dallas Water Utilities' Maintenance of Infrastructure.**
 - Review water pipeline replacement needs and develop and regularly report on one water replacement target rate. *Staff believes the recommendation was implemented by the targeted date. The City Auditor's Office disagreed and DWU revised the implemented process in March 2018 – after the City Auditor's cut-off date.*
 - Further develop precise and clear performance measures to evaluate its water pipeline replacement efforts. *At the time of the audit, there was a lack of technology available to implement the recommendation – Enterprise Work Order Asset Management System. The system is currently being implemented for vertical infrastructure, followed by horizontal (pipelines), with full implementation to be completed in the first quarter of 2020.*
 - Ensure completeness of data entry by assigning reviews of the entered information by individuals who did not enter the data and using accuracy checks, such as control totals, for the Microsoft (MS) Excel spreadsheet and MS Access database. *The recommendation was fully implemented in March 2018 – after the City Auditor's cut-off date.*
- **Access Controls for the Courts' (CTS) Information Systems.**
 - Establish standard user profiles. If business process changes results in the need to modify existing user profiles, management should evaluate these modifications for inadequate segregation of duties. *Staff believes the recommendation was implemented by the targeted date. Additional work was done to further ensure responsiveness to the City Auditor's recommendation. Therefore, all profiles/templates were deleted and re-created with a standardized profile by April 28, 2016, two months prior to the due date of June 2016. By June 2016, spot checks were conducted by all user departments for review of each user's access and transactions. This review resulted in noted corrections of some profiles. Annual reviews are conducted to review template*

types for segregation of duties. These reviews are codified in Court and Detention Services' ISO Procedure CTS-PRO-906. All users work within one of 33 standard templates. All new templates are added only after the consent of executive CTS staff, the Administrative Judge, and the Chief Prosecutor as documented on ISO form CTS-FRM-922. Procedure CTS-PRO-909 details the process for changing a user access template in Incode (court case management system).

- *Develop a mapping and/or reference document to assist in the consistent review of users' access. Staff believes the recommendation was implemented by the targeted date. User profiles are added, deleted and changed via a standardized process defined in CTS procedure CTS-PRO-905. Annually, profile templates are reviewed using the procedure defined in ISO procedure CTS-PRO-906.*
- *Periodically review the activity logs to monitor for known and other potential security risks. Staff believes the recommendation was implemented by the targeted date. The Department has numerous internal controls put in place to detect both errors and potential issues. Daily, weekly, monthly and annual reconciliations and audits occur from both an accounting standpoint and a courtroom accuracy standpoint. In addition to these numerous reviews occurring, the Department conducts an annual executive/management level review to spot-check for any above and beyond anomalies.*
- **Leasing, Concessions, and Other Activities for the Department of Aviation.**
 - *Develop and implement formal contract monitoring policies and procedures. Contract monitoring policies and procedures for Parking Concessions has not been implemented as the Concessions contract is being replaced with a Parking Management Contract. An RFCSP process is currently underway and AVI will follow existing contracting policies and procedures once the management contract is implemented. The new Parking Management Contract is anticipated for City Council consideration in September 2018.*
 - *Ensure AVI employees responsible for contract monitoring have direct (read-only) access to the Parking Revenue Control System (PRCS). At the time of the audit, there was a lack of technology available to implement the recommendation. Delays on equipment caused a re-schedule for the Skidata Parking System integration with the NTTA System to June 2018. This integration will give AVI the ability to independently monitor NTTA transactions in addition to AVI's current access to non-NTTA transactions. Full integration is scheduled to be complete by July 2018.*
 - *Integrate the new parking system with the NTTA parking system to obtain TollTag parking information; or capture relevant TollTag parking information,*

such as the vehicles' license plate numbers and the specific date and time the vehicles were parked. *At the time of the audit, there was a lack of technology available to implement the recommendation. Delays on equipment caused a re-schedule for the Skidata Parking System integration with the NTTA System to June 2018. This integration will give AVI the ability to independently monitor NTTA transactions in addition to AVI's current access to non-NTTA transactions. Full integration is scheduled to be complete by July 2018.*

- **City of Dallas' Civilian Timekeeping Internal Controls and Processes**
 - Ensure the Director of Human Resources works with other City departments to revise their timekeeping and attendance procedures to bring them into compliance with the City's Personnel Rules. *The Dallas Police Department and the Departments of Dallas Fire-Rescue and Dallas Water Utilities (Elm Fork Water Treatment Plant) did not revise their timekeeping and attendance procedures to bring them into compliance with Personnel Rules. HR intends to review the Personnel Rules by December 2018 to ensure they are responsive to the timekeeping and attendance management requirements of all departments and take into consideration the diverse staffing patterns and scheduling needs while remaining in compliance with the law.*

Important to note, the 2016 audit recommended that the City Manager's Office establish oversight for the implementation of audit recommendations. The Internal Control Task Force, created in FY 2013, was assigned this role and is serving as an internal consultant of sorts to assist in monitoring and ensuring the implementation of recommendations. We will transition this team to the Controller's Office. Internal Control is working with the Mayor and City Council Office on the implementation of recommendations made during the 2017 Special Audit of the Four Former Councilmembers issued in January 2018.

Please let me know if you have any questions.



T.C. Broadnax
City Manager

c: Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Biliera Johnson, City Secretary (Interim)
Kimberly Bizar Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jo M. (Jody) Puckett, Assistant City Manager (Interim)

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
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