

Memorandum



DATE: September 23, 2024

TO: Honorable Members of the Government Performance & Financial Management Committee: Chad West (Chair), Paula Blackmon (Vice Chair), Cara Mendelsohn, Jesse Moreno, Jaime Resendez

SUBJECT: Internal Audit Reports Released Between August 17, 2024, and September 13, 2024

Attached for your review are the Office of the City Auditor audit reports released between August 17, 2024, and September 13, 2024. The full reports are included in [Attachment 1. Exhibit 1](#) summarizes the number of report recommendations accepted by city management.

Exhibit 1:

Summary of Audit Reports Recommendations Accepted

Audit Report Title	Report Recommendations		
	Accepted	Total	Percentage
Audit of Land Management Software Implementation – Interim Report	3	3	100%
Audit of Proposed Budget Revenues Included in the Fiscal Year 2024-25 Proposed Annual Budget for the City of Dallas	Not Applicable	0	Not Applicable

If you have any questions, please contact me at (214) 670-3222 or mark.swann@dallas.gov.

Sincerely,

Mark S. Swann
City Auditor

Attachment

C: Kimberly Bizer Tolbert, City Manager (I)
Tammy Palomino, City Attorney
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety (I)
Dev Rastogi, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager (I)
Robin Bently, Assistant City Manager (I)
Jack Ireland, Chief Financial Officer
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment
Sheri Kowalski, City Controller
Directors and Assistant Directors
Alpha Jalloh, Assistant Director – Financial Compliance, Auditing & Monitoring
Jeffrey Brill, Manager – Financial Compliance, Auditing & Monitoring

Attachment 1 – Internal Audit Reports Released Between August 17, 2024, and September 13, 2024



Reports Released:

1. Audit of Land Management Software Implementation – Interim Report (August 30, 2024)
2. Audit of Proposed Budget Revenues Included in the Fiscal Year 2024-25 Proposed Annual Budget for the City of Dallas (September 3, 2024)

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Audit of Land Management Software Implementation -Interim Report

August 30, 2024

Mark S. Swann, City Auditor

Mayor

Eric L. Johnson

Mayor Pro Tem

Tennell Atkins

Deputy Mayor Pro Tem

Carolyn King Arnold

Council Members

Adam Bazaldua

Paula Blackmon

Zarin D. Gracey

Cara Mendelsohn

Jesse Moreno

Omar Narvaez

Jaime Resendez

Paul E. Ridley

Jaynie Schultz

Kathy Stewart

Chad West

Gay Donnell Willis



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Executive Summary

Objective and Scope

The objectives of this audit were to determine whether:

- A system development life cycle methodology has been adopted and executed.
- Project planning activities have been completed.
- Business requirements, security risks, and data flows were identified and incorporated.
- Continuous project evaluation performed.

The audit covered conditions as of May 31, 2024.

Recommendations

Certain project activities and steps if addressed immediately will improve the success rate of the land management software.

- Review and complete the Information and Technology Services mandatory project management steps and obtain approvals for the phases completed to date.
- Review project areas and gaps that need attention and minimize the gaps with an appropriate corrective plan.
- Review upcoming challenges and work with vendors and internal project managers to mitigate identified project risks as applicable.

Background

The Planning and Development Department and Information and Technology Services are in the process of implementing land management software (DallasNow) for building and permit services. The software implementation was initiated in May 2023 and is scheduled for completion July 28, 2025.

The city contracted with Accela for software implementation and Gartner Consulting for program assurance services totaling \$8.25 million. The paid to date total for implementation services is \$4.25 million. Refer to [Background](#) for additional details.

The Planning and Development Department and Information & Technology Services are approximately halfway into software implementation.

Observed Conditions

As the software implementation moves into the next phases of user acceptance testing, migration, deployment, and closure, certain challenges need careful attention. Refer to [Observation A](#).

Objectives and Conclusions

1. Has a system development life cycle methodology been adopted and executed?

Generally, yes. The City requires software implementation projects to follow the *Just Enough Project Management* concept. This process is in practice but has not been formally identified and communicated to the Planning and Development Department, to Accela for collaboration, or within Information & Technology Services. (See [Observation A](#).)

2. Have the project planning process and activities been completed?

Generally, yes. Mandatory documents required by the City's project management methodology to support the project implementation, regardless of which approach is applied are incomplete. Various versions are available. (See [Observation A](#) and [Exhibit 2](#).)

3. Are business requirements, security risks, and data flows identified and managed?

Generally, yes. Business requirements, data flows, security elements, and technical architecture were not leveraged before implementation. Vendor tailoring sessions, however, do incorporate basic process requirements. (See [Observation A](#) and [Exhibit 1](#).)

4. Are continuous project evaluations performed to ensure project progress meets the established timeline and budget?

Generally, yes. Management places reliance on vendors to communicate and track weekly meetings and changes. However, there are certain internal activities to support collaborative efforts that are not being performed, such as compliance reviews.

Audit Results

As the city continues with this critical implementation, an audit on the pre-planning, planning, requirement analysis, configuration, project management, and related artifacts of the software implementation identified the following.

Accomplishments

The Planning and Development Department and Information & Technology Services software implementation of land management software (DallasNow) key accomplishments include:

- **Project Initiation:** The Planning and Development Department and Information & Technology Services completed initial planning steps toward procuring the product, deciding on tailoring instead of customization, identifying project managers, and establishing regular communication with vendors. This groundwork has laid a foundation for the subsequent stages of the implementation process.
- **Tailoring of Software:** The Planning and Development Department and Accela completed tailoring Civic Platform for ten of the twelve solution groups (May 15, 2024).
- **Subject Matter Expertise:** The city has contracted with Accela and Gartner Consulting, subject matter expertise for software implementation. This has provided a degree of assurance over the project's success and identification of project risks for timely mitigation.

Both *City Council Resolution 88-3428* and Administrative Directive 4-09, *Internal Control* prescribe policy for the City to establish and maintain an internal control system. The audit observation listed is offered to assist management in fulfilling their internal control responsibilities.

Observation A: Project Implementation – Interim Status

The Planning and Development Department and Information & Technology Services with assistance from Accela (software vendor) and Gartner Consulting (program assurance services) are approximately halfway into the land management software implementation (Dallas Now). The software implementation was initiated in May 2023 and is scheduled for completion on July 28, 2025.

Upcoming Challenges

As the software implementation moves into the next phases of user acceptance testing, migration, deployment, and closure, certain challenges need careful attention.

- **Integration Complexity:** The integration process has presented some unforeseen challenges resulting in potential project delays.

- **Skilled Resources:** Insufficient knowledge and guidance from internal project management for user acceptance phase testing may result in developing inadequate user testing scripts. Gartner Consulting risk profile for the project cites city resource capacity and skill set constraints.
- **User Training and Adoption:** The training plans may need to be tailored to meet the City's needs.
- **Timeline & Cost Adjustments:** Due to the challenges noted above, the timeline for project completion and estimated project cost may need to be updated.

Needs Attention

While progress has been steady and continuous, certain steps and activities need immediate attention to ensure continuing success. Refer to [Exhibit 1](#) for further details.

- **Governance Structure:** Several leadership changes in the City have left a void in the DallasNow Governance Committee. The void impacts decision-making, direction, clarity, and expectations of and from the vendor for the remaining phases of the implementation.
- **Requirement Analysis:** The vendor-developed statement of work may not completely address the city's business requirements, security risks, technical architecture, and desired improvements to the POSSE replacement system. A thorough requirement analysis to re-evaluate and incorporate various needs identified from different sources is necessary. Refer to [Exhibit 1, Number 7](#), for additional details.
- **Project Management:** The *Just Enough Project Management* concept has not been formally defined for this project's implementation. Subsequently, mandatory project artifacts are incomplete. Refer to [Exhibit 2](#) for additional details.
- **Continuous Evaluations:** The City is not actively performing due diligence on project changes and resource monitoring. Compliance reviews are not performed to provide project barrier information to the Information and Technology Services director. Phase acceptance approvals and evaluation are not completed.

Criteria

- ❖ *Information and Technology Project Management Methodology*
- ❖ Standards for Internal Control in the Federal Government:
 - *Principle 10 – Control Activities*
 - *Principle 16 – Perform Monitoring Activities*

Assessed Risk Rating:

Moderate

We recommend the **Directors of Information and Technology Services and Planning and Development Department:**

A.1: Review project artifacts and complete the Information and Technology Services mandatory project management steps and obtain approvals for the phases completed to date. Refer to [Exhibit 2](#).

A.2: Review project areas and gaps that need attention and minimize the gaps with an appropriate corrective plan. Refer to [Exhibit 1](#).

A.3: Review upcoming challenges and work with vendors and internal project managers to mitigate identified project risks as applicable.

Exhibit 1:

Project Areas and Identified Gaps Needing Attention and Associated Recommendations

No.	Area	Identified Project Risk/Gap	Recommendation
1	Governance Structure	Key decision-makers on the governance committee are no longer with the city.	Reestablish the governance committee with current personnel with the authority to make key decisions.
2	Governance Structure	Insufficient clarity between the Information & Technology Project Management Office and their role relative to Gartner Consulting to perform similar project management activities.	Determine how the project management office should utilize Gartner Consulting to continue progress, avoid duplication, and lead the next steps in user acceptance testing.
3	Governance Structure	Gartner has identified several ongoing medium risks that are trending toward high risk which are not being addressed by the City (integration, user acceptance test plans, technical infrastructure, guidance from the internal project management office).	Consider possible changes to the project management team between Gartner Consulting and the project management office and give appropriate authority to make decisions.
4	Governance Structure	An internal memorandum of understanding that established department-specific roles to avoid misunderstandings is not in place.	Develop a memorandum of understanding for the remaining aspects of the project to avoid misunderstandings and set clear expectations on activities, deliverables, and results.
5	Project Management	The <i>Just Enough Project Management</i> concept has not been defined for this project's implementation.	Define the <i>Just Enough Project Management</i> for the project implementation and communicate the variances and adopted process steps and activities for upcoming phases.
6	Project Management	The information & Technology Project Management Methodology states, " <i>All projects require a common set of process steps and documentation regardless of the type of project or unique characteristics of the project.</i> " Of the 9 process steps required for interim project phases, several project activities were not available. Refer to Exhibit 2 for details.	Adhere to the project methodology and complete the required mandatory documents. Refer to Exhibit 2 .

No.	Area	Identified Project Risk/Gap	Recommendation
7	Business Requirements	Previously identified process improvements may be overlooked because a gap analysis of the City's prior evaluation of business process areas, data flows, and desired POSSE improvements to the Accela Civic Platform solution has not been completed.	<p>Perform a detailed gap analysis (not compliance) using the information from the completed tailoring sessions to the previously accumulated potential identified improvement areas. The minimum documents for review are:</p> <ul style="list-style-type: none"> – POSSE System Overview – February 1, 2018. – Current POSSE Interface – November 13, 2018. – POSSE Centric High-Level Architecture Diagram – September 20, 2018. – 2020 Information & Technology Services developed business process descriptions and data flows. – 2022 Matrix Consulting Report that identifies areas for business process improvement, and technology improvement. – 2022 Gartner developed business process flows before onboarding of vendor.
8	Continuous Project Assessment	Compliance reviews are not performed to provide adequate project barrier information to Information & Technology Services director.	Perform compliance reviews and communicate project barriers timely to Information & Technology Services executive.
9	Continuous Project Assessment	Phase acceptance approvals and evaluation are not completed.	A purposeful implementation phase analysis that focuses on the current project status (time, scope, cost, resource validation) without the intervention of vendors should be performed between the business department and Information & Technology Services.

Exhibit 2:

Information and Technology Services Project Management Methodology
Project Artifacts and Required Approvals from Project Initiation Through Project Planning

Project Phase	Phase Description	Mandatory and Conditional Documents and Required Approvals
Phase I – Project Initiation	Receive formal project authorization.	<p><u>Mandatory</u></p> <ul style="list-style-type: none"> – Business Technology Request – Project Charter – Project Resources Planning Estimate* – Project Management Methodology Checklist – Phase Acceptance – Phase – Project Status Report* <p><u>Conditional</u></p> <ul style="list-style-type: none"> – Project Scope and Definition Document <p><u>Required Customer and CIS Approvals</u></p> <ul style="list-style-type: none"> – Business Technology Request – Project Charter – Phase Acceptance – Phase 1
Phase 2 – Scope & Requirements	Define and document the project’s scope, Customer’s business requirements, and technical infrastructure.	<p><u>Mandatory</u></p> <ul style="list-style-type: none"> – Project Communication Plan – Meeting Agenda / Meeting minutes* – Infrastructure Requirements and Technical Specifications – Project Status Report* <p><u>Conditional</u></p> <ul style="list-style-type: none"> – Business Requirements Document – Project Scope and Definition Document – Requirements Traceability Matrix – Phase Acceptance- Phase 2 <p><u>Required Customer and CIS Approvals</u></p> <ul style="list-style-type: none"> – Business Requirements Document

Project Phase	Phase Description	Mandatory and Conditional Documents and Required Approvals
		<ul style="list-style-type: none"> - Project Scope and Definition Document - Infrastructure Requirements and Technical Specifications - Phase Acceptance – Phase 2
Phase 3 – Solution Selection / Definition	Select and acquire project solutions.	<p><u>Mandatory</u></p> <ul style="list-style-type: none"> - Infrastructure Requirements and Technical Specifications - Project Budget and Expense* - Project Resource Planning Estimate* - Project Schedule* <p><u>Conditional</u></p> <ul style="list-style-type: none"> - Requestion for Competitive Sealed Proposal* - Functional Specifications in Business Requirements Document - Project Scope and Definition - Business Requirements Document - Vendor Statement of Work* - Requirements Traceability Matrix - Phase Acceptance – Phase 3 <p><u>Required Customer and CIS Approvals</u></p> <ul style="list-style-type: none"> - Project Scope and Definition - Business Requirements Document - Project Budget - Phase Acceptance - Phase 3
Phase 4 – Planning	Define and develop a set of comprehensive plans.	<p><u>Mandatory</u></p> <ul style="list-style-type: none"> - Infrastructure Requirements and Technical Specification - Projects Test Requirements and Plan - Project Resource Planning Estimate*

Project Phase	Phase Description	Mandatory and Conditional Documents and Required Approvals
		<ul style="list-style-type: none"> - Project Schedule* - Phase Acceptance – Phase 4 - Project Status Report* <p><u>Conditional Documents</u></p> <ul style="list-style-type: none"> - Configuration and Set-up Specifications (provided by vendor)* - Programming Technical Specifications - Data Migration / Conversion Requirements and Plan - Training Requirements and Plan - Security Administration Requirements and Plan - Quality Assurance Requirements and Plan - Projects Risks and Risk Mitigation Plan. - Change Request <p><u>Required Customer and CIS Approvals</u></p> <ul style="list-style-type: none"> - Change Request - Project Resource Planning Estimate - Phase Acceptance – Phase 4

Source: *Information and Technology Services Project Management Methodology.*

Note: "*" indicates project artifacts that were available as of June 10, 2024

Appendix A: Background and Methodology

Background

The Planning and Development Department uses POSSE, iNovah, and Project Dox to provide its services. The Planning and Development Department is now implementing a comprehensive land management software application to support building permitting issuance and payment collection. POSSE has been in place for 12 years, is not supported by the vendor, and cannot be updated. The new application will also assist in integrating several other applications that are used in the permit process.

The new application is Accela Civic Platform, and the vendor's name is Accela. The DallasNow project is led by the Planning and Development Department and Information & Technology Services. The Planning and Development Department is relying on vendor Accela to guide the implementation and Information & Technology Services has employed the services of Gartner Consulting Inc. for project management advisory services. The Planning and Development Department has identified an internal team of nine personnel and established that the application will be tailored to meet the business needs.

Contracts

There are two contracts involved in the implementation, Council Resolution (CR) 23-0317 approved on February 22, 2023, with Accela to implement the software for \$5,700,508. The implementation's goals are to develop:

- An automated workflow engine for enforcing data and business rules to respond to future ordinance changes and business process changes.
- Enhanced reporting capabilities for management decision-making.
- A broader range of public access and improved offerings for mobile devices.

Information & Technology Services entered into an agreement with Gartner Consulting to obtain assurance and support services in the implementation of land management software for \$2,548,000 for 26 months.

Exhibit 3:

*Land Management Software Implementation Project Cost
As of June 19, 2024*

Vendor	Type of Service	Procurement Type	Budget	Paid as of audit date (May 31, 2024)
Gartner Consulting Inc.	Program Assurance and Readiness Assessments	DIR COOP	\$2,548,000	\$348,600
Accela	Software Implementation	CR 23-0317	\$5,700,508	\$3,909,161
Velosimo	Gateway Integration	In Process	\$17,200*	N/A
Hyland Software	OnBase Integration	In Process	\$87,580*	N/A
			\$8,248,508	\$4,257,761

Source: Information & Technology Services

“**” indicates estimates of project cost

Methodology

The audit methodology included: (1) interviewing personnel from the Planning and Development Department, Communication and Information Technology Services, Gartner Consulting, and Accela; (2) reviewing internal policies and procedures, and (3) verifying execution of and obtaining evidence of management activities and their execution. In addition, all five components of *Standards for Internal Control in the Federal Government* were considered.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Mamatha Sparks – Audit Manager, CIA, CISA, CISSP, CRISC

Appendix B: Management's Response

See following pages for *Audit Acknowledgement Letter* and *Management Responses*.

Memorandum



DATE: August 27, 2024
TO: Mark S. Swann – City Auditor
SUBJECT: Response to Audit of Land Management Software Implementation - Interim Report

This letter acknowledges the City Manager's Office received the *Audit of Land Management Software Implementation - Interim Report* and submitted responses to the recommendations in consultation with Information & Technology Services and the Planning and Development Department.

Management is committed to the successful implementation of the DallasNow software and eagerly awaits the added convenience and efficiency the software will provide to residents and stakeholders in the building permitting process.

To help ensure the successful implementation of the DallasNow software, the City contracted with leading consultants Accela and Gartner Consulting to provide subject matter expertise. In addition, Information & Technology Services and the Planning and Development Department appreciate the feedback provided by the auditors in this interim report.

The diligence of the departments and supporting vendors helped to ensure audit objectives were generally met. However, Information & Technology Services and the Planning and Development Department recognize opportunities exist to improve processes going forward.

Notably, City staffing changes and the reorganization of the Planning and Development department impacted the project's governance structure. On July 17, 2024, the Executive Governance Committee agreed on the updated governance structure and will ensure frequent meetings and effective oversight as the software implementation process proceeds.

In addition, Information & Technology Services and the Planning and Development Department will implement the auditor's recommendations and incorporate the lessons learned in this process going forward. Specifically, the departments will:

- Review the project artifacts and complete the mandatory steps and obtain approvals for the phases already completed;
- Review the project areas and minimize gaps with a corrective action plan; and
- Review the upcoming challenges to mitigate identified project risks.

"Service First, Now!"
Connect – Collaborate – Communicate

Response to Audit of Land Management Software Implementation - Interim Report
August 27, 2024
Page 2 of 2

Sincerely,



Kimberly Bizer Tobert
City Manager (I)

C: Jack Ireland, Chief Financial Officer
Donzell Gipson (I), Assistant City Manager
Robin Bentley (I), Assistant City Manager
Dr. Brian Gardner, Director (I), Information & Technology Services
Emily Liu, Director, Planning and Development Department

Assessed Risk Rating	Recommendations	Concurrence and Action Plans		Implementation Date	Follow-Up/ Maturity Date
We recommend the Directors of Information and Technology Services and Planning and Development Department :					
	<p>A.1: Review the project artifacts and complete the Information and Technology Services mandatory project management steps and obtain approvals for the phases completed to date. Refer to Exhibit 2.</p>	Agree	<p>Information and Technology Services (ITS) and the Planning and Development Department (PDD) will review the project artifacts and construct a matrix to identify the necessary documentation for the project. ITS and PDD will use the matrix as a guide to assess if current documentation satisfies the Mandatory and Conditional Documents and Required Approvals documented in Exhibit 2. As needed, the departments will revise draft or under-development deliverables and documentation.</p>	9/30/2024	12/31/2024
	<p>A.2: Review the project areas and gaps that need attention and minimize the gaps with an appropriate corrective plan. Refer to Exhibit 1.</p>	Agree	<p>ITS and PDD will change the Governance Committee’s meeting cadence to meet every other month, rather than quarterly, for the remainder of the project schedule. This change will provide more frequent communication with the executive stakeholders and provide more timely decision making for any projected risks.</p> <p>In addition, ITS and PDD will review and obtain approval for the project role and responsibility matrix and ongoing project schedule and activities for outstanding project activities.</p>	9/30/2024	12/31/2024

Assessed Risk Rating	Recommendations	Concurrence and Action Plans		Implementation Date	Follow-Up/ Maturity Date
	<p>A.3: Review the upcoming challenges and work with vendors and internal project managers to mitigate identified project risks as applicable.</p>	<p>Agree</p>	<p>ITS and PDD have identified User Acceptance Testing (UAT) preparation and delayed integration activities as risks in project status reports. Remediation activities are in progress for the outstanding integration specifications and development.</p> <p>ITS and PDD will increase the frequency of project controls meetings to identify potential risks to the successful completion of the project.</p>	<p>9/30/2024</p>	<p>12/31/2024</p>

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Audit of Proposed Budget Revenues Included in the Fiscal Year 2024-25 Proposed Annual Budget for the City of Dallas

September 3, 2024

Mark S. Swann, City Auditor

Mayor

Eric L. Johnson

Mayor Pro Tem

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Executive Summary

Objective and Scope

The objective of this audit was to determine whether the City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the City Manager's *Fiscal Year 2024-25 Proposed Annual Budget*.

The scope of the audit was the major revenue sources included in the *Fiscal Year 2024-25 Proposed Annual Budget* and the associated supporting documentation.

Recommendations

There are no audit recommendations associated with this report.

Background

The City Council approved the *Fiscal Year 2024 Audit Work Plan* which prescribed the City Auditor to review and verify the reasonableness of the proposed budget revenues included in the City Manager's *Fiscal Year 2024-25 Proposed Annual Budget*.

Observed Conditions

The City of Dallas has effective processes to ensure reasonable proposed budget revenues are included in the *Fiscal Year 2024-25 Proposed Annual Budget*. Further, the revenue forecast methodologies and material assumptions used in developing the proposed budget revenues are reasonable and adequately supported.

Audit Results

The Office of the City Auditor reviewed major revenue sources totaling \$3.36 billion, or 77 percent of the \$4.38 billion of the proposed budget revenues included in the *Fiscal Year 2024-25 Proposed Annual Budget*. The remaining \$1.02 billion, which is mainly derived from department reimbursements, and City of Dallas employee and retiree contributions for retirement and health benefits, was excluded from the review. The major revenue sources reviewed are identified in [Exhibit 1](#).

Exhibit 1:

Revenue Sources Included in the Office of the City Auditor's Review

Revenue Sources	Fiscal Year 2023-24 Amended Budget	Fiscal Year 2023-24 Forecast Revenues	Fiscal Year 2024-25 Revenues
General Fund			
Ad Valorem Taxes	\$1,047,595,636	\$1,026,739,017	\$1,081,975,899
Sales Tax	451,745,839	446,222,810	463,804,071
Franchise Fees	91,230,000	88,147,000	90,041,346
Enterprise Fund			
Water Utilities	791,276,133	800,302,325	826,863,664
Aviation – Concessions & Rentals	137,368,557	136,047,540	156,798,331
Sanitation Services	152,709,535	164,092,482	164,122,320
Convention and Event Services – Hotel Occupancy Tax	78,290,269	80,319,887	83,498,628
Stormwater Fees	80,093,972	80,093,972	85,852,114
Debt Service			
Ad Valorem Taxes	401,665,942	394,319,907	410,545,551
Revenue Sources Reviewed	3,231,975,883	3,216,284,940	3,363,501,924
Revenue Sources Not Included	948,653,749	976,555,361	1,016,719,931
Total Revenues	\$4,180,629,632	\$4,192,840,301	\$4,380,221,855

Source: Fiscal Year 2024-25 Proposed Budget (Unaudited)

The City of Dallas has methodologies in place for forecasting revenues. The common methodologies used by the City of Dallas consist of regression analyses and/or historical trends, professional judgements, along with expertise from external consultants. Exhibit 2 below shows the total General Fund variance budgeted revenues for Fiscal Years 2021 through 2023 were less than 6.4 percent each year.

Common methodologies and a conservative approach were used to forecast revenues for Fiscal Year 2024-25 revenues.

Exhibit 2:

Fiscal Years 2021 Through 2023 General Fund Budgeted Revenues
Compared to Actual Revenues
(in thousands)

General Fund	Fiscal Year 2020-21 Budgeted Revenue	Fiscal Year 2020-21 Actual Revenue	Variance	
			Dollar	Percent
Ad Valorem Taxes	\$825,007	\$844,970	\$19,963	2.4%
Sales Tax	296,324	354,288	57,964	19.6%
Franchise Fees and Other Tax	115,907	120,445	4,538	3.9%
License and Permits	5,024	5,007	-17	-0.3%
Intergovernmental	12,112	12,291	179	1.5%
Service to Others	117,518	121,730	4,212	3.6%
Fines and Forfeitures	23,555	25,074	1,519	6.4%
Investment Income	4,483	1,376	-3,107	-69.3%
Other Revenues	6,716	11,788	5,072	75.5%
Total Revenues	\$1,406,646	\$1,496,969	\$90,323	6.4%

General Fund	Fiscal Year 2021-22 Budgeted Revenue	Fiscal Year 2021-22 Actual Revenue	Variance	
			Dollar	Percent
Ad Valorem Taxes	\$876,484	\$880,484	\$4,000	0.5%
Sales Tax	344,283	407,309	63,026	18.3%
Franchise Fees and Other Tax	117,600	132,060	14,460	12.3%
License and Permits	5,844	11,522	5,678	97.2%
Intergovernmental	13,102	18,182	5,080	38.8%
Service to Others	120,569	119,255	-1,314	-1.1%
Fines and Forfeitures	26,391	24,083	-2,308	-8.7%
Investment Income	967	2,683	1,716	177.5%
Other Revenues	8,877	12,431	3,554	40.0%
Total Revenues	\$1,514,117	\$1,608,009	\$93,892	6.2%

General Fund	Fiscal Year 2022-23 Budgeted Revenue	Fiscal Year 2022-23 Actual Revenue	Variance	
			Dollar	Percent
Ad Valorem Taxes	\$961,503	\$957,934	\$-3,569	-0.4%
Sales Tax	417,232	425,543	8,311	2.0%
Franchise Fees and Other Tax	127,866	132,888	5,022	3.9%
License and Permits	5,617	9,079	3,462	61.6%
Intergovernmental	13,162	19,242	6,080	46.2%
Service to Others	115,554	113,661	-1,893	-1.6%
Fines and Forfeitures	23,777	21,640	-2,137	-9.0%
Investment Income	5,950	14,866	8,916	149.8%
Other Revenues	7,967	11,337	3,370	42.3%
Total Revenues	\$1,678,628	\$1,706,190	\$27,562	1.6%

Source: City of Dallas 2021-2023 Comprehensive Annual Financial Reports

In preparing the proposed budget revenues, City management develops revenue forecast methodologies, such as regression analyses and/or historical trends, documents significant assumptions used to support the methodologies. The Office of the City Auditor's assessment

considers the reasonableness of these revenue forecast methodologies; however, neither City management nor the Office of the City Auditor guarantees the achievement of the Fiscal Year 2024-25 proposed budget revenues.

Methodology

We interviewed department personnel, reviewed revenue forecast methodologies and material assumptions for reasonableness, verified consistency of the budget documents, and performed various analyses. In addition, all five components of *Standards for Internal Control in the Federal Government* were considered.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Major Contributors to the Report

Shino Knowles, CPA – In-Charge Auditor
Rory Galter, CPA – Engagement Manager
Zachary Goebel
Nadia Gonzalez
William Warner, CPA, CIA
Natalie Martinez, CTCM
Jennifer Phung, CIA

Appendix A: Management's Response

Memorandum



CITY OF DALLAS

DATE August 27, 2024

TO Mark S. Swann – City Auditor

SUBJECT **Response to Audit of Proposed Budget Revenues Included in the Fiscal Year 2024-25 Proposed Annual Budget for the City of Dallas**

This letter acknowledges the City Manager's Office and the Office of Budget & Management Services received the *Audit of Proposed Budget Revenues Included in the Fiscal Year 2024-25 Proposed Annual Budget for the City of Dallas*.

The City has strong internal controls in place to ensure reasonable proposed budget revenues are included in the proposed annual budgets. We are pleased, but not surprised, that the City Auditor concluded that the City's revenue forecast methodologies and material assumptions are reasonable and adequately supported.

We appreciate the professionalism and quality of work demonstrated by your staff throughout this engagement.

Service First, Now!

A handwritten signature in blue ink, appearing to read 'Kimberly Bizer Tolbert', written over a large, stylized blue scribble.

Kimberly Bizer Tolbert
City Manager (I)

C: Jack Ireland, Chief Financial Officer
Janette Weedon, Director, Office of Budget & Management Services