Memorandum

CITY OF DALLAS
(Report No. A16-016)

DATE: September 23, 2016

TO: Honorable Mayor and Members of the City Council

SUBJECT: Fiscal Year 2014 Audit Follow-Up of Prior Audit Recommendations
for Fiscal Years 2012, 2013, and 2014[1]

The City of Dallas (City) made significant progress in mitigating the risks identified in 82 prior year audit recommendations (recommendations):

- The City's recommendations implementation rate was 71 percent

- The City also made progress towards implementing the remaining 29 percent of the recommendations; however, the identified risks were not completely mitigated

> **Internal Controls**
>
> *"Internal controls are much more than a set of procedures we put in place to safeguard assets. **Rather, they are the cumulative sum of all the things we do as public servants to identify, monitor, and manage risk in our organizations.** This comprehensive view of risk management is critical to ensure …. citizens receive the level of public integrity, accountability, and ethical behavior that they expect and deserve."*
>
> **Source:** New York State Comptroller, Thomas P. DiNapoli

The City Manager's Office introduced certain internal monitoring controls by formally assigning responsibilities to the Internal Controls Task Force, such as: (1) assisting departments in developing realistic action plans; (2) monitoring recommendations' implementation status; and, (3) offering additional internal control training opportunities.

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[1] We conducted this audit under the authority of the City Charter, Chapter IX, Section 3, and in accordance with the Fiscal Year 2014 Audit Plan approved by the City Council. This performance audit was conducted 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.

The audit objective was to evaluate whether, as of June 30, 2014, certain Fiscal Year (FY) 2012 to FY 2014 prior audit recommendations were implemented. The audit cut-off date, however, was extended to March 31, 2015 to accommodate the City Manager's request for additional time to allow departments to completely implement more recommendations. The audit methodology included requesting management of 11 City departments to report on the implementation status of 88 recommendations which City departments agreed to implement. The City Manager's Office reported six recommendations relating to the *Audit of City's Ethics Program* were not implemented. As a result, the audit scope was limited to 82 recommendations. The auditors also conducted interviews, reviewed documentation, and performed other tests as deemed necessary.

Despite this progress, the City did not fully implement the following prior year audit recommendations to ensure on an ongoing basis that recommendations are timely implemented and associated risks are appropriately mitigated by:

- Prioritizing recommendations so that higher risk recommendations are implemented first

- Assigning formal responsibility to individuals with the authority, such as Assistant City Managers, to ensure each department has a process in place to:

  o Identify outstanding recommendations

  o Understand what actions are needed to achieve full implementation of outstanding recommendations

  o Timely implement outstanding recommendations (Note: Of the 82 recommendations, according to departments' self-reported implementation dates, 66 recommendations, or approximately 80 percent, were implemented later than management's originally stated implemented date)

  o Track and report recommendations' implementation progress

In addition, the departments have not established processes to:

- Transfer responsibility and information regarding recommendations when changes take place so that new personnel are aware of and accept responsibility for fully implementing recommendations in a timely manner

- Communicate with the Office of the City Auditor (Office) or request information from the Office as to what might constitute full implementation of recommendations so that efforts made by management mitigate the identified risks

The Fiscal Year (FY) 2014 evaluation showed the risks identified in certain audit reports were **fully or substantially** mitigated through recommendation implementation as shown in Table I on the next page.

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Table I

Risks Fully or Substantially Mitigated
Through Recommendation Implementation by Department

Department	Results	Recommendation Implementation
City Controller's Office	Implemented one of one recommendation, or **100 percent**, reported in the *Audit of Software License Compliance*	Clarified the proper use of software and software license object codes to focus on accurately and consistently accounting for software license costs by training department employees responsible for recording expenses
Department of Dallas Water Utilities	Implemented two of two recommendations, or **100 percent**, reported in the *Audit of Department of Dallas Water Utilities' Wastewater Collection and Treatment Operations – Internal Controls over Chemical Supplies*	Determined the reasonableness of the amount of chemical supplies received to ensure the City pays only for amounts actually received and consistently followed recordkeeping practices
Department of Economic Development	Implemented one of one recommendation, or **100 percent**, reported in the *Audit of Monitoring Controls Over Tax Increment Financing (TIF) Districts*	Established policies and procedures to identify monitoring oversight responsibilities for the TIF Program, including timing for completion of specific monitoring activities and required documentation
Department of Human Resources	Implemented 12 of 12 recommendations, or **100 percent**, reported in the *Audit of City of Dallas' Self-Insured Medical Program*	Improved administration and internal controls over the Self-Insured Medical Program
Office of Cultural Affairs	Implemented two of two recommendations, or **100 percent**, reported in the *Audit of Arts and Cultural Program Funding*[2]	Documented the funding process and monitored participating organizations' compliance with City Council Resolution 02-3206 and with required contract provisions
City Controller's Office	Implemented one of one recommendation, or **100 percent**, reported in the *Audit of Selected Landfill Financial Controls*	Recorded bank returned items within one business day of the receipt of the returned item from the bank and notified departments regarding returned items on a daily basis
Department of Sanitation	Implemented 21 of 24 recommendations, or **88 percent**, reported in the *Audit of Selected Landfill Financial Controls*	Ensured policies and procedures were established, implemented, and controls over physical security were in place
City Controller's Office	Implemented three of four recommendations, or **75 percent**, reported in the *Audit of City of Dallas' Compliance with the Texas Prompt Payment Act*	Identified, tracked, and monitored invoices and vendor payments to help ensure compliance with the Texas Prompt Payment Act
Department of Dallas Fire-Rescue	Implemented three of four recommendations, or **75 percent**, reported in the *Audit of the City of Dallas' Aircraft Rescue and Firefighting Unit*	Documented and tracked training for Federal Aviation Administration compliance and performed routine maintenance on the fire engines to support aircraft rescue
Office of Risk Management	Implemented two of the three recommendations, or **67 percent**, reported in the *Audit of City of Dallas' Self-Insured General Liability Program*	Ensured claims are processed accurately and timely

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[2] The Office of Cultural Affairs (OCA) manages the Cultural Organizations Program and the Cultural Projects Program on a two-year grant cycle. The OCA implemented the recommendations in the second quarter of FY 2015 which was the first year of the grant cycle. Therefore, the process was not complete to allow the auditors to test the full two-year grant cycle. As a result, to evaluate the recommendations implementation status, the auditor's evaluation was limited to an internal controls design assessment.

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The FY 2014 evaluation also showed that risks remain where recommendation implementation progress was **not sufficient** as follows:

- **Ensure security alarm data accuracy and compliance with City Code as reported in the *Audit of Security Alarm Permits and Fees***

    o The Department of Dallas Water Utilities implemented five of nine recommendations, or **56 percent**

    o The Dallas Police Department implemented one of four recommendations, or **25 percent**

    o The Department of Communication and Information Services did not implement either of the two recommendations, or **zero percent**

- **Improve the ethical culture and climate within the City as reported in the *Audit of City's Ethics Program***

    o The City Manager's Office implemented four of nine recommendations, or **44 percent**

    o The Department of Human Resources did not implement either of the two recommendations, or **zero percent**. One of these recommendations, to explicitly state that whistleblower protection is available to employees, was not implemented on the advice of the City Attorney.

- **Review and update Section 34-22, c, *Sworn Employees' Sick Leave Eligibility*, of the Dallas Personnel Rules to reflect the current City of Dallas (City) practices as reported in the *Audit of Department of Dallas Fire-Rescue Overtime for Uniform Personnel***

    The Department of Human Resources did not implement the one recommendation, or **zero percent** on the advice of the City Attorney.

The Office will not conduct further audit follow-up for the recommendations that were not implemented, but will consider the risk in determining future audit coverage as part of the annual audit plan.

Recommendation

We recommend the City Manager continue to improve and / or implement the internal controls needed to ensure that recommendations are timely implemented
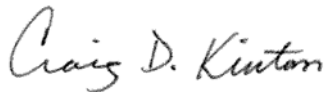
and associated risks are appropriately mitigated by implementing the recommendations contained throughout this report. Should management elect not to fully implement these recommendations, they should, at a minimum, ensure the recommendations are timely implemented and the associated risks are appropriately mitigated.

Please see Attachment I for Management's Response to the report recommendation.

Attachment II includes: (1) information on the implementation status of recommendations agreed to by management for prior audits performed during FY 2012 to FY 2014; and, (2) a summary of audit reports and responsible departments included in the *Fiscal Year 2014 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2013, and 2014*.

The Office would like to acknowledge City management and staff for their assistance. If you have any questions or need additional information, please contact me at 214-670-3222 or Carol A. Smith, First Assistant City Auditor, at 214-670-4517.

Sincerely,

Craig D. Kinton
City Auditor

Attachments

C: A. C. Gonzalez, City Manager
    Ryan S. Evans, First Assistant City Manager
    Eric Campbell, Assistant City Manager
    Jill A. Jordan, P.E., Assistant City Manager
    Mark McDaniel, Assistant City Manager
    Joey Zapata, Assistant City Manager
    Jeanne Chipperfield, Chief Financial Officer
    Chief David Brown – Dallas Police Department
    Chief David Coatney – Department of Dallas Fire-Rescue
    Molly Carroll, Director – Department of Human Resources
    William Finch, Director – Department of Communication and Information Services
    Kelly High, Director – Department of Sanitation Services
    Jo M. (Jody) Puckett, P.E., Director – Department of Dallas Water Utilities
    Edward Scott, City Controller – City Controller's Office
    Jennifer Scripps, Director – Office of Cultural Affairs
    Zeronda Smith, Director – Office of Risk Management
    Karl Zavitkovsky, Director – Department of Economic Development

<div align="right">**Attachment I**</div>

Management's Response

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Memorandum   **RECEIVED**

SEP 23 2016

City Auditor's
Office

CITY OF DALLAS

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DATE: September 23, 2016

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report:
Fiscal Year 2014 Audit Follow-Up of Prior Audit Recommendations
for Fiscal Years 2012, 2013, and 2014

Our responses to the audit report recommendations are as follows:

Recommendation I

We recommend the City Manager continue to improve and/or implement the internal controls needed to ensure that recommendations are timely implemented and associated risks are appropriately mitigated by implementing the recommendations contained throughout this report. Should management elect not to fully implement these recommendations, they should, at a minimum, ensure the recommendations are timely implemented and the associated risks are appropriately mitigated.

Management Response / Corrective Action Plan

Agree ☒   Disagree ☐

City management made progress in improving the implementation and risk mitigation rates and will continue to work on improving those rates as well as implementing recommendations by the dates committed to by management.

Accountability for implementation of recommendations is assigned to the department director level. Implementation progress and risk remediation will be measured as part of the evaluation of department business plans beginning with the Fall 2016 submission. Business plan points will be added or subtracted based on the department's progress reported in the plan and verified by the Internal Control Group. By including this requirement in the business plan, the urgency and importance of implementing recommendations is elevated. Additionally, I have asked all Assistant City Managers to be more involved their assigned departments' audits and ensuring recommendations are implemented in a timely fashion.

Certain follow up audit recommendations will be addressed by utilizing a Sales Force application module to track the status and steps of implementing audit recommendations. The application is currently being configured by the Communication & Information Services department. Implementation of Sales Force will allow departments to update the status, automatically track timelines, assign required implementation activities/tasks to

<div align="center">"Dallas, the City that Works: Diverse, Vibrant and Progressive."</div>

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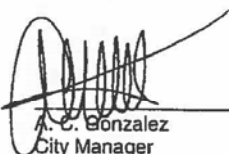
individuals, and document their activities in a single online system. Reports will be developed for monitoring implementation status and provided to management regularly. The reporting functionality and the online availability will move the current system of spreadsheets and emails into an automated system with better visibility to all involved.

During the Sales Force implementation, we will evaluate whether or not the application will be able to assist directors in the prioritization of the implementation schedule so that the riskiest recommendations will be addressed first.

Implementation Date
December 31, 2017

Responsible Manager
Internal Control Program Manager
Director, Department of Communication and Information Services

Sincerely,

A. C. Gonzalez
City Manager

Attachment II

A summary of the Office of the City Auditor's evaluation results for the past three *Audit Follow-Up of Prior Audit Recommendations* reports is included in Table I below. This audit evaluated the implementation status of 82 recommendations which 11 departments agreed to implement[3]. These 82 recommendations were included in 13[4] audit reports issued during Fiscal Years (FY) 2012, 2013, and 2014 as shown in Table II on the next page.

Table I

Implementation Status of Recommendations Agreed to by Management For Prior Follow-Up Audits Performed during FYs 2012, 2013, and 2014

City Management	2012	2013*	2014	Total
Agreed to Implement	58	93	82	233
Implemented – Per Audit	11	35	58	104
Percent Implemented – Per Audit	19%	38%	71%	45%

*At the request of City management, the FY 2010 to FY 2012 recommendations that originally included a list of bulleted items were individually numbered. As a result of this request, the number of recommendations increased. The original number of recommendations was 47.

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[3] Attachments III through XIV show more detail of the audit results for the recommendations tested.

[4] Of the 82 recommendations, one was originally included in *Confidential Audit of Department of Dallas Water Utilities' Wastewater Collection and Treatment Options - Internal Controls over Chemical Supplies* issued to the Department of Dallas Water Utilities. Although the implementation status of one recommendation is discussed in this report, the detailed recommendation has been omitted. The decision to exclude this information is based on Government Auditing Standards, December 2011 Revision, Sections 7.39 – 7.43 Reporting Confidential and Sensitive Information.

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Table II

Summary of Audit Reports and the Departments
Responsible for Implementation of Prior Year Audit Recommendations

Audit Report	City Managers Office	City Controllers Office	Communication and Information Services	Dallas Fire-Rescue	Dallas Police Department	Dallas Water Utilities	Economic Development	Human Resources	Office of Cultural Affairs	Office of Risk Management	Sanitation
Overtime for Uniform Personnel (November 11, 2011)				✔				✔			
Ethics Program (February 17, 2012)	✔							✔			
Landfill Financial Controls (September 7, 2012)		✔									✔
Monitoring Controls Over Tax Increment Financing Districts (December 7, 2012)							✔				
Self-Insured General Liability Program (April 26, 2013)										✔	
Security Alarm Permits and Fees (June 7, 2013)			✔		✔	✔					
Compliance with the Texas Prompt Payment Act (November 1, 2013)		✔									
Aircraft Rescue and Firefighting Unit (December 6, 2013)				✔							
Self-Insured Medical Program (February 14, 2014)								✔			
Arts and Cultural Program Funding (February 21, 2014)									✔		
Wastewater Collection and Treatment Operations - Internal Controls over Chemical Supplies (April 11, 2014)						✔					
Wastewater Collection and Treatment Operations - Internal Controls over Chemical Supplies - Confidential Security Administration Limited Use Report (April 11, 2014)						✔					
Software License Compliance (April 11, 2014)		✔									

A12-001: AUDIT OF DEPARTMENT OF DALLAS FIRE-RESCUE OVERTIME FOR UNIFORM PERSONNEL (Department of Dallas Fire-Rescue and Department of Human Resources) November 11, 2011											
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016			
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results		Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
If the City of Dallas' (City) personnel rules do not accurately reflect policy regarding sick leave benefits, employees do not have the information they need to appropriately manage accrued sick leave.	Review and update Section 34-22, c, *Sworn Employees' Sick Leave Eligibility,* of the Dallas Personnel Rules to reflect the current City practices.	Agree	September 30, 2014	Not Applicable			✔					✔	**Note:** According to the Department of Human Resources (HR), after consultation with the City Attorney's Office, HR will not implement the recommendation.

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	A12-006: AUDIT OF CITY'S ETHICS PROGRAM (City Manager's Office and Department of Human Resources) February 17, 2012											
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**				
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**		**Qualifications/Comments**
					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
Without an effective ethics and compliance program, the City of Dallas (City) cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Designate an Ethics Officer who is insulated from political influence, has access to key individuals in the City, and is granted the appropriate authority and resources for day-to-day operations.	Agree	September 30,2013	May 14, 2014	✓			✓			✓		

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A12-006: AUDIT OF CITY'S ETHICS PROGRAM (City Manager's Office and Department of Human Resources) February 17, 2012													
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**					
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**		**Qualifications/Comments**
					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Develop a consistent process for checking an applicant's references since "applicant reference checks are the responsibility of each hiring department".	Agree	September 30, 2013	No Date Provided	✔			✔				✔	**Condition:** The Department of Human Resources' (HR) process for pre-employment verification is not formally documented, consistently applied, and evidence of HR pre-employment verification requirements is not retained. Testing showed that for the 30 samples of new hires and promotions, one employee's file was missing; 30 did not have any credit checks; 17 had no reference checks, 12 had no Motor Vehicle Records checks; six had no criminal background checks; ten had no education verification; and, six had no employment verification. **Effect:** As a result, there is an increased risk that the City may hire or promote employees who do not have the appropriate credentials. **Note:** Although HR self-reported this recommendation as *"not implemented"*. The auditor judgmentally tested samples of new hires and promotions per HR's request.

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A12-006: AUDIT OF CITY'S ETHICS PROGRAM (City Manager's Office and Department of Human Resources) February 17, 2012												
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**				
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**	**Qualifications/Comments**
					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Require hiring departments to use interview questions to assess a candidate's character during the initial hire or when the individual is being considered for promotion.	Agree	September 30, 2013	March 12, 2012	✔			✔			✔		**Condition:** Although the City required departments to ask at least one ethics related question to help assess a candidate's character, the departments did not consistently follow this requirement. **Effect:** Without a due diligence process to assess a candidate's character prior to employment and/or promotion, the City may delegate authority to unethical individuals.
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Develop a comprehensive ethics training program which is tailored to meet each individual's roles and responsibilities, is continuous, and is administered throughout all levels of the City, including City Officials and City management.	Agree	September 30, 2013	December 31, 2014	✔			✔			✔		**Condition:** While the City did provide comprehensive City-wide ethics training to City employees, the City has not formally established a process to continue to provide ongoing ethics training. **Effect:** Without continual training and reminders of the ethics policy, employees may not be encouraged to maintain an ethical culture and demonstrate ethical behavior.

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A12-006: AUDIT OF CITY'S ETHICS PROGRAM											
(City Manager's Office and Department of Human Resources)											
February 17, 2012											
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016			
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Develop the new hire orientation program to incorporate: (a) recurring training that occurs more than once upon initial hire or re-hire (b) other personnel rules besides Rules of Conduct and disciplinary actions (c) ethics or City management's philosophy on ethics (d) process for reporting violations or observations of ethical misconduct (e) clarification on which of the various venues an individual can seek ethical advice given a certain circumstance	Agree	September 30, 2013	February 24, 2014	✔			✔			✔		
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Monitor the ethical culture and climate by conducting baseline assessments or regular re-assessments of the City's Ethics Program (Program).	Agree	September 30, 2013	November 30, 2014	✔			✔				✔	**Condition:** Although the City has completed a baseline assessment and a re-assessment, the City does not have a strategy to continue regular re-assessments of the Program. **Effect:** As a result, the City may not be able to monitor Program effectiveness and positively impact ethical cultural change.

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A12-006: AUDIT OF CITY'S ETHICS PROGRAM (City Manager's Office and Department of Human Resources) February 17, 2012													
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016					
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Update Administrative Directive (AD) 2-14 *Fraud, Waste and Abuse procedures*, which identifies a reporting mechanism and encourages anonymous reporting, to reflect the current Fraud Hotline telephone number.	Agree	September 30, 2013	June 28, 2012	✔			✔			✔		

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A12-006: AUDIT OF CITY'S ETHICS PROGRAM (City Manager's Office and Department of Human Resources) February 17, 2012											
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**			
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**		**Risk Status**	**Qualifications/Comments**
					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Explicitly state that whistle-blower protection is available to employees.	Agree	September 30, 2013	February 25, 2015	✔			✔				✔	**Condition:** Although the City has established and communicated a non-retaliation program through the Personnel Code and Code of Ethics, the City has not explicitly stated or communicated to employees that whistleblower protection is available to employees who choose to report unethical behavior. Focus group results show that employees have a perception that management: (1) has double standards; (2) ethics does not apply at the higher levels of management; and, (3) will not report unethical behavior due to retaliation. **Effect:** Without proper reporting mechanisms and communication of the availability of such reporting mechanisms, employees may not report unethical conduct and activities. **Note:** This recommendation was not implemented based upon advice from the City Attorney.

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Original Audit Report Information				Management Self-Reported Status March 2015					Auditor Verification Results As of March 2016					
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments	
					I	NI	NA	I	NI	NA	M	NM		
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Update the City's Internet to readily identify the City's Fraud Hotline as well as making it accessible through the link to City departments - City Auditor's Office .	Agree	September 30, 2013	May 6, 2012	✔			✔			✔			
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Enforce Ethical Standards through staff meetings to encourage ethics as a priority.	Agree	September 30, 2013	December 31, 2014	✔			✔				✔	**Condition:** The City does not have a viable mechanism to enforce the Ethical Standards through staff meetings. A survey of the Employee Advisory Council (EAC) indicates that the EACs may not be the right forum to communicate and educate staff on ethics. The EACs are not properly instructed or required to discuss the Program during the monthly EAC meetings. **Effect**: Without consistent and on-going communication mechanisms, the City cannot establish or maintain an ethical climate and encourage ethical behavior.	

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(City Manager's Office and Department of Human Resources)
February 17, 2012</td></tr>
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Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016					
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results I	NI	NA	Implementation Results I	NI	NA	Risk Status M	NM	Qualifications/Comments
Without an effective ethics and compliance program, the City cannot readily demonstrate a culture of integrity where management and employees: (1) do not compromise standards; (2) recognize and report unethical activities; and, (3) do not retaliate against whistleblowers.	Enforce Ethical Standards through quarterly discussions with management teams to discuss ethics.	Agree	September 30, 2013	December 31, 2014	✔			✔				✔	**Condition:** A consistent process to communicate Ethical Standards on a quarterly basis to management has not been established. Although the Office of Ethics and Diversity has shared ethics related updates with City management via e-mail, it is not clear whether this form of communication has the intended effect towards improving the ethical climate in the City. Focus Group results indicate that management often delegates e-mail announcements to staff or deletes the e-mail announcements. **Effect**: Without consistent and on-going communication mechanisms, the City cannot establish or maintain an ethical climate and encourage ethical behavior.

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A12-010: AUDIT OF SELECTED LANDFILL FINANCIAL CONTROLS (Department of Sanitation Services and City Controller's Office) September 7, 2012											
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**			
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**		**Risk Status**	**Qualifications/Comments**
					I	NI	NA	I	NI	NA	M	NM	
The safety and security of personnel, cash, and equipment may be compromised.	Restrict scale house access to scale house employees, scale house supervisors and managers, and very limited authorized personnel.	Agree	June 30, 2013	September 14, 2012	✔			✔			✔		
The safety and security of personnel, cash, and equipment may be compromised.	Provide basic cash handling training for all cashiers, cashier supervisors, and managers involved in handling cash or supervising or managing those who handle cash.	Agree	June 30, 2013	March 6, 2013	✔			✔			✔		
The safety and security of personnel, cash, and equipment may be compromised.	Develop and enforce strict written cash handling policies and procedures.	Agree	June 30, 2013	October 3, 2013	✔			✔			✔		

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A12-010: AUDIT OF SELECTED LANDFILL FINANCIAL CONTROLS (Department of Sanitation Services and City Controller's Office) September 7, 2012												
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**				
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**	**Qualifications/Comments**
					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
The safety and security of personnel, cash, and equipment may be compromised.	Change the scale house safe combination and install a lock on the filing cabinet where original checks are stored.	Agree	June 30, 2013	September 30, 2012	✔			✔			✔		
The safety and security of personnel, cash, and equipment may be compromised.	Upgrade the security camera systems to: (1) improve camera positioning; (2) provide higher resolution images; (3) increase digital video storage capacity; and, (4) capture audio.	Agree	June 30, 2013	September 30, 2013	✔			✔			✔		
The safety and security of personnel, cash, and equipment may be compromised.	Improve security at the transfer stations.	Agree	June 30, 2013	September 30, 2012	✔			✔			✔		
The Department of Sanitation Services (SAN) cannot readily determine that the credit customer's vehicles entering the landfill are the same vehicles as those documented in the WasteWORKS software application.

Without accurate vehicle identification and the ability to compare that information to the information documented in WasteWORKS, the City of Dallas (City) cannot determine that tipping fees charged are appropriate. | Implement a positive vehicle identification system for credit customers and frequent cash customers to eliminate manual entry of vehicle identification information and tare weights. | Agree | September 7, 2012 | September 30, 2015 | | ✔ | | | | | | ✔ | No auditor comments due to management's self reporting the recommendation as "*not implemented*". |

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	Original Audit Report Information			Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016					
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**		**Qualifications/Comments**
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Manually entering tare weights increases the risk for error and possible fraud.	Eliminate manual entry of weights for all vehicles. If the scale is temporarily not operational, manual transactions could be entered as adjustments with supervisor approval.	Agree	September 7, 2012	July 31, 2014	✔			✔			✔		
Manually entering tare weights increases the risk for error and possible fraud.	Enforce re-weigh procedures for all cash customers to ensure proper weight and tipping fee calculations.	Agree	September 7, 2012	July 31, 2014	✔			✔			✔		
Without capturing all customer names in a consistent manner in WasteWORKS, SAN is unable to systematically determine if a commercial customer paying cash should be required to obtain a solid waste collection franchise or if a frequent customer who claims to be a resident is actually a commercial customer who should be paying tipping fees.	Develop policies and procedures to capture customer names for cash customers.	Agree	September 7, 2012	November 1, 2014	✔				✔			✔	**Condition**: The SAN developed policies and procedures to capture customer name, address, telephone number, and driver's license information; however, SAN did not consistently implement the developed procedures to capture customer information. Additionally, SAN has not developed formal controls to ensure the captured customer information is consistently analyzed. **Effect:** The SAN is not able to systematically determine if a commercial customer is subject to franchise fees or if a self-claimed Dallas resident is actually a commercial customer.

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Granting access to users beyond that which an authorized user needs to perform their assigned duties creates a security risk to the data, including violations of segregation of duties and potential fraud.	Eliminate invalid users In WasteWORKS.	Agree	September 30, 2012	August 29, 2012	✔			✔			✔		
Granting access to users beyond that which an authorized user needs to perform their assigned duties create a security risk to the data, including segregation of duties violation and potential fraud.	Evaluate and implement appropriate WasteWORKS user access based on user job duties and proper segregation of duties.	Agree	September 30, 2012	February 23, 2015	✔			✔			✔		

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A12-010: AUDIT OF SELECTED LANDFILL FINANCIAL CONTROLS (Department of Sanitation Services and City Controller's Office) September 7, 2012											
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Without tracking changes, the ability to determine the validity in Maintenance and Utilities changes in WasteWORKS is compromised.	Establish a manual system to track approvals and validity of Maintenance and Utilities changes in WasteWORKS.	Agree	September 30, 2012	January 26, 2015	✔			✔				✔	**Condition:** The SAN has not consistently followed its own written policy and procedures for Change Tracking in WasteWORKS. These policy and procedures require SAN to review the Change Tracking and User Access Report on a monthly basis; however, according to the SAN: (1) Change Tracking Report was not reviewed after May 2015; and, (2) User Access Report is reviewed twice a year rather than monthly. **Effect:** Without tracking and reviewing changes monthly, the validity of Maintenance and Utilities changes in WasteWORKS is compromised.

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Without properly separating incompatible duties among SAN's employees, the risk increases that errors could occur and remain undetected and uncorrected and/or fraudulent activities could occur.	Redesign the employees' duties and responsibilities at the McCommas and Bachman scale houses and Canton to properly segregate incompatible duties among employees.	Agree	September 7, 2012	February 18, 2015	✔			✔			✔		
Without accurate and complete written policies and procedures, SAN cannot ensure landfill and transfer station employees' duties and the associated functions are performed in a consistent manner and that SAN has effective internal controls.	Thoroughly review, edit, and test the procedures and working instructions for the SAN Scale House contained in the Quality Management System.	Agree	November 30, 2014	February 3, 2015	✔			✔			✔		

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					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
Without accurate and complete written policies and procedures, SAN cannot ensure landfill and transfer station personnel employees' duties responsibilities and the associated functions are performed in a consistent manner and that SAN has effective internal controls.	Develop written procedures and working instructions for Bachman.	Agree	November 30, 2014	January 30, 2015	✔			✔			✔		
Without accurate and complete written policies and procedures, SAN cannot ensure landfill and transfer station personnel employees' duties responsibilities and the associated functions are performed in a consistent manner and that SAN has effective internal controls.	Develop written procedures and working instructions for Canton, including procedures for bank returned Items and delinquent accounts receivable which are in compliance with Administrative Directives (AD).	Agree	November 30, 2014	January 28, 2015	✔			✔			✔		

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A12-010: AUDIT OF SELECTED LANDFILL FINANCIAL CONTROLS (Department of Sanitation Services and City Controller's Office) September 7, 2012													
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016					
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Without formal policies and procedures for the customer security deposit process and adequate revenue protection for the City, SAN employees do not have the guidance needed to ensure that security deposits are sufficient and accounts receivable collection is secured.	Develop written policies and procedures for the security deposit process and ensure the security deposit process provides adequate revenue protection for the City and follows AD 4-9, *Internal Control;* AD 4-10, *Delinquent and Uncollectible Accounts Receivable;* and, standard business practices for extending credit to customers.	Agree	September 7, 2012	February 20, 2015	✔			✔			✔		**NOTE:** The SAN implemented the recommendation in February 2015 and developed the Credit/Prepaid Customer and Security Deposit Policy and Procedure to provide requirements related to credit and security deposits for new and existing customers (Policy and Procedure). The SAN, however, did not have a new customer between February 20, 2015 and the Office of the City Auditor's (Office) Cut-off Date. As a result, to evaluate the recommendation implementation status, auditors conducted an internal control design assessment only rather than test the Policy and Procedure specific to the SAN management's review and approval of new credit customer account applications, credit worthiness and the sufficiency of security deposits. (Cut-Off Date means that the audit recommendation status will be evaluated as of that date and any additional work performed by SAN management after March 31, 2015 will not be considered in the Office's evaluation.)

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A12-010: AUDIT OF SELECTED LANDFILL FINANCIAL CONTROLS
(Department of Sanitation Services and City Controller's Office)
September 7, 2012

Original Audit Report Information				Management Self-Reported Status March 2015					Auditor Verification Results As of March 2016					
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
Without formal policies and procedures that specify proper reconciliation activities, SAN does not have a definitive method of insuring the accuracy of balances for activities, such as cash receipts, accounts receivable, bank returned items, or security deposits.	Develop written policies and procedures for the reconciliation function and ensure monthly reconciliations are performed for the following: (1) cash change fund, (2) cash receipts, (3) accounts receivable, (4) bank returned items; and, (5) customer security deposits.	Agree	September 7, 2012	February 6, 2015	✔			✔			✔		
By waiting to post credit customer payments until the first week of the next month, credit customer accounts receivable balances are not accurate except once a month.	Require posting of customer payments to WasteWORKS within one business day to the payment posting to AMS Advantage 3.	Agree	September 7, 2012	February 1, 2015	✔			✔			✔		
By not recording the monthly journal voucher timely each month, revenue and accounts receivable are inaccurate in AMS Advantage 3 and unreliable for forecasting revenue and collections.	Require posting the journal voucher recording the monthly invoices to AMS Advantage 3 within one business day of mailing the monthly invoices to the customers.	Agree	September 7, 2012	January 7, 2015	✔			✔			✔		

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					I	NI	NA	I	NI	NA	M	NM			
Without proper documentation, SAN cannot ensure accounts receivable adjustment transactions are properly recorded and that recorded transactions actually occurred.	Develop written policies and procedures regarding accounts receivable adjustments, including requirements for adequate documentation to support every adjustment and management approval for every adjustment prior to entering the accounts receivable adjustment in WasteWORKS.	Agree	November 30, 2014	February 20,2015	✔			✔			✔				
Without proper authorization of transactions, SAN cannot ensure that activities are in compliance with City policies and procedures and management's intent.	Develop written policies and procedures regarding discount authorizations for City departments and enter into written agreements where appropriate.	Agree	November 30, 2014	September 3, 2014	✔			✔			✔				
Bank deposits are not made timely in accordance with AD 4-13, *Cash and Debt Management Policies and Procedures.*	Work with the City Controller's Office (CCO) to ensure the bank deposits arrive at the bank within one business day of the receipt as required by AD 4-13.	Agree	March 31, 2013	Not Applicable			✔	✔			✔		**NOTE:** Although SAN self-reported this recommendation as "Not Applicable", the auditor judgmentally tested sampled deposits to ensure SAN complies with the current City Charter requirement. Specifically, the City Charter Ordinance No. 29376 currently requires "*all monies received ... shall be deposited promptly in a commercially reasonable manner in city depositories.*" Auditor defined a reasonable time period as two to three business days.		

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Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**		**Qualifications/Comments**
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If the CCO delays recording and notifying the departments of bank returned items, the departments may accept more checks from the same customers resulting in more Non-Sufficient Funds (NSF) items returned by the bank.	The CCO records bank returned items and notifies departments within one business day of the receipt of the returned item. This one business day from receipt requirement parallels the deposit within one business day of cash receipts requirements of AD 4-13.	Agree	September 7, 2012	August 1, 2014	✔			✔			✔		

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A13-001: AUDIT OF MONITORING CONTROLS OVER TAX INCREMENT FINANCING DISTRICTS (Department of Economic Development) December 7, 2012												
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016				
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
The Department of Economic Development cannot ensure that monitoring processes by personnel are properly documented and performed timely and consistently.	Establish formal Tax Increment Financing Program policies and procedures that identify monitoring oversight responsibilities, as well as timing for completion of specific monitoring activities and required documentation.	Agree	November 1, 2013	July 31, 2014	✔			✔			✔		

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A13-007: AUDIT OF CITY OF DALLAS' SELF-INSURED GENERAL LIABILITY PROGRAM (Office of Risk Management) April 26, 2013												
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016				
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
A user could access the Office of Risk Management (ORM) claims system (cSTAR) with another user's logon credentials and make unauthorized changes, create false and/or misleading comments within the claims files, or upload fraudulent documents.	Require the City of Dallas (City) network and ORM claims system passwords be changed immediately to resolve the potential security issues.	Agree	December 21, 2012	August 14, 2014	✔			✔			✔		
A user could access the ORM's cSTAR with another user's logon credentials and make unauthorized changes, create false and/or misleading comments within the claims files, or upload fraudulent documents.	Ensure that employees receive training on the importance of maintaining logon credential security.	Agree	December 21, 2012	August 22, 2014	✔			✔			✔		

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A13-007: AUDIT OF CITY OF DALLAS' SELF-INSURED GENERAL LIABILITY PROGRAM (Office of Risk Management) April 26, 2013												
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016				
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
Without consistent adherence to policies and procedures, ORM cannot ensure that claims are processed accurately and timely.	Periodically monitor compliance with ORM policies and procedures and document the results.	Agree	March 25, 2012	September 30, 2014	✔			✔				✔	**Condition:** The ORM monthly claim file reviews are not effective and accurate. Specifically: (1) Monthly claim file reviews incorporate only one (Initial Claims Set-Up and Handling) of the three areas and the remaining two (Investigation and Documentation; and, Claims Settlement and Payment) are still not monitored regularly (2) The supervisor completing the review form is also responsible for providing direction and diary entries throughout the claims process (3) Thirty of the 36 selected claim file reviews (83.3 percent) have documentation errors **Effect:** Without independent, complete claim file reviews, ORM cannot ensure that claims are processed accurately and timely.

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A13-008: AUDIT OF SECURITY ALARM PERMITS AND FEES (Dallas Police Department and Departments of Communication and Information Services and Dallas Water Utilities) June 7, 2013											
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016			
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results		Risk Status		Qualifications/Comments
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When the intended functionality of new software and/or Information Technology (IT) systems, such as System, Application, and Product in Data Processing (SAP), is not verified before the software is placed into operation, the risk is increased that security alarm and other data records may not be processed, billed, or collected.	Strengthen System Development Life Cycle (SDLC) controls to ensure that new software and/or systems provide the intended functionality before being placed into operation.	Agree	Fiscal Year (FY) 2010	May 23, 2014	✔			✔				✔	**Condition:** Not all of IT change requests are reviewed and approved by the Department of Communication and Information's (CIS) Release Control Board as required by Administrative Directive 2-28, *Change Management of Information Technology.* A review of a judgmental sample of 74 (39 percent) out of a total of 191 SAP related change orders closed by CIS between May 23, 2014 and March 31, 2015 shows that seven changes, or nine percent, were deployed into production without any evidence of a required review and approval by the Release Control Board. **Effect:** As a result, IT changes may be implemented that negatively impact City departments' operations and the ability of the public to transact business with the City.
In the absence of IT related contingency operations plans, the Department of Dallas Water Utilities (DWU) will be unable to issue permits and bill for false alarm calls if SAP is disrupted.	Develop IT related contingency operation plans for the Program which includes issuing permits and billing for false alarm calls.	Agree	March 27, 2013	March 31, 2013	✔			✔			✔		

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In the absence of IT related contingency operation plans that include escalation procedures to inform executive City management of SAP disruption, executive City management will remain unaware of the magnitude and the implications of the disruption.	Develop IT related contingency operation plans for the Program which includes documenting escalation procedures which include input from executive City management regarding business impact analysis and recovery priorities and requirements for formal documentation of decisions.	Agree	March 27, 2013	March 31, 2013	✔			✔			✔		
Security alarm permits may be reinstated without proper applications, and permit and false alarm fees may not be consistently billed and collected.	Evaluate current DWU Special Collections Division (SCD) and Dallas Police Department (DPD) data authorizations within SAP and ensure that authorizations are appropriate for each user's responsibilities.	Agree	December 31, 2013	January 30, 2015	✔			✔				✔	**Condition:** The DPD Alarm Unit staff have the ability to edit alarm permit data in SAP. **Effect:** As a result, DPD Alarm Unit staff can reinstate security alarm permits without proper applications and fees.
Without sufficient data validation rules, DPD Police Report Representatives have the ability to and do record erroneous security alarm incident records in the Computer Aided Dispatch System (CAD), making matching security alarm incident records in CAD to permit records in SAP for false security alarm billing less effective.	Introduce additional CAD data validation rules for the security alarm permit numbers to enforce the correct permit number format recording by DPD Police Report Representatives.	Agree	December 31, 2013	Not applicable		✔						✔	No auditor comments due to management's self reporting the recommendation as "not implemented".

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In the absence of data validation rules, security alarms get matched to permits in other classifications, i.e., building permits, fire permits, liquor license, etc.	Introduce additional data validation checks in SAP to ensure proper permit classification.	Agree	December 31, 2013	July 14, 2014	✔			✔			✔		
Without documenting decisions to disregard permit status when responding to burglar alarms, DPD resources may not be used effectively and efficiently.	Document in CAD, DPD decisions to disregard the permit status when responding to burglaries of a targeted location or type.	Agree	June 30, 2013	November 17, 2014	✔			✔				✔	**Condition:** The DPD does not document the reasons for overriding the "no permit - no response" rule for non-911 burglar alarm calls in CAD. **Effect:** As a result, DPD resources may not be used effectively and efficiently.
Without data validation procedure, DPD and DWU cannot ensure the completeness of daily transfers of security alarm data from CAD to SAP.	Develop data validation procedures to ensure that daily security alarm data transfer from CAD to SAP is complete and accurate.	Agree	April 30, 2013	Not applicable		✔						✔	No auditor comments due to management's self reporting the recommendation as "*not implemented*".
Without adequate security alarm data monitoring, DWU cannot ensure that SAP data related to security alarm permits is processed accurately, completely, and is reliable.	Ensure security alarm permits are processed accurately and completely, and the associated fees are collected by routinely monitoring SAP data accuracy and completeness.	Agree	December 31, 2013	October 24, 2014	✔			✔				✔	**Condition:** The DWU does not have a monitoring procedure to ensure that all permits expire 365 days after renewal or that all permits eligible for revocation have been revoked. **Effect:** As a result, DWU cannot ensure that all permit information is reliable. The DPD may be responding to calls that do not qualify for response because security alarm permit information may be incorrect.

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If DWU staff have to activate permits prior to cancelling them, permit activation data becomes unreliable.	Improve data reliability by working with the Department of Communication and Information Services to determine if permits can be cancelled in SAP without first activating the permits.	Agree	December 31, 2013	October 10, 2013	✔			✔			✔		
Without adequate SAP data monitoring, DWU cannot ensure that revocation letters were issued for all owners of revoked permits as required by City Code Section 15C-14, *Notice of Denial or Revocation of a Permit; Appeals* .	Improve SAP data monitoring procedures to ensure that required revocation letters are sent for all security alarm revocations.	Agree	October 31, 2013	August 13, 2014	✔			✔			✔		
If DPD call takers do not create and keep the security alarm owner's name, permit number, and address, then the DPD Alarm Unit cannot follow-up with the burglar alarm owners to sufficiently enforce City Code security alarm permit requirements.	Keep a record of all non-911 security alarm monitoring company calls from locations without valid permits and use this information to pursue violators of the security alarm permit requirements.	Agree	July 31, 2013	July 31, 2013	✔				✔			✔	**Condition:** The DPD did not generate a required enforcement letter for four out of a representative random sample of 30 burglar alarm calls from locations with no valid permit, or 13.3 percent. Therefore, it is 95 percent likely that DPD did not generate a required enforcement letter for 13.3 percent (plus or minus five percent sampling risk) of the population of burglar alarm calls from locations without a valid permit, or a range of 769 to 1,696 alarm calls. **Effect:** As a result, DPD has not adequately enforced City Code security alarm permit requirements.

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Fiscal Year 2014 Audit Follow-Up of Prior Audit Recommendations
for Fiscal Years 2012, 2013, 2014
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If DWU staff have to activate permits prior to cancelling them, permit activation data becomes unreliable.	Improve data reliability by working with the Department of Communication and Information Services to determine if permits can be cancelled in SAP without first activating the permits.	Agree	December 31, 2013	October 10, 2013	✔			✔			✔		
Without adequate SAP data monitoring, DWU cannot ensure that revocation letters were issued for all owners of revoked permits as required by City Code Section 15C-14, *Notice of Denial or Revocation of a Permit; Appeals* .	Improve SAP data monitoring procedures to ensure that required revocation letters are sent for all security alarm revocations.	Agree	October 31, 2013	August 13, 2014	✔			✔			✔		
If DPD call takers do not create and keep the security alarm owner's name, permit number, and address, then the DPD Alarm Unit cannot follow-up with the burglar alarm owners to sufficiently enforce City Code security alarm permit requirements.	Keep a record of all non-911 security alarm monitoring company calls from locations without valid permits and use this information to pursue violators of the security alarm permit requirements.	Agree	July 31, 2013	July 31, 2013	✔				✔			✔	**Condition:** The DPD did not generate a required enforcement letter for four out of a representative random sample of 30 burglar alarm calls from locations with no valid permit, or 13.3 percent. Therefore, it is 95 percent likely that DPD did not generate a required enforcement letter for 13.3 percent (plus or minus five percent sampling risk) of the population of burglar alarm calls from locations without a valid permit, or a range of 769 to 1,696 alarm calls. **Effect:** As a result, DPD has not adequately enforced City Code security alarm permit requirements.

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Fiscal Year 2014 Audit Follow-Up of Prior Audit Recommendations
for Fiscal Years 2012, 2013, 2014
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A13-008: AUDIT OF SECURITY ALARM PERMITS AND FEES (Dallas Police Department and Departments of Communication and Information Services and Dallas Water Utilities) June 7, 2013												
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016				
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
Without validation of residential or commercial status of permit applicants, the City will not receive correct permit fee revenue. Without validation of security alarm system location within the Dallas City limits, permits would be issued to locations where the City does not have the authority or jurisdiction to provide police response to security alarm signals.	Ensure SCD permit processing procedures include SAP validation of the: - Residential or commercial status of permit applicants - Security alarm system location within the Dallas City limits	Agree	October 31, 2013	Not applicable			✔					✔	No auditor comments due to management's self reporting the recommendation as "*not applicable*".
Without validation of security alarm system location within the Dallas City limits, permits would be issued to locations where the City does not have the authority or jurisdiction to provide police response to security alarm signals.	Cancel security alarm permits issued to locations outside of the City limits and refund the associated permit fees.	Agree	July 31, 2013	August 13, 2014	✔			✔			✔		
When DWU charges incorrect fees for false security alarms, the City is not receiving the proper amount of false alarm fee revenue.	Ensure fees charged for false alarms are in accordance with City Code Section 15C-12, *Service Fees, Payment Plan.*	Agree	July 31, 2013	October 4, 2013	✔			✔				✔	**Condition:** The DWU incorrectly charged more than the required $100 fee for at least one false panic/holdup alarm call from locations with expired permits. The DWU charged more than the required $0 fee for at least 17 false burglar alarm calls from locations with expired permits. **Effect:** As a result, the City is not receiving the proper amount of false alarm fee revenue.

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A14-001: AUDIT OF THE CITY OF DALLAS' COMPLIANCE WITH THE TEXAS PROMPT PAYMENT ACT (City Controller's Office) November 1, 2013													
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**					
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**		**Qualifications/Comments**
					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
The City of Dallas (City) cannot easily determine: (1) when vendor payments are not processed in accordance with the Prompt Payment Act; and, (2) if interest amounts are owed to vendors.	Implement a consistent method to identify and track the actual invoice receipt date.	Agree	September 30, 2014	September 27, 2014	✔			✔			✔		
The City cannot easily determine: (1) when vendor payments are not processed in accordance with Prompt Payment Act; and, (2) if interest amounts are owed to vendors.	Require the actual invoice receipt date to be recorded before an invoice can be processed if AMS Advantage III General Ledger Accounting System (AMS) can be configured to do so.	Agree	September 30, 2014	December 18, 2014	✔			✔			✔		

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	A14-001: AUDIT OF THE CITY OF DALLAS' COMPLIANCE WITH THE TEXAS PROMPT PAYMENT ACT (City Controller's Office) November 1, 2013											

Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016				
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
The City cannot easily determine if valid exceptions to the Prompt Payment Act exist.	Identify invoices in dispute if AMS can be configured to do so.	Agree	September 30, 2014	February 6, 2015	✔			✔				✔	**Condition:** The City Controller's Office (CCO) does not configure AMS to note disputed invoices. Instead, CCO manually identifies invoices in dispute. Specifically, CCO: (1) Instructs departments' Accounts Payable personnel to document disputed invoices as "dispute" in the AMS invoice comment section; however, the instructions are not consistently followed. (2) Asks the Department of Communication and Information Services (CIS) personnel to generate an "Invoices in Dispute" report. The accuracy of the report is dependent upon CIS personnel's ability to identify and query all combinations of words that departments' Accounts Payable personnel may have used to denote disputed invoices. **Effect:** The manual process is not efficient and effective; as a result, the City cannot easily determine if valid exceptions to the Prompt Payment Act exists.

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A14-001: AUDIT OF THE CITY OF DALLAS' COMPLIANCE WITH THE TEXAS PROMPT PAYMENT ACT (City Controller's Office) November 1, 2013												
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**				
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**		**Qualifications/Comments**
					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
The City cannot easily determine: (1) when vendor payments are not processed in accordance with the Prompt Payment Act; (2) if interest amounts are owed to vendors; and, (3) if valid exceptions to the Prompt Payment Act exist.	Provide guidance for monitoring compliance with the Prompt Payment Act, including how to use available financial reports, in the CCO's annual training.	Agree	September 30, 2013	September 8, 2014	✔			✔			✔		

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A14-004: AUDIT OF THE CITY OF DALLAS' AIRCRAFT RESCUE AND FIREFIGHTING UNIT (Department of Dallas Fire-Rescue) December 6, 2013												
Original Audit Report Information				Management Self-Reported Status March 2015				Auditor Verification Results As of March 2016				
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
The City of Dallas (City) may not have assurance that Aircraft Rescue and Firefighting Unit (Unit) personnel's training records accurately reflect the dates training occurred and/or the personnel attending the training.	Ensure Federal Aviation Administration (FAA) training for Unit personnel is recorded accurately and timely in each individual's FAA Form and reconciled to the Unit's summary training spreadsheet.	A	January 1, 2014	September 19, 2014	✓			✓			✓		
The City may not have assurance that the Unit complies with FAA training curriculum requirements.	Monitor, at least semi-annually, Unit personnel's progress in meeting the established FAA training curriculum.	A	January 1, 2014	February 5, 2015	✓			✓			✓		
The City may not have assurance that Unit personnel are performing self-inspections daily.	Define and formally document Unit personnel's and the Battalion Chief's self-inspection responsibilities for Unit apparatus.	A	January 1, 2014	October 29, 2014	✓			✓			✓		
The City may not have assurance that the Unit's apparatus received proper preventive maintenance and is fully prepared to respond to an aircraft emergency.	Establish, formally document, and follow routine preventive maintenance schedules for Unit apparatus.	A	January 1, 2014	February 4, 2015	✓				✓			✓	**Condition:** Two Unit apparatus did not receive preventive maintenance within a year of their last scheduled preventive maintenance. **Effect:** As a result, the risk of these apparatus experiencing mechanical problems during an emergency situation is increased.

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A14-005: AUDIT OF CITY OF DALLAS' SELF-INSURED MEDICAL PROGRAM (Department of Human Resources) February 14, 2014												
Original Audit Report Information				Management Self-Reported Status June 2013				Auditor Verification Results As of January 2014				
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
The City of Dallas (City) cannot ensure that medical and pharmacy claims are processed in accordance with program guidelines and Third Party Administrators (TPA) meet performance guarantees.	Ensure medical and pharmacy benefits are paid in accordance with plan guidelines by: (1) contracting with an independent auditor who is qualified to audit medical and pharmacy claims and performance guarantees.	Agree	December 31, 2014	September 26, 2012	✔			✔			✔		
The City cannot ensure that medical and pharmacy claims are processed in accordance with program guidelines and TPA meet performance guarantees.	Ensure medical and pharmacy benefits are paid in accordance with plan guidelines by: (2) establishing a schedule to ensure the audits are completed at least bi-annually for each plan.	Agree	December 31, 2014	November 1, 2014	✔			✔			✔		
The Department of Human Resources (HR) cannot ensure administrative fee payments will be processed accurately and consistently.	Improve internal controls by developing written procedures for: (1) guiding employees in processing payments.	Agree	September 30, 2014	October 27, 2014	✔			✔			✔		
The HR cannot ensure administrative fee payments will be processed accurately and consistently.	Improve internal controls by developing written procedures for: (2) specifying spreadsheet controls.	Agree	September 30, 2014	October 27, 2014	✔			✔			✔		
The HR cannot ensure administrative fee payments will be processed accurately and consistently.	Improve internal controls by developing written procedures for: (3) identifying analytical review criteria.	Agree	September 30, 2014	October 27, 2014	✔			✔			✔		

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<table>
<tr><td colspan="11">A14-005: AUDIT OF CITY OF DALLAS' SELF-INSURED MEDICAL PROGRAM
(Department of Human Resources)
February 14, 2014</td></tr>
<tr><td colspan="4">Original Audit Report Information</td><td colspan="2">Management Self-Reported Status
June 2013</td><td colspan="5">Auditor Verification Results
As of January 2014</td></tr>
<tr><td rowspan="2">Risk Identified</td><td rowspan="2">Recommendation</td><td rowspan="2">Agree/
Disagree</td><td rowspan="2">Implementation
Date</td><td rowspan="2">Implementation
Date</td><td>Implementation
Results</td><td>Implementation
Results</td><td>Risk Status</td><td rowspan="2">Qualifications/Comments</td></tr>
<tr><td>I   NI   NA</td><td>I   NI   NA</td><td>M   NM</td></tr>
<tr><td>The HR cannot ensure administrative fee payments will be processed accurately and consistently.</td><td>Improve internal controls by developing written procedures for: (4) specifying the timing for researching and resolving issues resulting from the analytical review.</td><td>Agree</td><td>September 30, 2014</td><td>October 27, 2014</td><td>✔</td><td>✔</td><td>✔</td><td></td></tr>
<tr><td>The HR cannot ensure administrative fee payments will be processed accurately and consistently.</td><td>Improve internal controls by developing written procedures for: (5) ensuring supervisory review of the calculation of the monthly administrative fee is performed prior to payment to the TPA.</td><td>Agree</td><td>September 30, 2014</td><td>October 27, 2014</td><td>✔</td><td>✔</td><td>✔</td><td></td></tr>
<tr><td>The HR cannot ensure administrative fee payments will be processed accurately and consistently.</td><td>Research and resolve the variance identified for the number of retirees to ensure potential overpayments are corrected.</td><td>Agree</td><td>February 28, 2014</td><td>April 25, 2013</td><td>✔</td><td>✔</td><td>✔</td><td></td></tr>
<tr><td>The risk of fraud, lost, and/or stolen checks is increased by not depositing checks timely.</td><td>Develop procedures to ensure checks are deposited within one business day as required by Administrative Directive 4-13, Cash and Debt Management Policies and Procedures.</td><td>Agree</td><td>February 28, 2014</td><td>March 16, 2015</td><td>✔</td><td>✔</td><td>✔</td><td></td></tr>
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A14-005: AUDIT OF CITY OF DALLAS' SELF-INSURED MEDICAL PROGRAM (Department of Human Resources) February 14, 2014												
Original Audit Report Information				**Management Self-Reported Status June 2013**				**Auditor Verification Results As of January 2014**				
Risk Identified	Recommendation	Agree/ Disagree	Implementation Date	Implementation Date	Implementation Results			Implementation Results			Risk Status		Qualifications/Comments
					I	NI	NA	I	NI	NA	M	NM	
The HR cannot ensure performance requirements for TPAs are met, financial consequences for noncompliance are assessed, and amounts due, if any, are received timely.	Ensure: (1) the TPAs Reports are received and reviewed at least quarterly to determine compliance with the performance guarantee requirements as set forth in the contracts.	Agree	February 28, 2014	October 27, 2014	✔			✔			✔		
The HR cannot ensure performance requirements for TPAs are met, financial consequences for noncompliance are assessed, and amounts due, if any, are received timely.	Ensure: (2) deviations identified during the review are communicated timely to the TPAs and corrected appropriately.	Agree	February 28, 2014	October 27, 2014	✔			✔			✔		
The HR cannot ensure performance requirements for TPAs are met, financial consequences for noncompliance are assessed, and amounts due, if any, are received timely.	Ensure: (3) amounts due, if any, are requested for collection in the first quarter of the next year.	Agree	February 28, 2014	October 27, 2014	✔			✔			✔		

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A14-006: AUDIT OF ARTS AND CULTURAL PROGRAM FUNDING (Office of Cultural Affairs) February 21, 2014										
Original Audit Report Information				**Management Self-Reported Status March 2015**			**Auditor Verification Results As of March 2016**			
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**		**Implementation Results**	**Risk Status**		**Qualifications/Comments**
					I NI NA		I NI NA	M NM		
The Office of Cultural Affairs (OCA) personnel cannot ensure the Cultural Organization Program (COP) and the Cultural Projects Program (CPP) that receive funding from the City of Dallas actually satisfy the terms of the Cultural Services Contract.	Implement improvements to the monitoring controls to ensure that organizations participating in the COP and CPP comply with Council Resolution 02-3206 and with required contract provisions.	Agree	September 30, 2014	January 31, 2015 [**] ✔			✔	✔		
The OCA cannot demonstrate that it consistently follows a criteria and assessment process of each organization's application for funding.	Document OCA's funding process consistently for each COP and CPP applicant by using a checklist or other forms.	Agree	September 30, 2014	January 31, 2015 [**] ✔			✔	✔		

[**]   The OCA's funding cycles for COP and CPP are for two years. In the first year, applicants must go through the full review for the following processes: application submission and review; applicant proposal evaluation and scoring by the Peer Review Panel; and, funding recommendation review by the Allocations Committee. The Peer Review Panel process is not required in the second year of funding. The OCA implemented the recommendations in the second quarter of Fiscal Year 2015 which is the first year of funding. Therefore, the two-year process was not complete to allow auditors to test the full year grant cycle. As a result, to evaluate the recommendations implementation status, auditors conducted an internal control design assessment only rather than testing the full two years grant cycle.

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A14-009: AUDIT OF THE DEPARTMENT OF DALLAS WATER UTILITIES' WASTEWATER COLLECTION AND TREATMENT OPERATIONS - INTERNAL CONTROLS OVER CHEMICAL SUPPLIES (Department of Dallas Water Utilities) April 11, 2014													
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**					
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**		**Qualifications/Comments**
					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
The Department of Dallas Water Utilities (DWU) cannot independently determine the reasonableness of the amount of chemical supplies received and readily determine that the City of Dallas (City) only pays for amounts received.	Require facility personnel to independently determine the reasonableness of the amount of chemical supplies received to ensure that the City pays only for amounts actually received.	Agree	October 31, 2013	December 22, 2014	✔			✔			✔		
The DWU cannot independently determine the reasonableness of the amount of chemical supplies received and readily determine that the City only pays for amounts received.	Ensure the Central facility consistently follow record keeping practices.	Agree	April 30, 2013	April 30, 2014	✔			✔			✔		

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A14-010: AUDIT OF SOFTWARE LICENSE COMPLIANCE (City Controller's Office) April 11, 2014												
Original Audit Report Information				**Management Self-Reported Status March 2015**				**Auditor Verification Results As of March 2016**				
Risk Identified	**Recommendation**	**Agree/ Disagree**	**Implementation Date**	**Implementation Date**	**Implementation Results**			**Implementation Results**			**Risk Status**		**Qualifications/Comments**
					I	**NI**	**NA**	**I**	**NI**	**NA**	**M**	**NM**	
The City of Dallas (City) cannot effectively: (1) perform analysis of renewing licenses against alternatives (e.g., procuring new software versus upgrading existing software); and, (2) evaluate price reasonableness when procuring software licenses.	Clarify the object codes that should be used by departments with a focus on accurately and consistently accounting for software license cost.	Agree	October 31, 2014	September 8, 2014	✔			✔			✔		

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