

Memorandum



CITY OF DALLAS

DATE: October 28, 2016

TO: Honorable Mayor and Members of the City Council

SUBJECT: Office of the City Auditor – Services Summary Memo Report for Fiscal Year 2016

This report delivers a summary of the services provided by the City of Dallas' (City) Office of the City Auditor (Office) for Fiscal Year (FY) 2016¹.

The mission of the Office is to promote public trust and advance accountability by providing independent, objective, and useful professional services. Throughout FY 2016, this mission guided the Office as it produced deliverables in support of the City Council's governance and City management's operational responsibilities, including:

- **Sixteen performance audits** – providing assurances about and opportunities to improve the efficiency, effectiveness, internal controls, and compliance of City operations
- **Two attestation engagements** – providing verification of the Department of Business Development and Procurement Services', Department of Trinity Watershed Management's and the Department of Public Works' compliance with Texas Local Government Code Chapter 252, *Purchasing and Contracting Authority of Municipalities; Government Code, Chapter 2269*; and, Administrative Directive 4-05, *Contracting Policy*
- **Eight investigative reports** – communicating to the City Council and / or City management instances of fraud, waste or abuse, along with corrective actions taken
- **Twenty nonaudit services** – providing other services to the City Council or City management to assist in the fulfillment of their responsibilities and the Office's mission

Performance audits provided coverage of operational risks and produced 79 total recommendations (including sub-recommendations) to reduce risks or improve operations. Areas of coverage included fleet maintenance management; infrastructure maintenance; access controls for information systems; contract monitoring; aquatic facilities; and, the 311 Customer Service Center. In addition, the Office conducted audits in accordance with the City Charter of the accounts of former City Council Members and the former City Attorney and, reviewed the methodology, assumptions, and calculations of \$2.2 billion of the City's \$2.8 billion FY 2017 revenue estimates in accordance with Council Resolution 904027.

Attestation engagements² supported the City's efforts to comply with State of Texas (State) purchasing requirements related to two large construction procurements totaling \$210,864,686.

¹ October 1, 2015 to September 30, 2016

² Performed under American Institute of Certified Public Accountants (AICPA) attestation standards for agreed-upon-procedures engagements

Investigative Services³ closed 104 fraud, waste or abuse complaints during FY 2016 that resulted in at least 24 accountability actions by city management. These actions included the filing of criminal charges, termination of employment, or the implementation of other disciplinary or administrative control measures. Criminal complaints related to City employees were referred to the Dallas Police Department – Public Integrity Unit (DPD-PIU)⁴ for investigation. Administrative investigations were conducted by the Office (or by City management at the direction of the Office) once DPD-PIU criminal investigations were completed and for non-criminal complaints received. The Office began FY 2016 with 24 open complaints of fraud, waste or abuse. One hundred four (104) complaints were received during the fiscal year, and 24 complaints remained open at fiscal year-end.

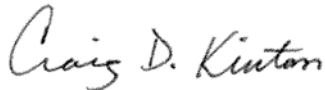
Other nonaudit services (20 in total) were provided to City Council Members and City management during the course of the year. These services included responses to five City Council Members' request for assistance, responses to two departments' request for assistance, and 13 presentations to City staff and City Council committees. Nonaudit services refer to any professional service provided by the Office that is not performed under Government Auditing Standards (GAGAS) established by the United States Comptroller General. These standards require the Office to consider whether the performance of the service would pose a potential threat to auditor independence.

In addition to providing professional services for the City, the Office underwent an evaluation of its own operations in FY 2016. The Office received from the Association of Local Government Auditors (ALGA) an unqualified or "clean" opinion and a "no recommendations" management letter for the peer review covering the three-year period of May 1, 2013 to April 30, 2016. The purpose of the peer review was to evaluate the Office's system of quality control and compliance in order to provide reasonable assurance of conformance with applicable professional standards. The GAGAS requires external peer reviews at least once every three years.

The achievements of this past fiscal year would not have been possible without the team of dedicated professionals employed by the Office. We remain committed to supporting the City Council and City management as you strive to serve the citizens of Dallas.

The attachments provide additional information on the Office's operations and results for FY 2016. We appreciate the opportunity to serve you and are available to discuss our operations or results upon request.

Respectfully,



Craig D. Kinton
City Auditor

Attachments

C: A. C. Gonzalez, City Manager
Larry Casto, City Attorney
Rosa Rios, City Secretary

³ Investigations by the Office are considered nonaudit services under GAGAS and are conducted in accordance with Quality Standards for Inspection and Evaluation established by the Council of the Inspectors General on Integrity and Efficiency, Association of Certified Fraud Examiners' Code of Professional Ethics, and City Code.

⁴ Or other appropriate law enforcement.

ATTACHMENTS

- I. Vision, Mission and Statement of Values
- II. Staff Composition Statistics
- III. Audit Report Highlights
- IV. Attestation Services Highlights
- V. Nonaudit Services Highlights
- VI. Investigative Services Highlights
- VII. Peer Review Letters and Certificate of Compliance

**City of Dallas
Office of the City Auditor
Vision, Mission and Statement of Values**

VISION

Accountability professionals helping
Dallas work better

MISSION

Our mission is to promote public trust and advance accountability by providing independent, objective, and useful professional services for the City of Dallas.

STATEMENT OF VALUES

We achieve our mission with **PRIDE**:

Professionalism
Respect
Integrity
Diversity
Excellence

**City of Dallas
Office of the City Auditor
Staff Composition Statistics
Fiscal Year 2016⁵**

Staff Tenure with Office	
	Percent
One Year or Less	27.3
Two to Five Years	36.4
Six to Ten Years	31.8
More than Ten Years	4.5

Gender		
	Office Percent	Dallas, TX * Percent
Male	59.1	50.4
Female	40.9	49.6

* Source: US Census Bureau 2015 (Estimate)

Ethnicity		
	Office Percent	Dallas, TX * Percent
Non-Hispanic White	54.5	29.2
Non-Hispanic Black	18.2	24.0
Hispanic	9.1	41.4
Other Race	18.2	5.4

* Source: Economic Development Profile –
Office of Economic Development 2015 (Estimate)

Education *	
	Percent
Some College, No Degree	4.5
Bachelors Degree	95.5
Masters Degree	59.1
Doctor in Jurisprudence	9.1

* Does not total to 100% as employees with Masters Degrees also have Bachelors Degrees

Professional Certifications / Designations *	
	Percent
Certified Public Accountant (CPA)	40.9
Certified Internal Auditor (CIA)	31.8
Certified Information System Auditor (CISA)	13.6
Certified Fraud Examiner (CFE)	27.3
Certified Financial Forensics (CFF)	4.5
Licensed Attorney	9.1
Other Certifications	13.3

* Does not total 100% as all employees do not have professional certifications / designations and some employees have more than one professional certification / designation

⁵ As of September 30, 2016

**City of Dallas
Office of the City Auditor
Audit Report Highlights
Fiscal Year 2016**

Audit of MuniServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees (November 20, 2015)

- In Fiscal Year (FY) 2015, the Office of the City Auditor (Office) verified \$742,451 in sales tax receipts collections that MuniServices, LLC (Consultant) identified as owed to the City of Dallas (City) from businesses operating in the City.
- The Office also verified the accuracy of \$205,141 in Consultant invoices received for the period October 1, 2014 through September 30, 2015 for payment of the Consultant's percentage of the amount collected under the contingent fee contract arrangement with the City.

No associated recommendations with this report.

Audit of Department of Dallas Fire-Rescue's Fleet Maintenance Management (December 4, 2015)

- The Department of Dallas Fire-Rescue (DFR) can improve the efficiency and effectiveness of fleet maintenance for the City of Dallas' (City) 532 emergency vehicles and equipment in the DFR fleet (79 fire engines, 28 aerial trucks, 56 ambulances, and 369 other supporting vehicles and equipment). Specifically:
 - The DFR Maintenance Division (Division) does not consistently perform timely Preventive Maintenance (PM) services
 - The Division does not have an efficient procurement method for parts that are not included in a master agreement with a vendor who can supply emergency vehicles' parts timely
 - The Division's mechanic supervisors do not consistently perform and document quality control procedures for PM services by preparing, signing, and retaining Preventive Maintenance Checklists for heavy-duty emergency vehicles and for Medical Intensive Care Units
 - User access to the Fleet Focus M5 (M5) software application is not properly segregated and timely updated when personnel changes occur

- The Division does not have mechanics' staffing plans to ensure an adequate number of qualified personnel are readily available to meet DFR's fleet maintenance needs
- The lack of incentives and the DFR's compensation structure do not encourage mechanics to obtain relevant certifications, such as the Emergency Vehicle Technician (EVT) certification
- The Division does not have formal training plans stipulating the types and frequency of training which should be received by all mechanics

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the DFR Fire Chief:			
<ul style="list-style-type: none"> • Ensures PM services are performed timely and in accordance with the National Fire Protection Association's (NFPA) and the manufacturers' recommended schedules for all DFR emergency vehicles by: <ul style="list-style-type: none"> ○ Using an automated PM scheduling process, such as the functionality available in M5 software application, to create and track PM schedules for all DFR emergency vehicles ○ Creating reports to periodically evaluate when PM services are due so the PM services can be scheduled and fire station personnel are notified ○ Placing a sticker on emergency vehicles' windshields so fire station personnel can also monitor when the next PM services are due 	DFR	Agree	June 2016
<ul style="list-style-type: none"> • Works with the Director of BDPS to establish an efficient procurement method, such as a master agreement, to readily obtain emergency vehicles' parts 	DFR	Agree	April 2016
<ul style="list-style-type: none"> • Ensures the Division mechanic supervisors consistently perform quality control procedures for all PM services by preparing, signing, and retaining the Division's checklists 	DFR	Agree	December 2015

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Coordinates with the Director of EBS to: <ul style="list-style-type: none"> ○ Segregate MGMT roles between the Fleet Section Manager and the Automotive Parts Warehouse Manager ○ Disable M5 software application user accounts timely when personnel separate from the Division ○ Review M5 software application user accounts periodically to ensure appropriate personnel have access to the system ○ Establish M5 software application user accounts for the four mechanics currently without M5 access 	DFR	Agree	December 2015
<ul style="list-style-type: none"> • Develops mechanics' staffing plans to reduce DFR's fleet maintenance operational risks. These plans should include, but not be limited to, strategies to replace mechanics who retire or leave the City, anticipation of emergency vehicles' maintenance needs, and an evaluation of the total cost of overtime versus the cost of hiring additional staff. 	DFR	Agree	October 2016
<ul style="list-style-type: none"> • Creates incentives to encourage mechanics to obtain relevant certifications • Implements a compensation structure with guidance from the City's Department of Human Resources (HR) to ensure high-performing mechanics are rewarded for their performance, years of experience, and certifications 	DFR	Agree	October 2016
<ul style="list-style-type: none"> • Develops formal training plans for the Division with annual minimum mechanic training requirements • Retains training records to verify each mechanic has completed the minimum training requirements 	DFR	Agree	October 2016

Audit of Department of Dallas Water Utilities’ Maintenance of Infrastructure (December 4, 2015)

- The City of Dallas (City) estimates it is investing more than \$55 million each year to replace its water pipelines. This effort is changing the composition of the water pipelines, including a reduction in water pipelines that are made of aging cast iron material and an increase in water pipelines that are at least eight inches in diameter. Replacing older water pipelines with new ones has kept the average water pipeline age steady at 42 years.
- Despite this progress, better information is needed to evaluate if the Department of Dallas Water Utilities’ (DWU) annual water pipeline replacement efforts are sufficient to meet the City’s long-term infrastructure needs. Specifically, DWU:
 - Uses three different annual target replacement rates ranging from 0.75 percent to 1.5 percent, a difference of up to 59 water pipeline miles per year, and two of the three target replacement rates combine water and wastewater pipeline into one target replacement rate
 - Does not use precise and clear performance measures that are focused on monitoring current and proposed water pipeline replacement efforts
 - Uses software applications that do not have the functionality necessary to ensure that the operational data used by DWU management to make water pipeline replacement decisions is complete, accurate, or secured (data reliability)
- In addition, DWU operational changes are needed to address the following:
 - The DWU has not fully implemented an Asset Management Business Plan (Business Plan), a key recommendation of the 2007 Water Distribution Capital Infrastructure Master Plan (2007 Master Plan), or sufficiently monitored progress against the Business Plan
 - The DWU’s formal internal procedures for prioritizing water pipelines for replacement are not current or fully documented. As a result, DWU cannot determine if it is replacing enough water pipelines.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the Director of DWU:</p> <ul style="list-style-type: none"> • Reviews water pipeline replacement needs and develops and regularly reports on one water pipeline target replacement rate 	DWU	Agree	October 2016

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Further develops precise and clear performance measures to evaluate its water pipeline replacement efforts 	DWU	Agree	October 2016
<ul style="list-style-type: none"> Ensures completeness of data entry by assigning reviews of the entered information by individuals who did not enter the data and using accuracy checks, such as control totals, for the MS Excel spreadsheet and MS Access database Identifies and implements other available reasonableness checks in GIS to verify accuracy Secures the MS Access database on a shared drive with restricted access Applies password controls over the three software applications consistent with the CIS Enterprise Security Standard. If password standards cannot be applied in totality, then DWU should, at a minimum, change passwords consistent with CIS policy. Continues to develop an integrated work order system and regularly monitors its progress 	DWU	Agree	Security Measures Partially Implemented – October 2015 Control and Security Measures – October 2016 Integrated Work Order and Asset Management System – Beginning September 2017
<ul style="list-style-type: none"> Identifies and formally documents the elements of the Business Plan that are current and applicable to the DWU overall strategy for water pipeline replacement Develops a timeline for implementing the Business Plan Develops processes to monitor the implementation of the Business Plan over a period of time 	DWU	Agree	October 2016
<ul style="list-style-type: none"> Reviews, develops, and / or updates the procedures related to water pipeline replacement prioritization 	DWU	Agree	Partially Implemented – August 2015
			October 2016

Audit of Access Controls for the Courts' Information Systems (December 4, 2015)

- The Department of Communication and Information Services (CIS) did not provide persuasive evidence to demonstrate that CIS effectively monitored the \$2.8 million contract to implement the Incode Municipal Court Case Management and the Content Management System (Incode System). As a result, the City of Dallas (City) cannot adequately assess whether the Incode System was implemented in accordance with the City's specifications.
- In addition, the Department of Court and Detention Services (CTS):
 - Did not clearly establish standard user profiles prior to Incode System implementation
 - Continues to modify the standard user profiles and access privileges
 - Does not adequately monitor user access and "Process and Transaction" activity logs (activity logs)
- Due to the customization of the standard user profiles and access privileges within the Incode System, there is an increased risk of inadequate segregation of duties. When segregation of duties is not maintained or monitored periodically, users may take advantage of potential gaps in security. Also, invalid transactions may not be identified and corrected timely.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of CIS establishes, conducts, and retains evidence of monitoring activities to show that Tyler Technologies is complying with the remaining implementation activities in the contract.	CIS	Agree	June 30, 2016
We recommend the Director of CTS:			
<ul style="list-style-type: none"> • Establishes standard user profiles. If business process changes result in the need to modify existing user profiles, management should evaluate these modifications for inadequate segregation of duties. 	CTS	Agree	June 30, 2016
<ul style="list-style-type: none"> • Develops a mapping and / or reference document to assist in the consistent review of users' access • Periodically reviews the activity logs to monitor for known and other potential security risks 	CTS	Agree	June 30, 2016

**Special Audit of the Accounts of Six Former City Council Members
(January 22, 2016)**

- The Office of the City Auditor (Office) completed the *Special Audit of the Accounts of Six Former City Council Members* (Special Audit) regarding the former City of Dallas (City) Council Members whose terms expired on June 23, 2015.
- This Special Audit verified whether the City and / or former City Council Members Jerry Allen, Tennell Atkins, Dwaine Caraway, Carolyn Davis, Vonciel Jones-Hill, and Sheffield Kadane properly:
 - Controlled and accounted for any City assets assigned to and / or purchased with City funds by the former City Council Members
 - Removed the former City Council Members as authorized agents of the City
 - Ensured the former City Council Members did not have any outstanding debts owed to the City
- The Office found that the City continues to have difficulties consistently following appropriate procedures to meet these objectives. As a result, certain City policies and procedures were not always followed, outstanding debts were owed to the City, and compliance exceptions reported in prior Special Audits still exist.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager:			
<ul style="list-style-type: none"> • Ensures the Mayor and City Council (MCC) staff follow Department of Human Resources' (HR) procedures by completing and submitting the Electronic Termination Notification Forms no later than two weeks prior to the scheduled termination date of former City Council Members 	City Manager's Office (CMO)	Agree	June 30, 2017
<ul style="list-style-type: none"> • Ensures the MCC staff develops and uses a "Chain of Custody" form to document all City property issued to and returned by City Council Members 	CMO	Agree	June 30, 2017
<ul style="list-style-type: none"> • Ensures the MCC staff keep detailed records for purchases of personal property considered high-risk for loss or theft, for example: cell phones, tablets, and other electronic equipment 	CMO	Agree	June 30, 2017

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Ensures MCC staff consistently follow Administrative Directive (AD) 4-15, <i>Purchasing Card Policy and Procedures</i> 	BDPS	Agree	December 31, 2016
<ul style="list-style-type: none"> Works with the MCC Members to determine whether the City's Code of Ethics and the MCC's rules should be amended to: (1) clarify the circumstances under which a former City Council Member may purchase items assigned to them during their term(s); (2) determine an appropriate method for establishing the value of the items and documenting the sale price; and, (3) clarify the circumstances under which City equipment can be donated or transferred to external entities 	Chief Financial Officer (CFO)	Agree	December 31, 2016
<ul style="list-style-type: none"> Continues to identify and formally inform City Council Members, prior to their departure, of any indebtedness to the City 	CFO	Agree	Not Applicable
<ul style="list-style-type: none"> Ensures MCC staff timely collect City-issued ID badges and Parking Decals prior to the departure of former City Council Members and submit these items with the Termination Action Form 	Assistant to the City Manager, MCC Office	Agree	June 30, 2017
We recommend the MCC staff:			
<ul style="list-style-type: none"> Works with the Director of the Department of Communication and Information Services (CIS) to ensure electronic devices are transferred for City use or uses the e-Cycle buy-back program for all wireless devices 	Assistant to the City Manager, MCC Office	Agree	June 30, 2017
We recommend the City Attorney (ATT):			
<ul style="list-style-type: none"> Attempts to collect the outstanding debt owed by the former City Council Member 	ATT	Agree	February 1, 2016 to contact Council Member / March 1, 2016 to refer to Linebarger Law Firm for collection if necessary
We recommend the Director HR:			
<ul style="list-style-type: none"> Establishes a policy that specifies the work week of MCC Members so a consistent guide will be used in case of any payroll deductions in the future 	HR	Agree	June 30, 2017

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Consults with the Chief Financial Officer to determine whether the former City Council Members should receive the additional 3.2 hours of final pay 	HR	Agree	February 29, 2016

Audit of the Performance Measurement Process for the Dallas Police Department (March 18, 2016)

- The City of Dallas' (City) Performance Measurement Process is used by all City departments and offices to set target levels of performance in relation to their budgeted resources and to monitor progress toward meeting those targets.
- The Dallas Police Department (DPD) reported reliable results for two of the five Fiscal Year (FY) 2015 performance measures selected and tested:
 - Two performance measures were certified with qualification
 - One performance measure had results that were inaccurate greater than five percent
 - Two other performance measures had factors that prevented certification

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Chief of Police:			
<ul style="list-style-type: none"> Develops comprehensive written procedures for performance measures Provides continuity and training on the performance measurement process during leadership rotations and / or transfers Strengthens supervisory review controls Communicates to staff the importance of controls that ensure performance measure results are reliable 	DPD	Agree	November 30, 2017
<ul style="list-style-type: none"> Develops comprehensive written procedures for performance measures Strengthens supervisory review over calculations and the associated documentation 	DPD	Agree	November 30, 2017

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Clarifies the definition of the performance measure by including a timeframe • Develops and documents comprehensive procedures that include consistent use of a single methodology 	DPD	Agree	November 30, 2017
<ul style="list-style-type: none"> • Develops comprehensive written procedures for performance measures • Strengthens supervisory review of data input and calculations • Provides source documentation for the actual percent of cases filed that met the two-day deadline 	DPD	Agree	November 30, 2017
<ul style="list-style-type: none"> • Develops comprehensive written procedures for performance measures • Revises the formula to calculate a result that conforms to the performance measure definition 	DPD	Disagree	Not Applicable

Audit of Building Permits (March 18, 2016)

- During Fiscal Years 2013 and 2014, the Department of Sustainable Development and Construction (SDC) processed 94 percent of the building permit applications within the Texas Local Government Code (TLGC) required timeline of 45 days.
- The SDC, however, has opportunities to improve the efficiency and effectiveness of building permit processing and the associated internal controls.
- Specifically, the SDC does not:
 - Consistently process all building permits timely and completely; and, retain evidence to show that timeline extensions (waivers) beyond the 45 days were agreed to by the customer in accordance with the TLGC; and, clearly categorize rejected building permits to facilitate the SDC's review to ensure a rejection letter that includes adequate explanation is sent to the customer when building permits are denied
 - Formally review delays, inconsistencies, and exceptions (inefficiencies) in building permit processing to determine why these inefficiencies exist
 - Formally or completely document policies and procedures for all building permit processing activities

- Properly protect all permanent building permit records that show compliance with the TLGC requirements and the City's record retention policy
- In addition, the Department of Communication and Information Services (CIS) does not consistently follow the City's Information Security Standard (Security Standard). Specifically:
 - Access to POSSE software application (POSSE) is not granted through the Security Authorization Form (SAR) with proper approvals and validation of requested access
 - Password requirements for POSSE users and administrators do not conform to the Security Standard
- The CIS and SDC also do not perform annual user reviews and do not monitor POSSE administrator access

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of SDC:			
<ul style="list-style-type: none"> ● Ensures building permits are reviewed and processed within 45 days in accordance with TLGC requirements, including making other SDC Units aware of the TLGC requirements and establishing standards for timely completion 	SDC	Agree	June 30, 2017
<ul style="list-style-type: none"> ● Retains evidence to show that the City is complying with the TLGC requirements for processing timely building permits 	SDC	Agree	June 30, 2017
<ul style="list-style-type: none"> ● Properly categorizes rejected building permits and ensures that written notices are provided in accordance with TLGC requirements 	SDC	Agree	December 31, 2018
<ul style="list-style-type: none"> ● In consultation with the Director of CIS, develops necessary report functions in POSSE and provides regular and consistent training to appropriate SDC personnel on how to use the query functionality in POSSE 	SDC	Agree	December 31, 2018
<ul style="list-style-type: none"> ● Regularly monitors building permit processing activities for violations of procedures including bypassing POSSE controls 	SDC	Agree	December 31, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Develops and implements formal documented policies and procedures that include segregation of duties for building permit processing that provide guidance to SDC personnel on duties to ensure consistency and timeliness in building permit processing 	SDC	Agree	December 31, 2017
<ul style="list-style-type: none"> Scans all building permit related documentation into an electronic format to preserve the legibility and availability of building permit records 	SDC	Agree	December 31, 2020
<ul style="list-style-type: none"> Completes annual user reviews for POSSE for inappropriate access 	SDC	Agree	December 31, 2018
<ul style="list-style-type: none"> Reviews audit logs to verify that the CIS POSSE administrator activity matches the SDC's change request log 	SDC	Agree	December 31, 2018
We recommend the Director of CIS:			
<ul style="list-style-type: none"> Complies with the Security Standard established to ensure that: <ul style="list-style-type: none"> Access to POSSE is granted with proper authorizations via the SAR form User password requirements conform to the Security Standard 	CIS	Agree	December 31, 2017
<ul style="list-style-type: none"> Provides audit logs and user access listings to SDC management. If applicable, the Director of CIS should provide training on how to read audit logs and user listings for anomalies. 	CIS	Agree	December 31, 2017

Audit of the Department of Housing/Community Services' Contract Monitoring (March 18, 2016)

- The Department of Housing/Community Services (HOU) does not have formal (written, approved, and dated) policies and procedures for the: (1) solicitation, evaluation, selection of developers, and underwriting of new single-family and multi-family affordable housing development projects; and, (2) monitoring of the loan agreements (financial assistance contracts).
- As a result, HOU cannot ensure effective internal controls are in place and that HOU personnel are performing their duties consistently.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
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We recommend the Director of HOU:

- Develop and implement formal (written, approved, and dated) policies and procedures for the following processes:
 - Preparation and posting of the Notice of Funding Availability (NOFA) which is the solicitation to prospective developers for new Projects
 - Evaluation of the developers' responses to the NOFA
 - Selection of qualified developers who propose the most beneficial Projects
 - Underwriting the selected Projects
 - Monitoring the Projects

HOU Agree June 30, 2018

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- Develop, implement, and retain complete and consistent documentation for the following processes:
 - Preparation and posting of the NOFA which is the solicitation to prospective developers for Projects
 - Evaluation of the developers' responses to the NOFA
 - Selection of qualified developers who propose the most beneficial Projects
 - Underwriting the selected Projects
 - Monitoring the Projects

HOU Agree June 30, 2018

Audit of Fair Park Business Partners Oversight (May 13, 2016)

- Analysis of 16 Fair Park business partners resulted in the selection of six major business partners for further risk evaluation. The risk evaluation was based on three years of audited financial statements, general ledger trial balances, and Federal tax returns, if available; analyses of key nonprofit financial ratios; and, survey information.
- For the following three business partners, certain financial and operational risks were identified which warrant closer monitoring by the Office of Cultural Affairs (OCA): (1) Dallas Historical Society, Inc. (DHS); (2) DSM Management

Group, Inc. (DSM); and, (3) Foundation for African-American Art (FAAA). As a result, there is an increased risk that these business partners may need additional financial support from the City of Dallas (City). It is important to note that these organizations have strong community support and have managed to fulfill their missions for many years.

- While the Department of Park and Recreation (PKR) and OCA perform various oversight / monitoring activities, areas for improvement were identified. In addition, the State Fair of Texas (State Fair) contract does not clearly define “*Application of Excess Revenues*”. Without a clear definition of “*excess of its revenues less its expenses*” and “*all reasonable and prudent reserves*”, the City cannot readily verify the reasonableness of the amounts determined by the State Fair as available for the development and enhancement of Fair Park.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of OCA:			
<ul style="list-style-type: none"> • Implements procedures to more closely monitor the financial viability for DHS, DSM, and FAAA. 	OCA	Agree	March 31, 2018
<ul style="list-style-type: none"> • Develops written procedures to ensure contracts are timely renewed and properly executed in accordance with Administrative Directive 4-05, <i>Contracting Policy</i>. 	OCA	Agree	March 31, 2018
We recommend the Director of PKR:			
<ul style="list-style-type: none"> • Works with the City Attorney’s Office and the State Fair of Texas (State Fair) to develop and agree on a contract definition that is sufficiently clear to allow PKR to verify the reasonableness of the amounts determined by the State Fair as available for the development and enhancement of Fair Park. 	PKR	Agree	March 31, 2018
<ul style="list-style-type: none"> • Develops and implements written supervisor review procedures and formally approves the procedures. 	PKR	Agree	March 31, 2018
<ul style="list-style-type: none"> • Cross trains staff to verify the Live Nation Minimum Guaranteed Rental, Percentage Rental, and the Additional Rental calculations to ensure a contingency plan is in place in the event currently assigned personnel leave PKR unexpectedly. 	PKR	Agree	March 31, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Directors of PKR and OCA:			
<ul style="list-style-type: none"> Develops and implements formal (written, approved, and dated) contract oversight / monitoring policies and procedures. 	PKR and OCA	Agree	March 31, 2018
<ul style="list-style-type: none"> Establishes procedures to ensure that all key contract requirements are monitored and are in compliance with the contract requirements. 	PKR and OCA	Agree	March 31, 2018

Audit of the Department of Public Works' Contract Monitoring (May 27, 2016)

- In Fiscal Years (FY) 2012 and 2013, the Department of Public Works' (PBW) Facilities Architecture / Engineering Division (Division) provided contract monitoring oversight for 17 Design-Bid-Build capital improvement projects totaling \$16.7 million.
- The Division's personnel with contract monitoring responsibilities are experienced professionals; however, contract monitoring was performed without: (1) up-to-date formal (written, dated, signed), contract monitoring policies and procedures; (2) sufficient (formally documented, consistently performed, and monitored for compliance) contract monitoring activities; (3) fully complying with the City of Dallas' General Conditions for Building Construction and the 1990 Project Management Procedures Manual; and, (4) a consistent systematic process for filing construction related documents.
- As a result, the Division cannot consistently ensure architects are fulfilling contractual responsibilities to properly monitor the construction contractors' activities and communicate results to the Division. Ultimately, this lack of formal and consistent contract monitoring increases the risk that City facilities are not: (1) constructed properly; and, (2) completed within planned budgets and timeframes.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend Director of PBW:			
<ul style="list-style-type: none"> Updates formal (written, signed, dated) policies and procedures for contract monitoring, including specifying document approval and maintenance responsibilities among Division personnel, the architect, and the contractor 	PBW	Agree	July 31, 2019

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Develops and implements standard quality control documents using best practices, such as American Institute of Architects (AIA), to demonstrate sufficient contract monitoring and consistent documentation 	PBW	Agree	July 31, 2019
<ul style="list-style-type: none"> Ensures Division personnel comply with the Division's contract monitoring resources 	PBW	Agree	July 31, 2019
<ul style="list-style-type: none"> Implements a consistent, systematic process for filing construction related documents for construction contract monitoring activities 	PBW	Agree	Preliminary process to be implemented by November 2017 / Anticipated implementation of final process is July 31, 2019

Audit of Leasing, Concessions, and Other Activities for the Department of Aviation (June 10, 2016)

- The Department of Aviation (AVI) has certain contract monitoring controls in place to ensure the parking and car rental concessionaires operating at Dallas Love Field Airport comply with concession contracts and the City of Dallas (City) receives the appropriate share of the concessionaires' revenue.
- In addition, AVI annually receives independent audit reports from the Parking Company of America and the car rental companies certifying the accuracy of the revenue reported to AVI. The AVI does not receive independent audit reports for parking revenue processed by the North Texas Tollway Authority (NTTA) for vehicles using TollTags for Airport parking.
- The AVI can improve existing contract monitoring controls by: (1) developing and implementing formal (written, signed, and dated) policies and procedures for contract monitoring to establish an internal control framework; and, (2) obtaining direct access to the Parking Revenue Control System (PRCS) and integrating with the NTTA parking system to monitor on an on-going basis the reasonableness of parking revenue.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend Director of AVI:			
<ul style="list-style-type: none"> Develops and implements formal (written, signed, and dated) contract monitoring policies and procedures 	AVI	Agree	December 31, 2016

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Ensures AVI employees responsible for contract monitoring have direct (read-only) access to the PRCS system 	AVI	Agree	December 31, 2016
<ul style="list-style-type: none"> Integrates the new parking system with the NTTA parking system to obtain TollTag parking information; <u>or</u>, captures relevant TollTag parking information, such as the vehicles' license plate numbers and the specific date and time the vehicles were parked 	AVI	Agree	December 31, 2016

Audit of the Department of Park and Recreation Internal Controls over Regulatory, Safety, and Maintenance – Aquatic Facilities (June 17, 2016)

- The Department of Park and Recreation (PKR) has designed internal controls in the form of various handbooks to help ensure PKR complies with Federal, State of Texas (State), and City of Dallas (City) regulatory standards for pools, spas, and spraygrounds (aquatic facilities).
- In addition, PKR implemented various approaches, such as daily checklists and / or on-site observations, to monitor compliance with these standards.
- The PKR, however, can improve internal controls by consistently ensuring: (1) compliance with Federal, State, and City regulatory standards for aquatic facilities, including meeting water quality standards; lifeguard training and performance evaluation standards; and, City Code health and safety standards; (2) effective maintenance procedures, such as identifying, documenting, and monitoring the life expectancy of pool drain covers and grates and consistently inspecting aquatic facilities on a daily basis during the operating season; (3) documentation is proper, complete, and retained for daily health, safety, environmental, and maintenance inspections during the operating season; annual maintenance inspections; lifeguard orientation forms; and, water safety instructors' certification. In addition, the PKR does not require water quality tests to measure the amount of combined chlorine (free chlorine and chloramines) at Bachman Indoor Pool (Bachman).

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend Director of PKR:			
<ul style="list-style-type: none"> Ensures water quality tests are performed and documented in accordance with the PKR 2015 Pool Manager Handbook 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures the timeliness of corrective actions for identified water quality issues are consistently documented 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures applicable daily checklist forms are revised to require the documentation of water clarity inspection results 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Implements a monitoring process to measure the amount of combined chlorine (free chlorine and chloramines) at Bachman to ascertain if chloramine levels are acceptable and safe 	PKR	Agree	January 30, 2017
<ul style="list-style-type: none"> Ensures lifeguard audits at each community pool are completed more than once per season if audit results are unsatisfactory 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures lifeguard audits at Bachman are completed on a quarterly basis, at a minimum, or more frequently if results are unsatisfactory 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures lifeguard audits documentation is fully completed 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures the lifeguard audit form includes a final summary evaluation rating (e.g., pass, fail, pass with remediation) 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures actions taken for audit activities that were not rated as satisfactory are documented on the lifeguard audit report 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Verifies issues noted above have been remediated 	PKR	Agree	January 31, 2017
<ul style="list-style-type: none"> Develops and implements internal controls to ensure compliance with City Code Compliance inspections 	PKR	Agree	January 31, 2017
<ul style="list-style-type: none"> Ensures weekly lifeguard in-service training of at least 60 minutes in duration is completed, training attendance is properly documented (e.g., date, signatures, training description, duration, etc.), and retained 	PKR	Agree	September 30, 2017

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Ensures procedures are developed to retain Water Safety Instructors' certifications 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures procedures are implemented to properly complete and retain orientation documentation for all new lifeguards and pool managers 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures procedures are implemented to: <ul style="list-style-type: none"> Complete and document automated external defibrillators' (AED) daily inspections Revise checklists to include daily pool lift inspection results 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures procedures are implemented to document and retain daily inspection results of pool drain covers and grates 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> Ensures monitoring procedures are implemented to properly document on the Pollution Prevention Daily Checklist (PPDC) the actions taken in response to environmental issues noted 	PKR	Agree	Not Applicable
<ul style="list-style-type: none"> Requires the daily inspection processes for aquatic facilities during the operating season are documented in PKR procedures and Facility Services Division receive the associated training Ensures inspections of aquatic facilities are performed on a daily basis during the operating season; inspection results are documented on the appropriate form and retained; and, applicable forms (for the spraygrounds) are reviewed and includes the appropriate supervisor signature Requires the Daily Pool Report forms are revised to include the inspection results of pool covers and grates; condition of the pump flow meters; and pressure and vacuum gauges 	PKR	Agree	September 30, 2017

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Ensures procedures are developed to: <ul style="list-style-type: none"> ○ Monitor the life expectancy of all pool drain covers and grates ○ Replace pool drain covers and grates timely ○ Obtain and / or retain American Society of Mechanical Engineers (ASME) A112.19.8-2007 certification information if the information is not already marked on the pool drain cover or grate 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> • Requires that the Pool Maintenance Concerns forms are revised to include a line item for documenting Virginia Graeme Baker Pool and Spa Safety Act (VGBA) inspection results of the pool drain covers and grates • Ensures that the completed forms are retained and evidence of supervisory review are documented in the form of signatures and dates to ensure that maintenance issues are resolved in a timely manner 	PKR	Agree	September 30, 2017
<ul style="list-style-type: none"> • Ensures that a closed community pool be adequately monitored to ensure compliance with State standards 	PKR	Agree	September 30, 2017

Special Audit of the Accounts of Former City Attorney, Warren M.S. Ernst (June 24, 2016)

- The Office of the City Auditor completed the *Special Audit of the Accounts of the Former City Attorney, Warren M.S. Ernst* and determined the accounts of the former City Attorney were in order.
- The former City Attorney, who retired on April 29, 2016, was timely removed from access to City of Dallas (City) systems and does not owe any debt to the City. All City items assigned to the former City Attorney were substantiated.
- No recommendations were made with this report.

Audit of Revenue Estimates Included in the Fiscal Year 2016-17 Proposed Annual Budget for the City of Dallas (September 6, 2016)

- In total, the revenue estimates included in the City of Dallas' (City) Fiscal Year (FY) 2016-17 Proposed Annual Budget appear reasonable.
- Although the Department of Aviation's (AVI) revenue estimates appear reasonable, for the second consecutive year, AVI's revenue estimate methodologies and calculations were not fully supported and errors and inconsistencies were noted. As a result, AVI's revenue estimate methodologies for Rental on Airport were not clear and properly supported and the underlying calculations and classifications did not always support both the Rental on Airport and the Terminal Concessions revenue estimates.
- Other matters came to our attention concerning the revenue estimates for major enterprise operations that deserve mention, including:
 - Department of Dallas Water Utilities has experienced unfavorable variances between budgeted and actual revenues averaging 4.4 percent under budget since FY 2011-12
 - Department of Convention and Events Services had inadvertent calculation errors resulting in an understatement of estimated revenues for FY 2016-17 of \$3.7 million (seven percent)
 - Department of Sanitation experienced significant favorable variances between budgeted and estimated actual revenues for each of the past two fiscal years, FY 2014-15 (8.3 percent) and FY 2015-16 (11.2 percent)

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the Director of the Office of Financial Services works with the Director of AVI to:</p> <ul style="list-style-type: none"> • Correct the errors and misclassifications noted in AVI's FY 2016-17 Rental on Airport and Terminal Concessions revenue estimates to reduce the potential for future errors and misclassifications • Ensure AVI's FY 2017-18 revenue estimates are: (1) accurately and completely documented in up-to-date methodologies; and, (2) properly supported, including the verification of calculations and internal consistency 	OFS	Agree	July 21, 2017

Audit of Management Services / 311 Customer Service Center (September 16, 2016)

- The Management Services / 311 Customer Service Center (311) is an important component of the City of Dallas' (City) service delivery system. The 311 serves as a critical gateway for answering residents' questions and creating and routing service requests which are processed through the Citizen Request Management System (CRMS).
- The internal control design assessment of 311 operations showed that 311 has various processes in place intended to uniformly address and accurately monitor residents' requests for services. Several opportunities to improve these processes were identified. Specifically:
 - Formal (written, approved, and dated) City-wide policies and procedures are not in place to ensure accountability over Service Requests Service Level Agreement Goals (Service Requests SLA Goals)
 - Certain monitoring controls are either not in place or are not adequate to ensure late service requests are properly addressed
 - The 311 provides new service agents six weeks of training and periodic refresher training to ensure employees are knowledgeable; however, certain important operational activities are not documented in formal policies and procedures
 - The 311 does not have formal policies and procedures to: (1) develop formal training plans for 311 service agents; (2) analyze periodically the effectiveness of formal training and adjust accordingly; and, (3) identify individual refresher training needs and provide additional training as considered necessary
 - Certain 311 departmental coordinators do not have CRMS access to complete the "Information Update Request" needed to efficiently process corrections or updates to information in Knowledgebase and / or the 311 website

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the City Manager ensures City-wide formal (written, approved, and dated) policy and procedures are developed and implemented that define:</p> <ul style="list-style-type: none"> • Roles, responsibilities, and accountability among 311 and City departments • Process for establishing Service Requests SLA Goals including: <ul style="list-style-type: none"> ○ Criteria for Service Requests SLA Goals ○ Acceptable level of differences between targeted Service Requests SLA goal days and actual service days (acceptable risk level) • Process for periodically assessing Service Requests SLA Goals including: <ul style="list-style-type: none"> ○ 311's and the service departments' roles ○ Frequency (monthly, quarterly, semi-annually, annually, bi-annually) of the periodic assessment ○ Criteria for updated Service Requests SLA Goals ○ Required documentation 	CMO	Agree	December 31, 2017

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Assistant Director of 311:			
<ul style="list-style-type: none"> • Reviews with applicable service departments the e-mail escalation configuration for all dispatch service request types with emergency priority levels and formally documents the basis for not using automatic e-mail escalation in CRMS • Ensures the system errors are properly corrected in the CRMS system to ensure e-mail escalations are properly routed to responsible personnel • Develops and implements a formal monitoring process to periodically ensure configured e-mail escalations are properly routed to responsible personnel • Prepares late service requests reports and service request performance reports as scheduled 	311	Agree	December 31, 2017
<ul style="list-style-type: none"> • Develops and implements formal (written, approved, and dated) documented policies and procedures for important operational activities, such as dispatch service agents' daily operational activities, quality assurance call monitoring, and the collection of 311 service feedback from service departments. 	311	Agree	December 31, 2017
<ul style="list-style-type: none"> • Develops and implements formal (written, approved, and dated) policies and procedures to: <ul style="list-style-type: none"> ○ Develop formal training plans for 311 service agents ○ Analyze periodically the effectiveness of formal training and adjust accordingly ○ Identify individual refresher training needs and provide additional training as considered necessary 	311	Agree	December 31, 2017
<ul style="list-style-type: none"> • Establishes appropriate CRMS user application access for 311 departmental coordinators to complete the "Information Update Request". 	311	Agree	December 31, 2017

Fiscal Year 2014 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2013, and 2014 (September 23, 2016)

- The City of Dallas (City) made significant progress in mitigating the risks identified in 82 prior year audit recommendations (recommendations) by implementing 71 percent of the recommendations and making progress towards implementing the remaining 29 percent of the recommendations.
- The City Manager's Office introduced certain internal monitoring controls by formally assigning responsibilities to the Internal Controls Task Force. Despite this progress, the City did not fully implement certain prior year recommendations to ensure on an ongoing basis that recommendations are timely implemented and associated risks are appropriately mitigated.

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

- | | | | |
|--|-----|-------|-------------------|
| <ul style="list-style-type: none"> • 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 the 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. | CMO | Agree | December 31, 2017 |
|--|-----|-------|-------------------|

**City of Dallas
Office of the City Auditor
Attestation Services Highlights
Fiscal Year 2016**

Agreed-Upon Procedures

Verify the Department of Business Development's (BDPS), the Department of Trinity Watershed Management's (TWM), and the Department of Public Works' (PBW) compliance with the requirements of Texas Local Government Code (TLGC) Chapter 252, *Purchasing and Contracting Authority of Municipalities; Government Code, Chapter 2269*; and, Administrative Directive (AD) 4-05: *Contracting Policy* for the following:

Independent Auditor's Report on Applying Agreed-Upon Procedures for Bid # CIZ1566: Department of Trinity Watershed Management – Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement, \$209,894,515 (May 24, 2016)

Exceptions Noted:

- The TWM used bid evaluations performed by three separate consultants to assess the lowest bids. These consultants identified issues related to contractor experience, safety record, and prior contract experience. The TWM's analyses of the identified issues were not consistently performed for the three lowest bidders and the related decisions were not consistently documented.
- None of the contracts with the three consulting firms participating in the procurement evaluation mentioned conflict of interest with a bidder. The only conflict of interest wording in the contracts was the standard wording covering conflict of interest of City officials and employees quoted from City Charter Chapter XXII Sec. 11.

Independent Auditor's Report on Applying Agreed-Upon Procedures for Bid # CIZ1588: Department of Public Works – Dallas City Hall and I.C. Harris Service Center Underground Storage Tank Removal and Replacement, \$970,170.97 (June 28, 2016)

No exceptions noted.

**City of Dallas
Office of the City Auditor
Nonaudit Services Highlights
Fiscal Year 2016**

City Council Support

- Council Members supported individually upon request on a variety of topics, including:
 - Allegations of Abusive Treatment by City Council Appointed Board Member
 - Contracts Related to White Rock Lake Operations
 - Dallas Police Department Salary Information Related to Overtime and External Employment
 - Consulting, Professional Services, or Other Similarly Worded Council Agenda Items Related to Contracts
 - Consolidated Development Block Grant

**City of Dallas
Office of the City Auditor
Investigative Services Highlights
Fiscal Year 2016**

Fraud / Waste / Abuse (FWA)

- 104 hotline complaints closed during Fiscal Year (FY) 2016
- 48 complaints were either investigated by the Office of the City Auditor (Office) or referred to the Dallas Police Department (DPD) for potential criminal investigation
- 34 complaints were referred to other City of Dallas (City) departments
- 22 complaints were not investigated due to not being related to City employees' actions or City vendors, insufficient information, or the risk-based evaluation showed the complaint did not merit assignment of limited investigative resources
- 24 open complaints active as of September 30, 2016
- Results from significant investigations conducted during FY 2016 include:

Department	Allegation	Outcome
Dallas Water Utilities (DWU)	Theft	Employee was charged with and convicted of felony theft of material – aluminum, cooper, or brass. The DWU Management suspected the employee was stealing materials from a contractor doing work at a Wastewater Treatment Plant and assisted the Dallas Police Department – Public Integrity Unit in its investigation. The employee was discharged from employment with the City.
Sanitation Services (SAN)	Theft	Employee was a SAN landfill cashier who kept cash associated with transactions for access and use of the landfill. The employee was discharged from employment with the City; SAN implemented additional controls to minimize and / or deter future occurrences.

Department	Allegation	Outcome
DWU	Theft	Employee was responsible for DWU's daily cash deposits and was charged with Felony Misapplication of Fiduciary Property after DWU Management reported the employee's failure to deposit cash for several days. The employee was discharged from employment with the City. The DWU implemented additional internal controls.

**City of Dallas
Office of the City Auditor
Peer Review Letters and Certificate of Compliance
Fiscal Year 2016**



**External
Quality
Control Review**

of the
City of Dallas
Office of the City Auditor

Conducted in accordance with guidelines of the
**Association of Local Government
Auditors**
for the period May 1, 2013 through April 30, 2016



Association of Local Government Auditors

June 17, 2016

Mr. Craig Kinton
City Auditor
City of Dallas, Texas
City Hall
1500 Marilla
Dallas, TX 75201

Dear Mr. Kinton,

We have completed a peer review of the City of Dallas, Office of the City Auditor for the period May 1, 2013 through April 30, 2016. In conducting our review, we followed the standards and guidelines contained in the Peer Review Guide published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with Government Auditing Standards issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Dallas, Office of the City Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with the Government Auditing Standards for audits and attestation engagements during the period of May 1, 2013 through April 30, 2016.

We have prepared a separate letter identifying strengths of your office that are noteworthy.

Sincerely,

Edmundo S. Calderon, CIA, CGAP
Internal Audit Office
City of El Paso, TX

L. Diane Hinojoza
Internal Audit
City of Ft. Worth, TX

Stephen Lawrence, CPA, CIA, CGMA
Office of the City Auditor
City of Oakland, CA



Association of Local Government Auditors

June 17, 2016

Mr. Craig Kinton
City Auditor
City of Dallas, Texas
City Hall
1500 Marilla
Dallas, TX 75201

Dear Mr. Kinton,

We have completed a peer review of the City of Dallas Office of the City Auditor for the period May 1, 2013 through April 30, 2016 and issued our report thereon dated June 17, 2016. We are issuing this companion letter to offer these observations stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- A comprehensive set of Policies and Procedures addressing all aspects of Generally Accepted Government Auditing Standards.
- A competent and professional staff, which possesses the necessary experience, education, and professional certifications. These qualities contribute to a strong and efficient operation.
- In the area of independence, the procedures and practices in place promote that the Office of the City Auditor maintains and protects its independence while conducting its work.
- A robust continuing professional education program for staff that exceeds the Government Auditing Standards requirements.
- Maximizing the use of electronic workpapers (Teammate software) to meet the requirements of Government Auditing Standards. Staff is well trained and is proficient in the use of the software.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Edmundo S. Calderon, CIA, CGAP
Internal Audit Office
City of El Paso, TX

L. Diane Hinojoza
Internal Audit
City of Ft. Worth, TX

Stephen Lawrence, CPA, CIA, CGMA
Office of the City Auditor
City of Oakland, CA



The Association of Local Government Auditors

Awards this

Certificate of Compliance

To the

*City of Dallas
Office of the City Auditor*

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit and attestation engagements during the period May 1, 2013 through April 30, 2016.

Erin J. Kenney
ALGA Peer Review Committee Chair

David Givans
ALGA President