

Memorandum



CITY OF DALLAS
(Report No. A17-009)

DATE: June 9, 2017
TO: Honorable Mayor and Members of the City Council
SUBJECT: Audit of the Department of Trinity Watershed Management¹

The Department of Trinity Watershed Management (TWM) has sufficient controls over the reimbursement of \$20 million budgeted in Fiscal Year (FY) 2016 for expenses from the Storm Drainage Management (SDM) Fund to City of Dallas (City) departments / offices. These controls are important as the \$20 million represents 39 percent of the \$51 million budgeted in support of compliance with the City's stormwater permit (see textbox on this page).

The TWM can, however, improve the timeliness of reimbursements made to City departments / offices for SDM related expenses.

Background

The Trinity Watershed Management (TWM) administers the City of Dallas' (City) Storm Drainage Management (SDM) Fund, one of four divisions within TWM. The SDM Fund is funded from the stormwater fee charged to each property within the City, based upon the property type, lot size, and measured impervious area to cover the costs of services.

The SDM Fund reimburses 15 City departments / offices for activities in support of compliance with the City's stormwater permit issued by the Texas Commission on Environmental Quality (TCEQ). These activities include maintenance of the storm drainage system, stormwater pollution prevention, enforcement, and education measures needed to comply with Federal, State, and local requirements.

The TWM's Fiscal Year (FY) 2016 Adopted Annual Budget was \$51 million, including \$27 million (\$20 million for departments' / offices' reimbursements and \$7 million for SDM administrative and general expenses, including capital construction) for the SDM Fund. (Note: Amounts are rounded.)

Source: The TWM and City's FY 2016 Adopted Annual Budget

¹ This audit was conducted under the authority of the City Charter, Chapter IX, Section 3 and in accordance with the Fiscal Year 2016 Audit Plan approved by the City Council. The audit objective was to evaluate management controls related to TWM. The audit scope included management controls over the reimbursement of expenses from the SDM Fund for FY 2015 and FY 2016; however, certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period. This 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 upon our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. To achieve the audit objective, we interviewed TWM personnel and reviewed: (1) policies and procedures; (2) International Organization for Standardization (ISO) documentation; (3) TWM's Sunset Review Self-Evaluation Report; and, (4) Texas Local Government Code Title 13. *Water and Utilities, Subtitle A. Municipal Water and Utilities, Chapter 552. Municipal Utilities, Subchapter C. Municipal Drainage Utility Systems.* We also tested judgmental samples of transactions, performed various analyses, and conducted a Storm Drainage Management Fund Internal Transaction Initiator Survey.

City departments' / offices' SDM related expenses submitted to the SDM Fund for reimbursement through the SDM Fund Internal Transaction Initiator (ITI) process (see textbox on the next page) are not consistently processed within 30 calendar days.

As a result, the SDM related expenses that are not reimbursed timely are temporarily covered by the initiating department's General Fund budget which may limit their ability to accomplish their primary functions.

As shown in Table I below, the number of City departments' / offices' storm drainage related reimbursements processed by the SDM Fund in more than 30 calendar days increased from 34 in FY 2015 to 67 in FY 2016. The total amounts not processed timely were approximately \$2 million in FY 2015 and \$1 million, in FY 2016, respectively.

Storm Drainage Management Fund Reimbursement Process

The SDM Fund Internal Transaction Initiator (ITI) process is managed by the SDM Fund. City departments / offices that incur storm drainage related expenses request reimbursement for these expenses using the ITI process. City departments / offices submit ITIs to the SDM Fund for review and approval. The SDM Fund ensures the submitted ITIs are valid, properly supported, and are within the current fiscal year's adopted annual budget.

Source: The SDM Fund

Table I

Analysis of the Timeliness of the ITI Process

Description	FY 2015	FY 2016
Total Number of ITIs Processed	311	267
Average Number of Calendar Days to Process an ITI	14	21
Number of ITIs Processed (more than 30 Calendar Days)	34	67
Percent of ITIs Processed (more than 30 Calendar Days)	11%	25%
Amount of ITIs Processed (more than 30 Calendar Days)	\$ 2,031,109	\$ 1,048,027

Source: Office of the City Auditor analysis of ITI transactions for FY 2015 and FY 2016.

In addition, responses from 14 individuals representing 14 City departments / offices to the Office of the City Auditor's Storm Drainage Management Fund Internal Transaction Initiator Survey² showed: (a) 36 percent were moderately satisfied³; and, (b) seven percent were not satisfied with the reimbursement processing time.

² The survey (see Attachment II) was sent to 46 individuals (authorized to process an ITI reimbursement) who represented 16 City departments / offices. Responses were received from 16 of the 46 individuals, or 35 percent. These sixteen surveys, however, represented 14 City departments / offices. (Note: The City Controller's Office and the Public Information Office did not respond to the survey). Subsequently, the auditor excluded two of the 16 surveys from the final analysis because the individuals responding to the survey did not have experience with the ITI process: (1) one individual was new to the Department of Park and Recreation; and, (2) one individual had not used the ITI process as the Office of Risk Management had no reimbursement activity for the period requested.

³ The rating of moderately satisfied was considered as an area needing improvement based upon auditor follow-up interviews with departmental personnel to clarify their survey responses.

The ITIs were not consistently processed timely because TWM's policies and procedures for the SDM Fund do not include the following measures to track and / or improve the timeliness of the ITI processing:

- Timely completion of an ITI (i.e., within 30 calendar days or other appropriate benchmark to measure timely ITI processing), including adopted standards for the timely completion of each step in the ITI process, specifically senior management's review
- Actual results of the ITI processing against adopted standards

In addition, TWM's policies and procedures do not require periodic customer satisfaction surveys to monitor City departments' / offices' expectations of the ITI process and performance of SDM Fund personnel.

According to the TWM Director, after the auditors brought these issues to her attention: (1) TWM's ISO procedures were revised to include standards for the timely completion of an ITI (i.e., 20 business days); and, (2) TWM began developing a survey template to monitor City departments' / offices' satisfaction and SDM personnel performance related to ITI processing.

The Standards for Internal Control in the Federal Government (Green Book) identified control activities as the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system which includes the entity's information system.

The ISO 9001-2008 – Quality Management Systems – Requirements, Section 8.2.1, *Customer Satisfaction* – Monitoring customer perception can include obtaining input from sources such as customer satisfaction surveys.

Recommendation

We recommend the Director of TWM ensures ITIs are consistently processed timely by developing formal (written, approved, and dated) policies and procedures that include the following measures to track and / or improve the ITI process:

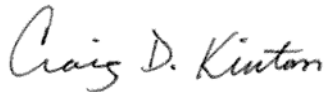
- Establish an expectation for the timely completion of ITIs (i.e., within 30 calendar days or other appropriate benchmark to measure timely ITI processing) and adopt standards for timely completion of each step within the ITI process, specifically senior management's review
- Compare actual results of ITI processing against the adopted standards to evaluate opportunities to further improve timeliness

- Perform a customer satisfaction survey periodically (e.g., annual or biannual) with applicable City departments / offices to monitor expectations of the ITI process and performance of SDM personnel

See Attachment I for Background, Attachment II for the Storm Drainage Management Fund Internal Transaction Initiator Survey Results, and Attachment III for Management's Response to the recommendations, including a supplement response which provides additional details on interim target dates to demonstrate progress towards management's planned implementation of December 31, 2018.

We would like to acknowledge management's cooperation during this audit. If you have any questions or need additional information, please contact me at 214-670-3222 or Carol Smith, First Assistant City Auditor, at 214-670-4517.

Sincerely,



Craig D. Kinton
City Auditor

Attachments

C: T.C. Broadnax, City Manager
Jo M. (Jody) Puckett, Interim Assistant City Manager
Sarah Standifer, Director – TWM

Background

The Trinity Watershed Management (TWM) administers the City of Dallas' (City) Storm Drainage Management (SDM) Fund, one of four divisions within TWM. The funding source for the SDM Fund is the stormwater drainage utility fees charged to each property within the City as shown in Table II below and the stormwater drainage fees assessed to other benefitted properties⁴. The stormwater drainage utility fees are based upon the property type, lot size, and measured impervious area.

The stormwater drainage charge for residential-benefitted property per month is as follows:

Table II

Residential Monthly Rates by Square Feet

Impervious Area (in square feet)	Monthly Rate (in dollars)
Up to 2,000	3.25
2,000 – 3,500	5.17
3,501 – 5,500	7.75
More than 5,500	12.67

Source: City Council Resolution No. 161529

According to City Council Resolution No. 161529: *“The stormwater drainage charge for all other benefitted properties not defined as residential-benefitted property is an amount equal to \$1.75 per month for each 1,000 square feet, or parts thereof, of impervious area of the benefitted property, with a minimum charge of \$5.00 per month for non-residential-benefitted property.”*

The TWM's Fiscal Year (FY) 2016 Adopted Annual Budget was \$51,416,846, including \$27,195,387 for the SDM Fund.

⁴ City Council Resolution No. 161529 for Fiscal Year (FY) 2016-2017 Fee Ordinance.

Storm Drainage Management Fund⁵

The SDM Fund manages both revenues and expenditures to promote active fund participation; reimburses expenditures to participating City departments / offices for stormwater related expenditures that have been made under the General Fund; tracks the reimbursement requests and payments; and, anticipates and coordinates resources needed to meet performance measures.

The SDM Fund supports the activities of City staff in 15 departments / offices that are focused on mitigating pollution of the water supply; gaining compliance with City, State, and Federal regulations; and, maintaining the City's drainage system. Funded activities involve coordination and collaboration with the Environmental Protection Agency (EPA), the Texas Commission on Environmental Quality (TCEQ), the Texas Department of Transportation, the North Texas Tollway Authority, Dallas County, the North Central Texas Council of Governments, the Dallas County Community College system, the Dallas Area Rapid Transit, and local independent school districts.

Regulatory Actions Affecting Stormwater Drainage Management

In 2004, the Environmental Protection Agency (EPA) issued an Administrative Order and Notice of Violation concerning City violations of the Clean Water Act, Resource Conservation and Recovery Act, and Chapter 26 of the Texas Water Code.

In 2006, the Texas Commission on Environmental Quality (TCEQ) issued the Texas Pollutant Discharge Elimination System Municipal Separate Storm Sewer Systems permit to the City which requires the City to comply with State and Federal environmental regulations.

The City also negotiated and entered into an EPA mandated Environmental Management Consent Decree which dictated specific program activities and staffing requirements which, if not met, financial and criminal penalties may be enforced.

Source: The TWM, EPA, and TCEQ

Reimbursement of eligible activities by the 15 City departments / offices includes efforts related to stormwater quality and floodplain management. Water quality-focused efforts include, but are not limited to:

- Monitoring water quality of City creeks and lakes
- Cleaning and maintaining the trash racks at pump station sumps along the Trinity River
- Providing educational programs and community outreach
- Training and materials about stormwater pollution prevention
- Picking up litter along shorelines at City parks

⁵ **Source:** The TWM's FY 2016 Budget Bid for the SDM Fund

- Inspecting permitted industrial facilities and construction sites for compliance and sampling to identify illicit discharges to the stormwater system
- Pickup, storage and disposal of abandoned hazardous materials
- Sweeping and cleaning major streets
- Removing sand after snow and ice storms

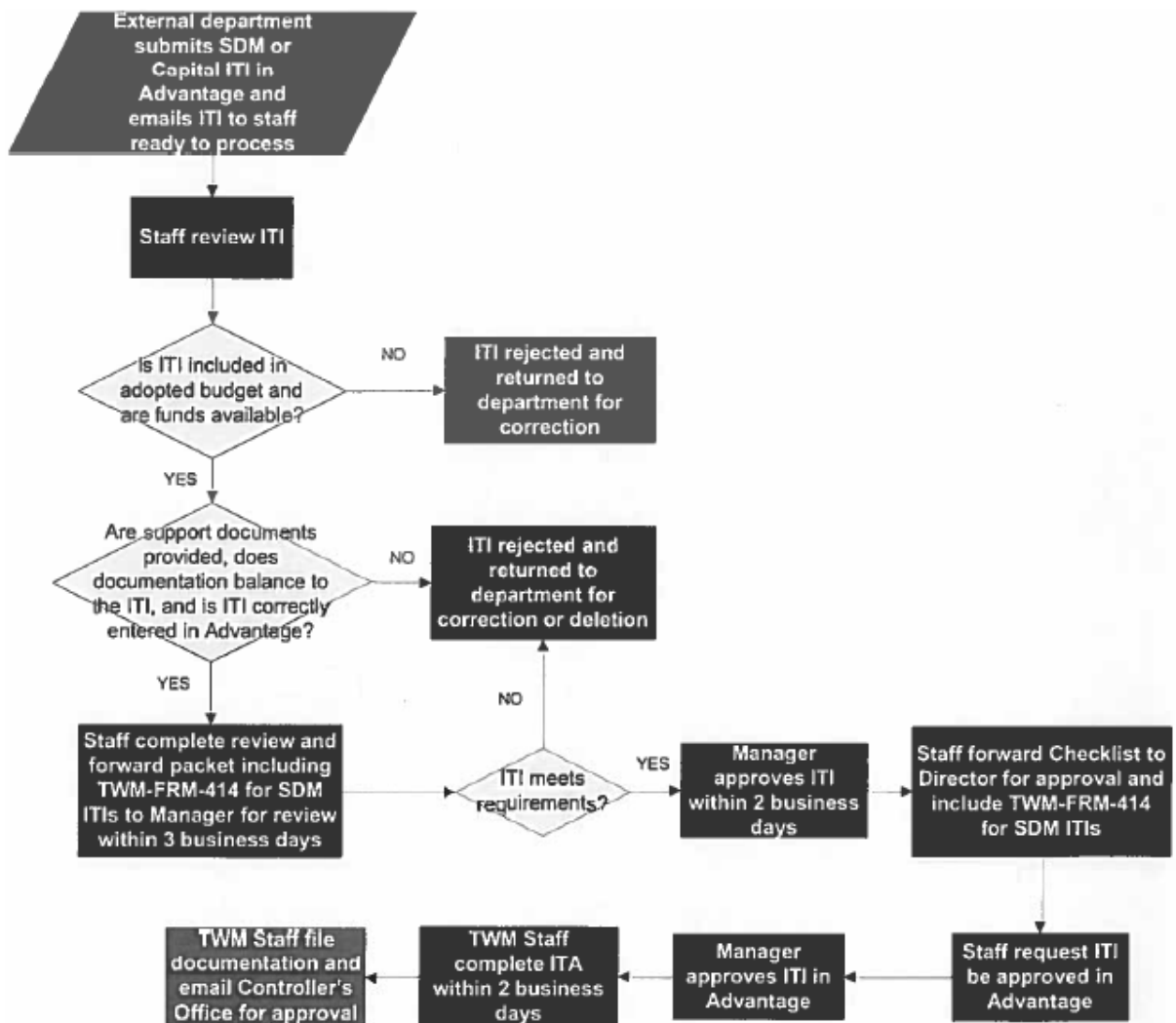
The SDM Fund resources support City compliance with EPA and TCEQ concerning compliance with regulations on stormwater discharges. The City actively operates and manages approximately:

- One hundred sixty-eight stream miles of lined and unlined channels
- Eighteen hundred miles of storm sewage
- Thirty miles of river levees
- Eleven levee pump stations with sumps
- Eight street pump stations
- Sixty-five thousand inlets
- Eleven thousand drainage outfalls
- One hundred inline stormwater interceptors
- Two hundred retention / detention ponds and lakes
- Other related infrastructure

Storm Drainage Management Fund Internal Transaction Initiator Reimbursement Process

The Texas Local Government Code Title 13. *Water and Utilities, Subtitle A. Municipal Water and Utilities, Chapter 552. Municipal Utilities, Subchapter C. Municipal Drainage Utility Systems*, governs the City's SDM Fund Internal Transaction Initiator (ITI) reimbursement process.

The TWM's *ISO Flowchart of SDM and Capital Fund ITI Process (TWM-PRO-405)*, describes detailed steps for processing SDM Fund ITIs.



ATTACHMENT II

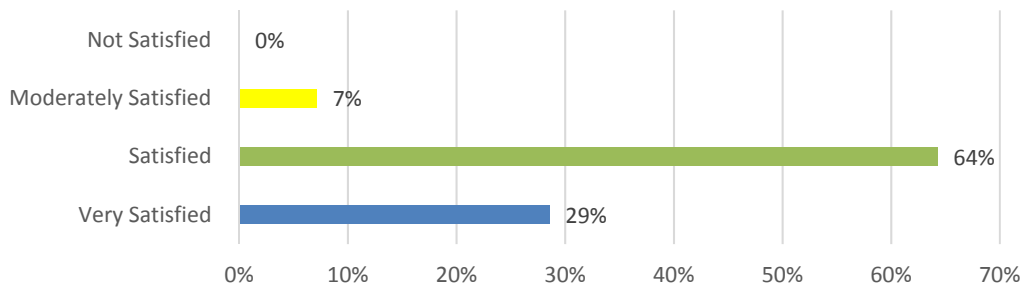
Storm Drainage Management Fund Internal Transaction Initiator Survey Results

The Office of the City Auditor (Office) conducted a Storm Drainage Management (SDM) Fund Internal Transaction Initiator (ITI) Survey (see survey on page seven) for the services provided by the Department of Trinity Watershed Management (TWM). The Office received a response from personnel at 14 City of Dallas (City) departments / offices (see footnote on page two of the report).

The survey results showed TWM's highest ratings were 93 percent (combined total for satisfied and very satisfied) for both TWM's knowledge of the SDM Fund ITI process and submittal of storm drainage related costs (see charts below).

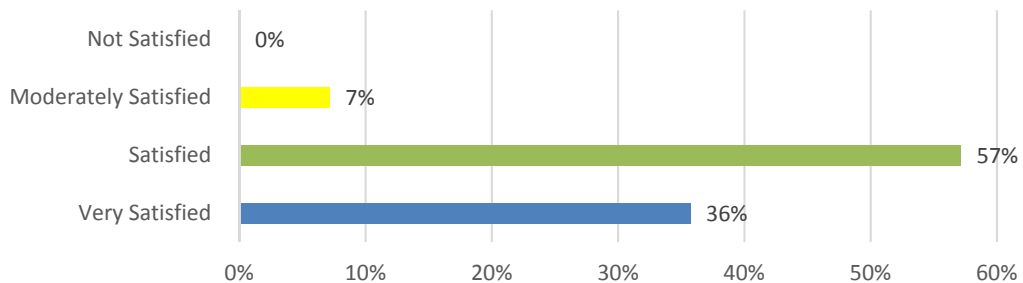
Question 2

How satisfied are you with TWM's knowledge of the SDM ITI process?



Question 5

How satisfied are you that only reimbursable costs related to SDM are being submitted?

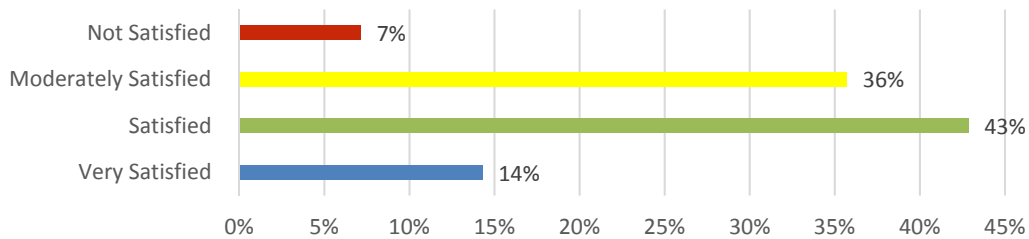


Note: Upon further follow-up with SDM ITI personnel that were moderately satisfied, auditor confirmed that reimbursements submitted were only for SDM related costs.

The lowest ratings and greatest opportunities for improvement were 57 percent for the time it takes to get an SDM Fund ITI approved and 64 percent for the budgeting process of storm drainage related expenses (see charts below).

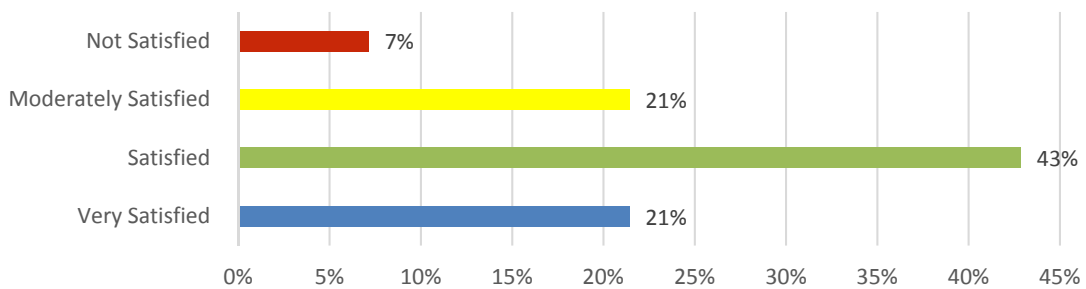
Question 1

How satisfied are you with the processing time to get an SDM ITI approved once you have submitted it to Trinity Watershed Management (TWM)?



Question 7

How satisfied are you that sufficient funds are budgeted to your department for storm drainage related expenses?



Note: Total percentage does not add up to 100% since a response of "N/A" (Not Applicable) was received.

Storm Drainage Management (SDM) Fund Internal Transaction Initiator (ITI) Survey				2016
Question	Very Satisfied	Satisfied	Moderately Satisfied	Not Satisfied
1. How satisfied are you with the processing time to get an SDM ITI approved once you have submitted it to Trinity Watershed Management (TWM)?				
2. How satisfied are you with TWM's knowledge of the SDM ITI process?				
3. How satisfied are you with TWM's responsiveness to request for information and/or assistance?				
4. How satisfied are you with the instructions/training that you were provided for submitting an SDM ITI?				
5. How satisfied are you that only reimbursable costs related to SDM are being submitted?				
6. Overall, how satisfied are you with the SDM ITI process?				
7. How satisfied are you that sufficient funds are budgeted to your department for storm drainage related expenses?				
8. What areas of the SDM ITI process could be improved on?				

Management's Response

Memorandum

RECEIVED

MAY 26 2017

City Auditor's
Office



CITY OF DALLAS

DATE: May 26, 2017

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report:
Audit of the Department of Trinity Watershed Management

Thank you for your recommendations and we have already started implementing your recommendations.

Our responses to the audit report recommendations are as follows:

Recommendation

We recommend the Director of TWMM ensures ITIs are consistently processed timely by developing formal (written, approved, and dated) policies and procedures that include the following measures to track and / or improve the ITI process:

- Establish an expectation for the timely completion of ITIs (i.e., within 30 calendar days or other appropriate benchmark to measure timely ITI processing) and adopt standards for timely completion of each step within the ITI process, specifically senior management's review
- Compare actual results of ITI processing against the adopted standards to evaluate opportunities to further improve timeliness
- Perform a customer satisfaction survey periodically (e.g., annual or biannual) with applicable City departments / offices to monitor expectations of the ITI process and performance of SDM personnel

Management Response / Corrective Action Plan

Agree Disagree

The Director of TWMM will ensure ITIs are consistently processed timely by developing formal (written, approved, and dated) policies and procedures that include the following measures to track and / or improve the ITI process:

- Establish an expectation for the timely completion of ITIs (i.e., within 30 calendar days or other appropriate benchmark to measure timely ITI processing) and adopt standards for timely completion of each step within the ITI process, specifically senior management's review

"Dallas, the City that Works: Diverse, Vibrant and Progressive."

- Perform a customer satisfaction survey periodically (e.g., annual or biannual) with applicable City departments / offices to monitor expectations of the ITI process and performance of SDM personnel.

Implementation Date

December 31, 2018

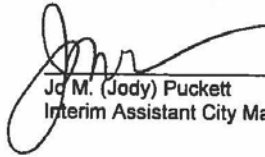
Responsible Manager

Director of Trinity Watershed Management

Sincerely,



Sarah Standifer, Director
Department of Trinity Watershed
Management



Jo M. (Jody) Puckett
Interim Assistant City Manager

c: T.C. Broadnax, City Manager
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Memorandum

RECEIVED

JUN 07 2017

City Auditor's
Office



CITY OF DALLAS

DATE June 6, 2017

TO Craig D. Kinton, City Auditor

SUBJECT Supplemental Response to Audit Report:
Audit of the Department of Trinity Watershed Management

Below is additional information outlining the specific details of the interim milestones for the implementation of policies and procedures that include the following measures to track and/or improve the Internal Transfer Initiator (ITI) process, which provides cost reimbursements for departments which perform activities established for stormwater reimbursement:

- Establish an expectation for the timely completion of ITIs (i.e., within the 30 calendar days or other appropriate benchmark to measure timely ITI processing) and adopt standards for the timely completion of each step within the ITI process, specifically senior management review.
 - The ITI process was initially modified on April 12, 2017 and will be further modified and implemented no later than July 17, 2017. This modification will address the change in timely processing from business days to calendar days.
- Compare actual results of ITI processing against the adopted standards to evaluate opportunities to further improve timeliness.
 - The testing period will begin in the 4th quarter of FY17 and run through the 2nd quarter of FY18. The procedures may be modified following the testing period / conclusion of the survey results, if warranted.
- Perform a customer satisfaction survey periodically (e.g. annual or biannual) with applicable City departments / offices to monitor expectations of the ITI process and performance of SDM personnel.
 - A survey will be distributed to City departments / offices in the 3rd quarter of FY18. The procedures may be modified following the testing period / conclusion of the survey results, if warranted.

The implementation will be met on or before December 30, 2018.

Sarah Standifer, Director
Trinity Watershed Management

Jo M. (Jody) Puckett
Interim Assistant City Manager

c: T.C. Broadnax, City Manager
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager