

Memorandum



CITY OF DALLAS

DATE: October 27, 2017

TO: Honorable Mayor and Members of the City Council

SUBJECT: Office of the City Auditor – Services Summary Memo Report for Fiscal Year 2017

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) 2017¹.

The mission of the Office is to promote public trust and advance accountability by providing independent, objective, and useful professional services. Throughout FY 2017, this mission guided the Office as it produced deliverables in support of the City Council's governance and City management's operational responsibilities, including:

- **Twelve performance audits** – providing assurances about and opportunities to improve the efficiency, effectiveness, internal controls, and compliance of City operations
- **Six investigative reports** – communicating to the City Council and / or City management instances of fraud, waste or abuse, along with corrective actions taken
- **Seventeen 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 93 total recommendations (including sub-recommendations) to reduce risks or improve operations. Areas of coverage included design of controls over Dallas Police Department's personnel and training services; Dallas Animal Services operations; internal controls over the Department of Code Compliance's Neighborhood Code Division; sole source / single bid procurements; business partners oversight of the Arts District; and, cash management / collections processes for the court information system. In addition, the Office conducted audits in accordance with the City Charter of the accounts of the former Chief Financial Officer and the former City Manager and, reviewed the methodology, assumptions, and calculations of approximately \$2.3 billion of the City's \$3.0 billion in proposed FY 2018 revenue estimates in accordance with Council Resolution 904027.

¹ October 1, 2016 to September 30, 2017

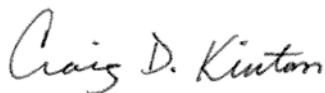
Investigative Services² closed 124 fraud, waste or abuse complaints during FY 2017 that resulted in at least 35 accountability actions by City management. These actions included the filing of criminal charges, termination of employment, or the implementation of other disciplinary or administrative control measures. Criminal complaints related to City employees were referred to the Dallas Police Department – Public Integrity Unit (DPD-PIU)³ 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 2017 with 25 open complaints of fraud, waste or abuse. During FY 2017, 136 complaints were received, and 37 complaints remained open at fiscal year-end.

Other nonaudit services (17 in total) were provided to City Council Members and City management during the course of the fiscal year. These services included responses to two City Council Members' request for assistance, responses to three requests for assistance from City departments, and 12 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 (GAS) 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.

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 2017. 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: T.C. Broadnax, City Manager
Larry Casto, City Attorney
Biliera Johnson, Interim City Secretary

² Investigations by the Office are considered nonaudit services under Government Auditing Standards (GAS) 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.

³ Or other appropriate law enforcement.

ATTACHMENTS

- I. Vision, Mission and Statement of Values
- II. Staff Composition Statistics
- III. Audit Report Highlights
- IV. Nonaudit Services Highlights
- V. Investigative Services Highlights

**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 2017 ⁴**

Staff Tenure with Office	
	Percent
Under Two Years	34.8
Two to Five Years	30.4
Six to Ten Years	13.1
More than Ten Years	21.7

Gender		
	Office Percent	Dallas, TX * Percent
Male	56.5	50.4
Female	43.5	49.6

* Source: US Census Bureau 2015 Estimate

Ethnicity		
	Office Percent	Dallas, TX * Percent
Non-Hispanic White	65.2	29.2
Non-Hispanic Black	17.4	24.0
Hispanic	4.3	41.4
Other Race	13.1	5.4

* Source: Economic Development Profile –
Office of Economic Development

Education *	
	Percent
Some College, No Degree	4.3
Bachelors Degree	95.7
Masters Degree	60.9
Doctor in Jurisprudence	8.7

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

Professional Certifications / Designations *	
	Percent
Certified Public Accountant (CPA)	47.8
Certified Internal Auditor (CIA)	43.5
Certified Information System Auditor (CISA)	13.1
Certified Fraud Examiner (CFE)	21.7
Certified Financial Forensics (CFF)	4.3
Licensed Attorney	8.7
Other Certifications	13.1

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

⁴ As of September 30, 2017

**City of Dallas
Office of the City Auditor
Audit Report Highlights
Fiscal Year 2017**

**Audit of the Design of Controls over the Dallas Police Department's
Police Personnel and Training Services (October 7, 2016)**

- The Dallas Police Department (DPD) has made a commitment to: (1) uphold Texas Commission on Law Enforcement (TCOLE) Standards and DPD's General Orders and Standard Operating Procedures (DPD requirements); and, (2) continue to monitor and implement best practices and procedures for police management included in the United States Department of Justice's (DOJ) consent decrees. The TCOLE Standards, DPD requirements, and other law enforcement agencies' DOJ consent decrees provide relevant criteria to help DPD management ensure DPD's recruiting, hiring, and training services follow best practices.
- The Office of the City Auditor's (Office) internal control design assessment shows DPD has control activities in place, such as General Orders and / or Standard Operating Procedures (SOP) to help ensure: (1) applicable TCOLE Standards and DPD requirements are upheld; and, (2) DOJ best practices and procedures for police management are generally monitored and implemented when appropriate for the City of Dallas (City).
- Four opportunities to strengthen controls were identified:
 - Ensuring the Training Advisory Board (Advisory Board) Members' files include evidence: (1) the Chief of Police approved the appointment of each Advisory Board member; (2) of each Advisory Board member's biography; and, (3) of completion of Advisory Board training within one year of appointment
 - Developing and implementing a DPD SOP that defines the DPD Police Academy instructor qualification requirements to align with TCOLE Standards
 - Demonstrating compliance with DPD's Personnel and Development Division SOP sections related to recruiting and the President's Task Force on 21st Century Policing, May 2015, Pillar 1: Building Trust & Legitimacy – Recommendation 1.8⁵ through improved documentation

⁵ "Law enforcement agencies should strive to create a workforce that contains a broad range of diversity including race, gender, language, life experience and cultural background to improve understanding and effectiveness in dealing with all communities."

- Implementing an automated system to efficiently capture and report DPD Police Academy Basic Training and police officer continuing education training

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Chief of Police:			
<ul style="list-style-type: none"> • Ensures the Training Advisory Board Members' files include evidence: (1) the Chief of Police approved the appointment of each Advisory Board member; (2) of each Advisory Board member's biography; and, (3) Advisory Board training is completed within one year of appointment 	DPD	Agree	September 2015
<ul style="list-style-type: none"> • Develops and implements an SOP that defines the DPD Police Academy instructor qualification requirements to align with TCOLE standards 	DPD	Agree	February 2016
<ul style="list-style-type: none"> • In consultation with the City Attorney's Office, improves documentation to demonstrate compliance with DPD's Personnel and Development Division Standard Operating Procedure sections related to recruiting and the President's Task Force on 21st Century Policing, May 2015, Recommendation 1.8 	DPD	Agree	April 1, 2017
<ul style="list-style-type: none"> • Implements an automated system to efficiently capture and report DPD Academy Basic Training and police officer continuing education training courses 	DPD	Agree	To Be Determined

Audit of MuniServices, LLC Contract Related to the Verification of Sales / Use Tax Receipts and Associated Fees (November 11, 2016)

- In Fiscal Year (FY) 2016, the Office of the City Auditor (Office) verified \$1,014,463 in sales / use 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 \$290,922 in Consultant invoices received for the period of October 1, 2015 through September 30, 2016 for payment of the Consultant's percentage of the amount collected under the contingent fee contract arrangement with the City. Since the inception of the contract in 2010, the Consultant has identified a total of

\$5,235,635 in sales / use tax receipts collections owed to the City. The City has received \$3,863,108 net of the Consultant's fees of \$1,372,527.

- *No recommendations associated with this report.*

Audit of Dallas Animal Services Operations (December 9, 2016)

- Dallas Animal Services (DAS) operations, a Division within the Department of Code Compliance (CODE), have been a high priority in the City of Dallas (City) for years. Following loose dog attacks that included the tragic death of a City resident in May 2016, the City engaged Boston Consulting Group (BCG) to analyze the loose dog problem and develop a strategic plan for improvement. In August 2016, BCG published a report identifying seven main recommendations for addressing the loose dog problem. The City has already begun acting on those recommendations by approving a new mission statement for DAS, assigning Deputy Chief of Police Robert Sherwin as a direct report to the City Manager, and developing a taskforce to oversee implementing the improvements.
- This performance audit, initiated prior to the City's engagement with BCG, showed DAS needs to improve internal controls to ensure DAS is meeting operational objectives as follows:
 - The DAS is not consistently meeting its on-time response goals for three types of high priority calls. As a result, City residents depending on DAS for urgent assistance can be left waiting longer than expected.
 - The DAS' Chameleon Shelter Case Management System (Chameleon System) does not have sufficient controls to ensure data is reliable (complete, accurate, or secured). In addition: (1) priority levels / category definitions are not consistent; (2) monitoring procedures are not established; and, (3) Chameleon System reports needed to analyze call response times are limited. As a result, DAS' ability to accurately analyze and improve its call time response is restricted.
 - The DAS does not have formal (written, approved, and dated) policies and procedures related to call response timeliness or management review of call response timeliness. The DAS has documented its priorities for calls based on the type of call; however, this information is not included in formal policies and procedures. Without formal policies and procedures, DAS cannot ensure effective controls are in place and that DAS personnel are performing their duties consistently to meet goals for call time response.
 - A very small percentage of the dogs who bite or attack people in the City are determined to be Dangerous Dogs as defined by a State of Texas (State) mandated program. State law requires a sworn statement from any witnesses requesting the dog be considered a Dangerous Dog, but most witnesses do not submit the statement. As a result, the City's Dangerous Dog Program has limited effectiveness protecting the community.

- The CODE's policies and procedures for the oversight of active dangerous dog cases are inadequate. Specifically, CODE does not have policies and procedures for: (1) monitoring compliance with the Dangerous Dog Program's requirements; (2) the Dangerous Dog Coordinator's roles and responsibilities; and, (3) how often the CODE's inspections of active dangerous dog cases are to be performed, including how the inspection report is to be maintained and who is responsible for performing the inspections. As a result, there is increased risk dangerous dogs are not adequately monitored and compliance with the Dangerous Dog Program requirements are not enforced consistently.
- The DAS does not have consistent inventory practices, documented policies and procedures, and adequate segregation of duties among the DAS personnel able to dispense drugs and those who perform inventory monitoring. The DAS also does not have policies and procedures in place to ensure that expired drugs, including controlled substances, were identified, separated, not used, and disposed of properly. While animal shelters need controlled substances to operate, without appropriate policies and procedures in place there is an increased risk: (1) controlled substances are subject to misuse (sale or diverted for personal use) without detection; and, (2) the DAS could inadvertently use drugs that are less effective to treat animals.
- The DAS surveillance camera system management is inadequate, and DAS personnel responsible for managing the surveillance camera system have not received training. As a result, surveillance cameras may not be working when needed, theft or misuse can occur undetected, and the video may not be available to review after the fact.
- Access to restricted areas is not properly controlled. As a result, there is an increased risk that unauthorized access to restricted areas will occur without detection.
- The DAS generally complies with most of the Association of Shelter Veterinarians' Guidelines for Standards of Care in Animal Shelters (Guidelines); however, seven Guidelines were not implemented and the DAS policies and procedures do not specifically address 55 of the 98 Guidelines reviewed. In addition, in a June 22, 2016 survey of 14 DAS personnel, seven either said they could not find the DAS policies and procedures or said they were available in an incorrect location. As a result, DAS personnel may not consistently apply Guidelines for standards of care.
- The DAS does not have policies and procedures to ensure DAS personnel are up-to-date on State of Texas (State) mandated training for Animal Service Officers and the performance of euthanasia. The spreadsheet DAS uses to track compliance with euthanasia training did not include six active Animal Service Officers. While no DAS personnel actually performing euthanasia were found to be out of compliance with euthanasia training requirements, there is greater risk DAS personnel could fall out of compliance if there are no policies and procedures for training.

- From calendar years 2012 through 2014, DAS did not employ a veterinarian to conduct an annual veterinarian inspection of DAS in compliance with the State Health and Safety Code. The 2015 inspection was performed on November 10, 2015 by the DAS Operations Manager, a licensed veterinarian, after an audit request for the documentation. As a result, the City had not been in compliance with Standards for Animal Shelters' requirements until the audit.
- The CODE identified a drug inventory management system as a DAS need in both the 2014 and 2015 self-assessments performed to comply with Administrative Directive 4-09, *Internal Control*, but DAS had not fully implemented its efforts. During the course of the audit, DAS developed and released new or revised policies and procedures, demonstrating an effort to improve internal controls in several of the areas audited.

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

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| <ul style="list-style-type: none"> • Ensures DAS reviews and tracks call response times to improve the timeliness of high priority call responses, including: (1) tracking and monitoring call response times; (2) reporting and monitoring call productivity; and, (3) obtaining and using routing software to minimize travel time between calls | DAS | Agree | June 30, 2019 |
|---|-----|-------|---------------|

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- | | | | |
|--|-----|-------|--------------------|
| <ul style="list-style-type: none"> • Ensures DAS improves its data reliability by: <ul style="list-style-type: none"> ○ Improving Chameleon System controls related to accuracy, validity, and security ○ Aligning the priority document to better reflect how priority categories are entered and maintained within the Chameleon System ○ Developing monitoring procedures and Chameleon System reports for call response time on an organizational level | DAS | Agree | September 30, 2019 |
|--|-----|-------|--------------------|

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Ensures DAS works with 311 and CIS to allow for better call response time analysis by: <ul style="list-style-type: none"> ○ Resolving the issue in which dispatch and arrival times are overwritten by a later action ○ Ensuring the call time is available in the Chameleon System for managers to review 	DAS	Agree	September 30, 2019
<ul style="list-style-type: none"> • Ensures DAS continues to develop and implement policies and procedures related to call response time management to resolve inconsistent protocols for collecting call response time information 	DAS	Agree	September 30, 2019
<ul style="list-style-type: none"> • Improves the Dangerous Dog Program by: <ul style="list-style-type: none"> ○ Working with City's Intergovernmental Services to determine whether the State law requirement for a sworn affidavit can be eliminated or revised ○ Taking steps to make the public more aware of the Dangerous Dog Program, such as distributing a brochure and / or attending neighborhood meetings and special events ○ Developing policies and procedures that define the: (1) roles between the CODE Dangerous Dog Program and DAS personnel; (2) process for soliciting affidavits; and, (3) process for Dangerous Dog investigations and hearings, including the roles and responsibilities of various parties and required coordination ○ Improving coordination and communication between the CODE Dangerous Dog Program and DAS 	DAS	Agree	September 30, 2017

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Ensures DAS improves the oversight of active dangerous dog cases by developing policies and procedures related to: (1) monitoring compliance with the Dangerous Dog Program's requirements; (2) the Dangerous Dog Coordinator's roles and responsibilities; and, (3) how often the inspections of active dangerous dogs are to be performed, including who is responsible for performing the inspections and how the inspection reports are maintained 	DAS	Agree	September 30, 2017
<ul style="list-style-type: none"> • Ensures DAS improves drug inventory management by: <ul style="list-style-type: none"> ○ Developing policies and procedures for drug inventory management, including DAS personnel responsibilities and procedures related to the monitoring of drugs, completion of inventory logs, and the frequency of inventory counts. The policies and procedures should include the monitoring of and disposal of expired drugs, including controlled substances. ○ Ensuring segregation of duties between the DAS personnel who are authorized to conduct inventory counts and the DAS personnel who are authorized to administer or dispense the drugs ○ Working with CIS to obtain / develop, implement, and use a drug inventory management system 	DAS	Agree	<p>Manual drug inventory procedures should be implemented by December 31, 2017</p> <p>Full implementation by September 30, 2019</p>

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Ensures DAS improves the surveillance camera system by: <ul style="list-style-type: none"> ○ Ensuring existing cameras are accounted for and operational ○ Conducting a review of the surveillance camera system to determine if improvements or additional cameras are warranted ○ Developing policies and procedures related to operating, overseeing, and managing the system ○ Providing training to the DAS personnel responsible for managing the surveillance cameras ○ Ensuring surveillance camera monitoring equipment is housed in a climate-controlled area 	DAS	Agree	June 30, 2019
<ul style="list-style-type: none"> • Ensures DAS improves security protocols related to access to restricted areas, including eliminating the observed practices described in this report 	DAS	Agree	September 30, 2017
<ul style="list-style-type: none"> • Ensures DAS: <ul style="list-style-type: none"> ○ Formalizes certain practices already used and also develops and / or revises policies and procedures and other documentation used to guide DAS personnel to reflect the Association of Shelter Veterinarians Guidelines for the Standards of Care in Animal Shelters for the areas identified in this audit: Animal Handling, Sanitation, Population Management, and Management and Recordkeeping ○ Ensures policies and procedures are made available to DAS personnel responsible for conducting animal services operations 	DAS	Agree	June 30, 2017
<ul style="list-style-type: none"> • Develops policies and procedures related to DAS personnel training 	DAS	Agree	September 30, 2017

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Ensures DAS conducts annual inspections of DAS as required in State Health and Safety Code Chapter 823 	DAS	Agree	September 30, 2017

Special Audit of the Accounts of Former Chief Financial Officer – Jeanne Chipperfield (January 20, 2017)

- The Office of the City Auditor (Office) completed the *Special Audit of the Accounts of Former Chief Financial Officer – Jeanne Chipperfield* and determined the accounts of the former Chief Financial Officer were in order. The former Chief Financial Officer, who was appointed as Chief Ethics and Compliance Officer on October 1, 2016, was timely removed from access to City of Dallas (City) systems and does not owe any debt to the City. All City items previously assigned to her in her former position as Chief Financial Officer were verified.
- No recommendations associated with this report.*

Fiscal Year 2015 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2014, and 2015 (March 3, 2017)

- The Office of the City Auditor’s (Office) evaluation results for the *Fiscal Year 2015 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2014, and 2015* showed the City of Dallas (City) implemented 30 of 77, or 39 percent, of the audit recommendations agreed to by management.
- Financial, operational, and compliance risks remain in the following areas: (1) cash receipts and collections; (2) contract monitoring; (3) Ethics Program implementation; (4) Health Insurance Portability and Accountability Act compliance; (5) high risk inventory (weapons and Tasers); (6) information technology user access controls; (7) policies and procedures necessary to establish an internal control framework; (8) software license compliance; and, (9) succession planning.
- Opportunities continue to exist to improve City management’s understanding of internal controls and the documentation required to demonstrate recommendation implementation.

Special Audit of the Accounts of Former City Manager – A.C. Gonzalez (April 28, 2017)

- The Office of the City Auditor completed the *Special Audit of the Accounts of Former City Manager – A. C. Gonzalez* and determined the accounts of the former City Manager were in order. The former City Manager, who retired on January 31, 2017, 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 Manager were substantiated.
- *No recommendations associated with this report.*

Audit of the Design of Internal Controls over the Department of Code Compliance’s Neighborhood Code Division (May 12, 2017)

- The Office of the City Auditor evaluated the Department of Code Compliance’s (Code) Neighborhood Code Division’s (Neighborhood Code) internal control system design as of September 30, 2015. The goal of this pilot project was to heighten the City of Dallas’ (City) awareness of the benefits of improving accountability through implementation of an effective internal control system.
- The internal control system design assessment shows Neighborhood Code has documented certain elements of internal control that align with the five components and 17 principles of internal control identified in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States (Green Book). The assessment also identified opportunities to improve the design and documentation of the internal control system. This design assessment did not include tests of supporting data to evaluate whether established controls are working as intended by management.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of Code continues to develop and document the internal control system for Neighborhood Code to more clearly align with the five components and 17 principles identified in the Green Book and in Administrative Directive 4-09, <i>Internal Control</i> .	CODE	Agreed with the recommendation to continue to develop and document the internal control system except for Principle 11, <i>Design Activities for the Information System</i>	December 31, 2018

Audit of Sole Source / Single Bid Procurements (June 2, 2017)

- The Department of Business Development and Procurement Services (BDPS) continues to improve certain practices over the administration of sole source / single bid procurements. For example, when BDPS receives a single bid, the procurement is advertised for an additional two-week period to encourage competition. According to BDPS, the number of sole source procurements decreased by 50 percent between Fiscal Year (FY) 2015 and FY 2016 which also indicates BDPS is continuing to encourage departments to obtain bids instead of accepting sole source procurements.
- These practices, however, are not sufficient to ensure proper internal controls are in place and operating as intended. As a result, there is an increased risk that the City of Dallas (City) is not consistently complying with:
 - Texas Local Government Code (TLGC) Chapter 252, *Purchasing and Contracting Authority of Municipalities*
 - Administrative Directive 4-05, *Contracting Policy* (AD 4-05)

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of BDPS ensures the TLGC Chapter 252, <i>Purchasing and Contracting Authority of Municipalities</i> and AD 4-05 requirements are consistently met by:			
I. Developing and implementing formal policies and procedures (written, approved, and dated) over the sole source / single bid procurement process, including the quality control process	BDPS	Agreed	December 31, 2018
II. Verifying bid specifications are written clearly and required attachments are provided to the potential bidders when the bid specifications are posted	BDPS	Disagree *	
III. Documenting and including in the procurement files the buyers' analysis of how responsible awards were made at the lowest possible cost to the City	BDPS	Disagree *	

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>IV. Reviewing bid responses to validate bid specifications information requirements, such as client references, are obtained or reasons for omissions documented</p>	BDPS	Disagree *	
<p>V. Documenting that the buyers performed adequate research to identify potential vendors using appropriate research tools (e.g., Internet, Thomas Register of American Manufacturers)</p>	BDPS	Disagree *	

*** Auditor Follow-Up Comments**

The BDPS disagreed with four of the five recommendations included in this audit stating the exceptions identified in the audit are isolated incidents and BDPS' current processes are sufficient to ensure compliance with TLGC Chapter 252 and AD 4-05. The exceptions noted, however, are comparable to those reported in pre-audits performed by the Office of the City Auditor for the past nine years. Although BDPS has developed checklists and recently implemented a quality review process, these improvements did not identify and correct these exceptions.

While sole source / single bid procurements do not represent the majority of the procurements administered by BDPS, they are inherently riskier. Therefore, it is important that BDPS ensures that each sole source / single bid is administered consistently and that each buyer demonstrates and documents compliance with all steps in the procurement process. If BDPS develops and implements formal policies and procedures, as agreed to in Recommendation I, Recommendations II through V will also be implemented if the policies and procedures are appropriately designed, implemented, and monitored.

Audit of the Department of Trinity Watershed Management (June 9, 2017)

- 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. 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. Controls over these reimbursements are important as the \$20 million represents 39 percent of the \$51 million budgeted in support of compliance with the City's stormwater permit.
- The TWM can, however, improve the timeliness of reimbursements made to City departments / offices for SDM related expenses.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the Director of TWM ensures Internal Transaction Initiators (ITI) 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:</p> <ul style="list-style-type: none"> • 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 	TWM	Agreed	December 30, 2018

Audit of Business Partners Oversight – Arts District (August 25, 2017)

- The Office of the City Auditor’s risk evaluation identified various concerns related to financial viability for two business partners: (1) the AT&T Performing Arts Center (ATTPAC) which is legally known as the Dallas Center for the Performing Arts Foundation, Inc; and, (2) the Dallas Black Dance Theatre, Inc. (DBDT).
- These business partners warrant closer monitoring by the Office of Cultural Affairs (OCA) and may require additional financial support from the City of Dallas (City) in the future. In addition, opportunities to improve OCA oversight / monitoring activities and the City’s agreement with the Dallas Symphony Association (DSA) were identified.

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

<ul style="list-style-type: none"> Implements procedures to more closely monitor the financial viability of these two business partners 	OCA	Agree	June 30, 2019
<ul style="list-style-type: none"> Complies with the cost reimbursement terms for each Arts District business partner's agreement. If OCA determines the retroactive calculations needed to gain compliance with the terms of each agreement are too onerous, we recommend OCA works with the individual business partners and the City Attorney's Office to align each agreement with current expense reimbursement practices. 	OCA	Agree	June 30, 2019
<ul style="list-style-type: none"> Develops procedures to ensure the Consumer Price Index adjustment calculation is performed when and as required by the agreement with ATPAC. 	OCA	Agree	June 30, 2019
<ul style="list-style-type: none"> Complies with Administrative Directive 6-01 Section 4.2.6, and Section 4.1 of the Dallas Museum of Art (DMA) agreement by: <ul style="list-style-type: none"> Performing an annual inventory of the City-owned artwork housed and exhibited at the Museum and valuing the artwork as considered appropriate to obtain adequate insurance coverage Obtaining an artwork Certificate of Insurance from DMA Verifying the DMA has adequate artwork insurance coverage for the City's artwork housed and exhibited at the Museum 	OCA	Agree	June 30, 2019

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Improves internal controls over the invoice processing and approval of ATTPAC's quarterly Payment Certificates by: <ul style="list-style-type: none"> ○ Reviewing the Payment Certificates to ensure the information included is correct ○ Ensuring each reimbursement expense amount listed on the Payment Certificate is adequately supported ○ Establishing the criteria for acceptable supporting documentation required for OCA to reimburse ATTPAC for purchases made with personal credit cards ○ Documenting unallowable costs that are identified and not reimbursed to ATTPAC ○ Documenting OCA's review and approval of each Payment Certificate 	OCA	Agree	June 30, 2019
<ul style="list-style-type: none"> • Improves the DBDT's invoice review and approval procedures to ensure: <ul style="list-style-type: none"> ○ The DBDT submits evidence DBDT paid the vendor (preferably a canceled check) with each invoice ○ The DBDT submits the complete vendor invoice ○ The OCA reimburses DBDT only once for each vendor invoice submitted 	OCA	Agree	June 30, 2019
<ul style="list-style-type: none"> • Works with the City Attorney's Office and DSA to modify the use agreement to include a facility fee charge as part of the ticket price for DSA performances 	OCA	Agree	October 1, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Works with the City Attorney's Office and the DSA to modify the use agreement to allow for full utilization of the Morton H. Meyerson Symphony Center and Annette Strauss Artists Square 	OCA	Agree	June 30, 2019

*** Auditor Follow-Up Comments**

While management agreed with the recommendations in this report, their action plans are not specific and the implementation dates, set for June 30, 2019 (with one exception), are lengthy. Without specific action plans, including interim milestones to demonstrate progress towards implementation, accountability for the control improvements is unclear and the risk is increased that the deficiencies in the OCA's contract oversight / monitoring controls will remain.

Audit of the Revenue Estimates Included in the Fiscal Year 2017-18 Proposed Annual Budget for the City of Dallas (September 15, 2017)

- In total, the revenue estimates included in the Fiscal Year (FY) 2017-18 Proposed Annual Budget appear reasonable. The City of Dallas (City) improved documentation of revenue estimate methodologies and supporting calculations to ensure reliable revenue estimates are included in the City Manager's FY 2017-18 Proposed Annual Budget.
- Both the Department of Aviation (AVI) and the Department of Convention and Event Services (CES) corrected the issues noted in the prior year audit. Specifically:
 - The AVI updated the FY 2017-18 revenue estimate methodology (methodology) for Rental on Airport revenues. The AVI also provided accurate and complete documentation, including supporting calculations for the Rental on Airport and Concession revenues methodologies.
 - The CES improved methodology documentation and supporting calculations
- No recommendations associated with this report.*

Audit of Court Information System – Cash Management / Collections Processes (September 29, 2017)

- The Department of Court and Detention Services' (CTS) cash management / collections processes for fines and fees is an important component of the City of Dallas' (City) Municipal Court system. The CTS provides administrative and clerical support for the Dallas Municipal Court and is responsible for processing criminal and civil citations issued to individuals found in violation of certain traffic laws, City ordinances, and Texas State laws and collecting the associated fines and fees. For Fiscal Years (FY) 2014, FY 2015, and FY 2016, the CTS collected revenue of \$51 million in total from fines and fees.
- The Office of the City Auditor's (Office) internal control design assessment of the City's citation accountability process and detailed testing of internal controls over certain cash management / collections processes for fines and fees showed:
 - City departments responsible for issuing and tracking citations do not have systematic processes to ensure: (1) issued electronic citations (e-citations) and paper citations are properly accounted for in the Incode Court Case Management and the Content Management System (Incode System); and, (2) unissued and / or voided paper citations and the associated citation books are properly accounted for, retained, and ultimately destroyed
 - The City uses an inefficient paper method to issue most citations. Unlike e-citations, issuing paper citations involves a labor-intensive process. In addition, designing and implementing appropriate internal controls over paper citations is more challenging.
- Additionally, certain CTS personnel have Incode System user access that is not appropriate for their job duties; and, certain controls do not comply with the requirements as stated in CTS' current policies and procedures or work instructions.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the City Manager:</p> <ul style="list-style-type: none"> • Ensures City departments responsible for the citation accountability processes develop and implement formal (written, approved, and dated) policies and procedures that define roles, responsibilities, and accountability among departments to ensure: <ul style="list-style-type: none"> ○ Issued e-citations and paper citations are properly accounted for in the Incode System ○ Unissued and / or voided paper citations and the associated citation books are properly accounted for, retained, and ultimately destroyed 	CMO	Agree	<p>Department of Communication and Information Services (CIS) – Daily monitor the queue of uploading of e-citations into the Brazos system and then into court case management system: November 2017</p> <p>Dallas Police Department (DPD) / Department of Code Compliance (CODE) – Pilot ticket accountability in the court case management system for proper citations: November 1, 2017</p> <p>Develop written procedures for paper citations ticket accountability: November 2017</p> <p>Research ticket accountability for paper and e-citations systems: March 1, 2018</p> <p>Develop formal policy for both paper and e-citations ticket accountability: September 2018</p> <p>Implement ticket accountability for both paper and e-citations for all citation issuing departments: December 2018</p>

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> Ensures CTS and the other citation issuing departments conduct a more in-depth cost-benefit analysis (personnel and system costs, including costs related to internal control implementation) to determine whether transitioning to a more complete e-citation process is more cost effective and improves internal controls. This cost-benefit analysis may also include a utilization study of current e-writers. If the e-citation process is considered more beneficial, we recommend the City Manager develops an implementation plan including the associated budget. 	CMO	Agree	March 1, 2018
<p>We recommend the Director of the Department of CIS, in consultation with CTS:</p> <ul style="list-style-type: none"> Ensures an information technology solution is implemented to eliminate the duplicate scanning of paper citations. 	CIS	Agree	<p>Develop requirements: October 31, 2017</p> <p>Selection solution: January 31, 2018</p> <p>Solicit bids / Implement solution: February 1 – October 31, 2018</p> <p>Demonstration for sustainability: November 1, 2018 to – April 30, 2019</p>
<p>We recommend the Director of CTS:</p> <ul style="list-style-type: none"> Ensures that (1): the Incode System user access is further segregated to reduce the risk that a cash misappropriation could occur and remain undetected; and, (2) additional internal controls are implemented to mitigate the risk if duties cannot be segregated 	CTS	Agree	<p>Correction of user issues identified by audit: December 2017</p> <p>Develop detective controls: December 2017</p> <p>Full user review conducted: April 2018</p> <p>Correction of issues identified during the full review: June 2018</p>

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Ensures that: (1) the CTS personnel duties are appropriately segregated in the CTS-FRM-926; (2) the CTS users' actual access to the Incode System is aligned with any segregation of duties changes made to the CTS-FRM-926; (3) the CTS periodically monitors that segregation of duties is appropriate by comparing the user profiles in the aligned CTS-FRM-926 to the user profiles established in the Incode System; and, (4) Collection Supervisors and the Collection Manager can void cash payments without Incode System Administrator Level access to the Incode System or implement additional internal controls to mitigate these risks 	CTS	Agree	<p>Identify which profile recommendations can / cannot be made: November 2017</p> <p>Make profile adjustments that can be made: December 2017</p> <p>Develop detective controls for adjustments that cannot be made and update policy: December 2017</p> <p>Start ongoing mitigating controls: April 2018</p>
<ul style="list-style-type: none"> • Updates the Revised CTS-PRO-906 by including the methodology and documentation requirements for the: <ul style="list-style-type: none"> ○ User access reviews to ensure inappropriate user access issues are identified and timely corrected ○ Transaction logs reviews to ensure: (1) the sample selection is statistically valid and produces a relevant estimate of the true presence of errors in the total population of CTS transactions; and, (2) errors and anomalies are identified and timely corrected 	CTS	Agree	February 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<ul style="list-style-type: none"> • Ensures Incode System user access and transaction logs reviews are conducted in accordance with the updated Revised CTS-PRO-906 at least once per year, including formally and consistently documenting the: <ul style="list-style-type: none"> ○ User access review methodology ○ Transaction logs reviews methodology, including the sample selection ○ Results of the Incode System user access and transaction logs reviews ○ Actions taken to investigate and correct errors and anomalies identified 	CTS	Agree	<p>Revise policy: February 2018</p> <p>Conduct review of policy: April 2018</p> <p>Correct issues: June 2018</p>
<ul style="list-style-type: none"> • Improves compliance and oversight of cash management / collections processes for fines and fees by requiring the CTS: <ul style="list-style-type: none"> ○ Collections, Correspondence and Bonds Division personnel to update the vault combination timely when a manager, supervisor or team leader change occurs ○ Collections, Correspondence and Bonds Division personnel to develop and implement a change fund verification schedule for personnel assigned to verify and count the change fund on daily basis ○ Finance and Accounting Division personnel to conduct till and vault audits ○ Collections, Correspondence and Bonds Division personnel to evaluate the need for Closeout Summaries, update the CTS-WKI-504 accordingly, and consistently follow the updated CTS-WKI-504 	CTS	Agree	<p>Review locksmith Master Agreement: ongoing</p> <p>Evaluate the need and / or frequency of till and vault audits: December 2017</p> <p>Evaluate the need for duplicate closeout summary in policy CTS-WKI-504: December 2017</p>

**City of Dallas
Office of the City Auditor
Nonaudit Services Highlights
Fiscal Year 2017**

City Council Support

- Council Members supported individually upon request on a variety of topics, including:
 - Information Related to Audit of Convention and Event Services
 - Requirements of City Council Member Attendance of Official City Council Meetings

Department Support

- City Departments supported upon request on a variety of topics, including:
 - State of Texas Law Research Related to Trade Time Pay for Firefighters
 - State Fair of Texas Memorandum of Understanding Review
 - Fair Park Management Agreement Review

**City of Dallas
Office of the City Auditor
Investigative Services Highlights
Fiscal Year 2017**

Fraud / Waste / Abuse (FWA)

- 124 hotline complaints closed during Fiscal Year (FY) 2017
- 27 complaints were either investigated by the Office of the City Auditor (Office) or referred to the Dallas Police Department (DPD) for potential criminal investigation
- 66 complaints were referred to other City of Dallas (City) departments
- 31 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
- 37 open complaints active as of September 30, 2017
- Results from significant investigations completed in FY 2017 include:

Department	Allegation	Outcome
Dallas Fire Rescue (DFR)	Fire Code Violations	A DFR member was alleged to have "covered up" fire code violations at the Black Police Officers Association (BPOA) building. The Office of the City Auditor's (Office) review of DFR's inquiry into the allegations found insufficient evidence to substantiate that a DFR member had someone "cover up" any BPOA violations.

Department	Allegation	Outcome
Department of Dallas Water Utilities (DWU)	Theft	A DWU Employee was suspected of illegally having her water service reconnected at her home after the service has been disconnected for non-payment of the City water bill. The Dallas Police Department – Public Integrity Unit (DPD-PIU) conducted a criminal investigation and determined there was sufficient evidence to file charges for a Class B Misdemeanor theft. The employee was arrested; however, DPD-PIU did not seek criminal charges against the employee. The Office’s investigation supported the finding that the employee violated the City’s Personnel Rules, specifically: dishonesty, disregard of public trust and theft. As a result, DWU management suspended the employee without pay for a period of ten working days and suspended a second DWU employee without pay for a period of eight working days for participating in the unauthorized theft of water services.
Department of Park and Recreation (PKR)	Theft	A PKR employee was suspected of theft of cash. The DPD-PIU conducted a criminal investigation and determined there was sufficient evidence to file charges for Theft, a Class A Misdemeanor. The employee was terminated from City employment on March 30, 2016 and arrested for Theft by a public servant on June 2, 2016.
Office of Cultural Affairs (OCA)	Abuse of Position	An OCA employee was alleged to have abused position as a City employee to unfairly advance private interests. The DPD-PIU investigated the allegation and determined there was insufficient evidence to prove or disprove a criminal offense. The Office’s review of the evidence determined sufficient support that the employee’s actions violated the City’s Personnel Rules and Code of Ethics, specifically: indifference towards work, dishonesty, disturbance and disregard of public trust, along with unfair advancement of private interests. The OCA management terminated the employee on November 15, 2016.