

Memorandum



CITY OF DALLAS

DATE: April 7, 2017

TO: Honorable Mayor and Members of the City Council

SUBJECT: Office of the City Auditor – Audit, Attestation and Investigative Services Update:
Fiscal Year 2017 Third Quarter

The *Audit, Attestation and Investigative Services Update: Fiscal Year 2017 Third Quarter* (Update) is presented to provide current information about the results and status of audit, attestation, and investigative service projects of the City of Dallas' (City) Office of the City Auditor (Office).

Two audit reports were issued in the second quarter of Fiscal Year (FY) 2017, including:

- Special Audit of the Accounts of Former Chief Financial Officer – Jeanne Chipperfield
- Fiscal Year 2015 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2014, and 2015

The key points from these reports are included in Section II of the Update. The project objectives for reports scheduled to be released and for projects currently in progress or expected to be started in the third quarter of FY 2017 are included in Sections III through V of the Update.

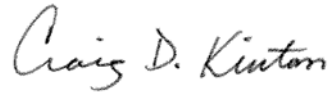
Approved Audit Plans allow the City Auditor to make additions to, deletions from, or other changes to the plan(s) when deemed necessary upon written notification to the City Council. Accordingly, the Office is providing notification of the deletion of one project that was included in the FY 2017 Audit Plan for the following reason:

- **City Attorney's Office Operations** – The City Attorney's Office is currently implementing new policies and procedures to improve processes over contract preparations and management. This audit is cancelled to allow the City Attorney's Office an opportunity to establish these new processes.

Honorable Mayor and Members of the City Council
April 7, 2017
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Should you have questions or if we can be of assistance, please contact me at 214-670-3222.

Sincerely,

A handwritten signature in cursive script that reads "Craig D. Kinton".

Craig D. Kinton
City Auditor

Attachment

C: T.C. Broadnax, City Manager
Larry Casto, City Attorney
Rosa Rios, City Secretary

**City of Dallas
Office of the City Auditor**

**Audit, Attestation and
Investigative
Services Update**

Fiscal Year 2017 – Third Quarter

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Summary of Audit, Attestation and Investigative Services *

Audit – Reports that provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability

Attestation – Reports that cover a broad range of financial or non-financial objectives; results in an examination, a review, or an agreed-upon procedures report on a subject matter or an assertion about a subject matter that is the responsibility of another party

Investigative – Reports providing evaluations and results of substantiated allegations of fraud, waste and abuse

**Audit and Attestation Services
Reports Issued
Fiscal Year 2017 – Second Quarter
January 1, 2017 to March 31, 2017
(See Section II for Details)**

- Special Audit of the Accounts of Former Chief Financial Officer – Jeanne Chipperfield
- Fiscal Year 2015 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2014, and 2015

* All audit and attestation services are conducted under authority of the City Charter, Chapter IX, Section 3, and in accordance with the Annual Audit Plan approved by the City Council. We conduct our work in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective(s). Fraud investigations are conducted in accordance with Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

**Audit and Attestation Services
Anticipated Report Releases
Fiscal Year 2017 – Third Quarter
April 1, 2017 to June 30, 2017
(See Section III for Details)**

- Special Audit of the Accounts of Former City Manager – A.C. Gonzalez
- Neighborhood Code Enforcement Services
- Sole Source / Single Bid Procurements – Business Development and Procurement Services
- Trinity Watershed Management
- Business Partner Oversight – Arts District
- Cash Management / Collections Processes – Courts Information System
- Construction Related Procurements
- Environmental Compliance – Multiple Departments

**Audit and Attestation Services
Projects in Progress
Fiscal Year 2017 – Third Quarter
April 1, 2017 to June 30, 2017
(See Section IV for Details)**

- Continuity of Operations Audit Follow-Up
- Homeless Response System Effectiveness
- Line-of-Duty Death Report Recommendations – Dallas Fire-Rescue
- Miscellaneous Permit Fee Revenues
- Special Collections Operations – Dallas Water Utilities
- Off-Duty Employment Administration – Dallas Police Department
- Records Management System – Dallas Police Department
- Information Technology Processes – Communication and Information Services
- Prior Audit Recommendations Follow-Up (Fiscal Year 2016)
- Franchise Fees Review through Third-Party Vendor (*Ongoing*)
- Sales / Use Tax Compliance Review through Third-Party Vendor (*Ongoing*)

**Audit and Attestation Services
Anticipated Project Starts
Fiscal Year 2017 – Third Quarter
April 1, 2017 to June 30, 2017
(See Section V for Details)**

- Contract Monitoring – Cloud Computing
- Dallas Convention & Visitors Bureau (VisitDallas)
- Surveillance Camera Oversight – Multiple Departments

**Audit, Attestation and Investigative Services
Reports Issued
Fiscal Year 2017 – Second Quarter
January 1, 2017 to March 31, 2017**

Audit Services

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.

**Audit and Attestation Services
Anticipated Report Releases
Fiscal Year 2017 – Third Quarter
April 1, 2017 to June 30, 2017**

Audit Services

Special Audit of the Accounts of Former City Manager – A.C. Gonzalez

- Anticipated Report Date: April 2017
- Project Objective(s): Conduct audits, in accordance with Chapter IX, Section 4 of the City Charter, of officers who vacate their offices due to death, resignation, removal, or expiration of term

Neighborhood Code Enforcement Services

- Anticipated Report Date: May 2017
- Project Objective(s): To assess the design of controls pertaining to the effectiveness of Neighborhood Code Compliance operations

Sole Source / Single Bid Procurements – Business Development and Procurement Services

- Anticipated Report Date: May 2017
- Project Objective(s): To determine the adequacy of controls for sole source / single bid procurements

Trinity Watershed Management

- Anticipated Report Date: May 2017
- Project Objective(s): To evaluate management controls related to Trinity Watershed Management

Business Partner Oversight – Arts District

- Anticipated Report Date: June 2017
- Project Objective(s): To evaluate the financial, operational, and other risks for the major business partners operating facilities in the Arts District and the City's oversight / monitoring controls

Cash Management / Collections Processes – Courts Information System

- Anticipated Report Date: June 2017
- Project Objective(s): To evaluate internal controls over cash management / collections processes for fines and fees which may include cash bond forfeitures and reinstatement on Class C misdemeanors

Construction Related Procurements

- Anticipated Report Date: June 2017
- Project Objective(s): To determine the effectiveness of internal controls for construction related procurements

Environmental Compliance – Multiple Departments

- Anticipated Report Date: June 2017
- Project Objective(s): To determine if the City is in compliance with Environmental Protection Agency regulations which may include the Clean Water Act, and / or other Federal / State environmental requirements regarding handling / disposing of hazardous waste

**Audit and Attestation Services
Projects in Progress
Fiscal Year 2017 – Third Quarter
April 1, 2017 to June 30, 2017**

Audit Services

Continuity of Operations Audit Follow-Up

- Anticipated Report Date: Fourth Quarter Fiscal Year 2017
- Project Objective(s): To evaluate management's implementation of recommendations included in *Audit of the Design of the City of Dallas' Pandemic Influenza Continuity of Operations Basic Plan Report*, issued September 13, 2013

Homeless Response System Effectiveness

- Anticipated Report Date: Fourth Quarter Fiscal Year 2017
- Project Objective(s): To assess the effectiveness and / or efficiency of the City's homeless response system which may include an evaluation of the contracting procedures for homeless services, including how contracted services meet assessed needs and are monitored for quality performance

Line-of-Duty Death Report Recommendations – Dallas Fire-Rescue

- Anticipated Report Date: Fourth Quarter Fiscal Year 2017
- Project Objective(s): To determine whether the Department of Dallas Fire-Rescue implemented the Line-of-Duty Death Report recommendations issued by the Texas Fire Marshal's Office and the National Institute of Occupational Safety and Health pursuant to the Firefighter Fatality Investigations of the death of Firefighter Stanley Wilson on May 20, 2013

Miscellaneous Permit Fee Revenues

- Anticipated Report Date: Fourth Quarter Fiscal Year 2017
- Project Objective(s): To determine whether controls are adequate / effective to ensure permit fee revenues are collected from business entities required to obtain a permit to operate a business in the City

Special Collections Operations – Dallas Water Utilities

- Anticipated Report Date: Fourth Quarter Fiscal Year 2017
- Project Objective(s): To determine whether internal controls are adequate to ensure cash receipts are timely deposited and accounted for properly

Off-Duty Employment Administration – Dallas Police Department

- Anticipated Report Date: First Quarter Fiscal Year 2018
- Project Objective(s): To evaluate (1) the Dallas Police Department's (DPD) internal controls over off-duty employment; and, (2) whether DPD officers adhere to DPD policies related to off-duty employment

Records Management System – Dallas Police Department

- Anticipated Report Date: First Quarter Fiscal Year 2018
- Project Objective(s): To determine whether the City's goals for implementing the Records Management System achieved anticipated results (specifically cost, project schedule, functions implemented, and shadow systems eliminated) and includes the appropriate controls

Information Technology Processes – Communication and Information Services

- Anticipated Report Date: Second Quarter Fiscal Year 2018
- Project Objective(s): To determine the effectiveness of selected Communication and Information Services processes which may include: (1) back-up and recovery; (2) governance process; and, (3) vendor contract monitoring

Prior Audit Recommendations Follow-Up (Fiscal Year 2016)

- Anticipated Report Date: Second Quarter Fiscal Year 2018
- Project Objective(s): To evaluate management's implementation of prior audit report recommendations

Franchise Fees Review through Third-Party Vendor (*Ongoing*)

- Anticipated Report Date: Periodic, as warranted
- Project Objective(s): To verify that franchise fees (which may include utilities, cable, and telephone) identified by a third-party vendor are received by the City

Sales / Use Tax Compliance Review through Third-Party Vendor (*Ongoing*)

- Anticipated Report Date: Periodic, as warranted
- Project Objective(s): To identify and collect new and misreported tax revenue identified through a third-party vendor which will conduct Sales and Use Tax Compliance Review and Recovery Services

**Audit and Attestation Services
Anticipated Project Starts
Fiscal Year 2017 – Third Quarter
April 1, 2017 to June 30, 2017**

Audit Services

Contract Monitoring – Cloud Computing

- Anticipated Report Date: Second Quarter Fiscal Year 2018
- Project Objective(s): To determine whether the Department of Communication and Information Services effectively monitors the third-party vendor providing services to ensure City data is secure and the City is receiving the contracted services

Dallas Convention & Visitors Bureau (VisitDallas)

- Anticipated Report Date: Second Quarter Fiscal Year 2018
- Project Objective(s): To evaluate the effectiveness of services provided by the Dallas Convention & Visitors Bureau (VisitDallas), which may include: (1) assessing the reliability and reporting of performance measures; and, (2) determining whether Tourism Public Improvement District Incentive funds were used properly

Surveillance Camera Oversight – Multiple Departments

- Anticipated Report Date: Second Quarter Fiscal Year 2018
- Project Objective(s): To determine whether the City adequately / effectively manages and maintains its network of surveillance cameras