



**CITY OF DALLAS**

**Dallas City Council**

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**Mayor Pro Tem**  
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**Office of the City Auditor**

**Audit Report**

**Special Audit of the Accounts of Three Former  
Council Members and a Former City Secretary**  
(Report No. A12-002)

**December 9, 2011**

**City Auditor**

Craig D. Kinton

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## Executive Summary

Processing control issues for terminating employees continue to exist. The City of Dallas (City) processes terminating employees, including the former Members of the City Council and the former City Secretary (City Officers), in a decentralized manner which dilutes accountability and increases security risks. These processing control issues were reported in *An Audit of Reduction in Force Employee Processing Controls* (Report Number A10-013, issued June 25, 2010) and, again, in a *Management Letter* related to the *Special Audit of the Accounts of Mr. Thomas C. Leppert, Former Mayor*, (Report Number A11-009, issued on June 10, 2011).

### Background Summary

Five departments along with the originating employee department have primary responsibilities for processing terminating employees. The five departments are: Human Resources, City Controller's Office, Communication and Information Services, Equipment and Building Services, and Business Development and Procurement Services.

The employee termination process is largely manual, time-consuming, and subject to errors and omissions. Multiple City departments are involved in the termination process with no one department responsible for monitoring the process. This approach, with no one department assigned responsibility and monitoring oversight, does not provide adequate assurance that employee terminations are processed accurately and completely. In the cases of the four former City Officers recently processed, we noted the following:

- The Termination Check List (Check List) and the Termination Action Form do not include the information necessary to verify all employee separation activities
- Identification badges and City-wide parking decals were not returned to the City
- Identification badges were not deactivated timely
- Network access may not have been deactivated timely
- Employees' memberships paid by the City were not consistently cancelled or transferred to other City personnel
- Electronic Termination Notification Forms (ETNF) were not submitted timely

The City can increase accountability and reduce security risks by:

- Revising the Check List and/or the Termination Action Form and instructions to ensure that all the employee separation activities and the corresponding actions to complete the activities are included or attached to the Check List
- Redesigning the Council member City-wide free parking decal to include an expiration date
- Developing criteria for the cancellation or transfer of City-sponsored employee memberships
- Changing the ETNF due date for receipt in the Department of Human Resources (HR)

The objectives of our audit were to ensure that the City had properly controlled and accounted for City assets, removed the former City Officers as authorized agents for the City, and ensured there were no outstanding debts owed to the City. We also evaluated the adequacy of employee processing controls related to the termination of the former City Officers. The audit period covered April 2011 to July 2011; however, certain other matters, procedures, or transactions occurring outside of that period may have been reviewed to understand and verify information related to the audit period.

We conducted this audit under the authority of and in accordance with the City Charter, Chapter IX, Sections 3 and 4, and the Fiscal Year 2011 Audit Plan approved by the City Council. This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management's response to this report is included as Appendix III.

# Audit Results

## Overall Conclusions

Processing control issues for terminating employees continue to exist. The City of Dallas (City) processes terminating employees, including the former Members of the City Council and the former City Secretary (City Officers), in a decentralized manner which dilutes accountability and increases security risks.

The employee termination process is largely manual, time-consuming, and subject to errors and omissions. Multiple City departments are involved in the termination process with no one department responsible for monitoring the process. This approach, with no one department assigned responsibility and monitoring oversight, does not provide adequate assurance that employee terminations are processed accurately and completely.

### **Employee Termination Process Does Not Adequately Reduce Risk and Protect City Assets**

The Termination Check List (Check List) and the Termination Action Form do not include the information necessary to verify all employee separation activities. The originating department supervisor initials and dates separation activities that are currently on the Check List; however, no documentation of the corresponding actions to complete the activities are attached to the Check List and sent to the Department of Human Resources (HR) for review. As a result, guidance that departments need to properly process terminating employees is not complete, separation activities may be omitted, accountability for the process is not evident, and oversight by HR is limited.

The following employee separation activities and/or the corresponding actions are not included on the Check List or the Termination Action Form for verification:

#### Access to City Buildings

- Building identification badges assigned to the employees' were deactivated and the date the Department of Equipment and Building Services (EBS) deactivated the identification badges in the building security system noted

#### Access to City Information Technology Resources

- Employees' network access was disabled and the date the Department of Communication and Information Services (CIS) disabled employee access noted

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- Employees' mainframe access was disabled and the date CIS disabled employee access noted
- Desktop and peripherals assigned to the employee have been returned and the date the appropriate department received these assets noted

**Authority to Receive Payment**

- Employees' vendor codes were deactivated and the date BDPS deactivated the accounts noted

**Other**

- Memberships purchased on behalf of the employees' were refunded or transferred (if allowed) by the employees' department and the date of the refund or transfer noted
- Employees' followed records retention requirements and the department's responsibility for the City's records noted

**Recommendation I**

The Director of HR should revise the Termination Check List and/or Termination Action Form and instructions to ensure that all the employee separation activities and the corresponding actions to complete the activities are included or attached to the Check List, specifically:

- Building identification badges assigned to the employees' were deactivated and the date the Department of Equipment and Building Services (EBS) deactivated the identification badges in the building security system noted
- Employees' network access was disabled and the date the Department of Communication and Information Services (CIS) disabled employee access noted
- Employees' mainframe access was disabled and the date CIS disabled employee access noted
- Desktop and peripherals assigned to the employee have been returned and the date the appropriate department received these assets noted
- Employees' vendor codes were deactivated and the date BDPS deactivated the accounts noted

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- Memberships purchased on behalf of the employees' were refunded or transferred (if allowed) by the employees' department and the date of the refund or transfer noted
- Employees' followed records retention requirements and the department's responsibility for the City's records noted

Please see Appendix III for management's response to the recommendation.



## Physical Access Controls Are Not Operating Effectively

Some City Officers did not return identification badges and City-wide parking decals. The identification badges grant the holder of the badge access to City buildings. The City-wide parking decals, which do not have an expiration date, allow the holder to park anywhere in a City-owned facility at no cost. As a result, access to City buildings may not be limited to the authorized personnel and parking decals may not be adequately controlled to ensure the City-wide parking decals are only used for official City business and related activities.

In addition, the City did not timely deactivate the identification badge for a former City Officer. Three of the four City Officers' separation date was June 27, 2011; however, building access was not deactivated until September 15, 2011 (at the City Auditor's request). Identification badges and City-wide parking decals should be properly controlled to safeguard City employees, City assets, and governmental records.

In the *Audit of Reduction in Force Employee Processing Controls* (Report Number A10-013, issued June 25, 2010) the Office of the City Auditor (Office) recommended that EBS work with HR to develop policies, procedures, and forms to help ensure that identification badges and parking decals were returned and terminated employees' access to City buildings and parking garages properly controlled. The EBS agreed and responded they would revise the applicable Administrative Directives by June 30, 2010. A draft Administrative Directive 2-4, *Identification & Keycard Badge and Restricted Areas Policy* has been developed, but has not yet been approved and implemented.

## Recommendation II

We recommend the Director of EBS develop policies and procedures to ensure terminated employees access to City buildings and parking is properly controlled.

We also recommend the Director of EBS redesign the City-wide parking decals to include an expiration date.

Please see Appendix III for management's response to the recommendation.

## **Network Access May Not Have Been Deactivated Timely**

The Department of Communication and Information Services (CIS), Security Division, could not provide evidence that one former City Official's network access was deactivated timely. The affected City Official requested that the network access be reopened so that citizens contacting the City Official via e-mail would receive an automated e-mail response. Because CIS computer activity logs do not archive prior deactivation activity, it is not clear whether network access was deactivated timely and then reinstated when the request from the affected City Official was received. The CIS Security Division provided a computer screenshot verifying that the network access was disabled as of July 8, 2011, which was 11 days after the City Official's June 27, 2011 termination date. The other three City Officers' network access was disabled in a timely manner.

Disabling network access timely reduces the risk that unauthorized access to confidential files and data may occur and remain undetected.

### **Recommendation III**

As noted in Recommendation I above, we recommend the Director of HR revise the Termination Check List and/or the Termination Action Form and instructions to ensure that all the employee separation activities and the corresponding actions to complete the activities are included or attached to the Check List. Specifically have the terminating manager contact CIS to ensure they disabled employee access for:

- Employees' network access was disabled and the date CIS disabled employee access noted
- Employees' mainframe access was disabled and the date CIS disabled employee access noted

Please see Appendix III for management's response to the recommendation.

## **Disposition of City-Paid Memberships Is Not Addressed in City Policy**

Three of the four former City Officers terminating services/employment with the City had memberships in professional organizations which were paid by the City. One membership was later transferred to another City Official and the other two are currently close to expiration.

Administrative Directive (AD) 4-12, *Employee and City Memberships*, contains criteria for purchasing employee memberships. The AD, however, does not provide any guidance on the disposition of a membership paid by the City, when the City Official or employee holding the membership, terminates employment.

Memberships purchased by the City are purchased to allow City Officers and employees' access to educational and networking opportunities that are intended to benefit the City and the citizens. Allowing departing City Officers and/or employees to retain these memberships prevents the City and citizens from realizing these benefits.

### **Recommendation IV**

We recommend that the City Controller revise AD 4-12 to include criteria for the disposition of City-paid employee/City Official memberships. If allowed by the membership organization and not cost-prohibitive, the memberships should be transferred to another City Official or employee or the pro-rated amount of the membership refunded to the City.

Please see Appendix III for management's response to the recommendation.

## **Termination Notices Were Not Timely**

The Electronic Termination Notification Forms (ETNF) were not sent to the departments primarily responsible for the employee termination process in a timely manner. The notifications for all four City Officers were sent after the original termination notification date. The notifications were sent to HR 17 days after the notification date. Although the notifications were sent prior to the actual termination date, the HR compliance requirement is that the ETNF be sent to HR “upon notification” that the employee will be leaving the City.

Without timely notification, the City departments primarily responsible for the employee termination process do not have sufficient opportunity to process terminating employees accurately and completely.

## **Recommendation V**

We recommend the Director of HR change the ETNF submission criteria to state that notification to HR is required “upon notification that the City Official and/or employee is leaving the City or no later than two weeks prior to the termination date.”

Please see Appendix III for management’s response to the recommendation.

## Appendix I

### Background, Objectives, Scope and Methodology

Generally, the City of Dallas (City) department where the terminating employee was assigned sends the Electronic Termination Notification Form (ETNF) to the departments listed below and completes the Termination Check List (Check List) and the Termination Action Form. The following five departments have primary responsibility for completing the separation activities necessary to process terminating employees:

- **Department of Business Development and Procurement Services (BDPS)** – Cancel Procurement Cards and/or Travel Cards and deactivate employee vendor accounts, if applicable
- **City Controller’s Office (CCO) – Payroll Division** – Calculate and process final paychecks timely
- **Department of Communication and Information Services (CIS)** – Deactivate access to the City’s network computer systems and software applications maintained by CIS
- **Department of Equipment and Building Services (EBS)** – Deactivate identification (ID) badge access to certain City buildings and equipment and collect parking decals
- **Department of Human Resources (HR)** – Provide HR related policies and procedures to other City departments and maintain the employee’s file of employment records, changes in employment status, and termination documentation

Employee termination processing is an important closing activity for the City and is necessary to provide assurance that high risk areas, such as network access and building security, have been protected and all steps in the process completed.

### Objectives, Scope and Methodology

We conducted this audit under the authority of and in accordance with the City Charter, Chapter IX, Sections 3 and 4, and the Fiscal Year 2011 Audit Plan approved by the City Council. This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient,

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appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of our audit were to ensure that the City had properly controlled and accounted for City assets, removed the former City Officers as authorized agents for the City, and ensured there were no outstanding debts owed to the City. We also evaluated the adequacy of employee processing controls related to the termination of the former City Officers. The audit period covered April 2011 to July 2011; however, certain other matters, procedures, or transactions occurring outside of that period may have been reviewed to understand and verify information related to the audit period.

To achieve the audit objectives, we performed the following procedures:

- Reviewed the City Charter, the City Code, the applicable Administrative Directives and departments' guidance pertaining to building security, compensation and benefits, professional memberships, employee termination procedures, and record retention
- Interviewed personnel in the City Secretary's Office, CIS, Dallas Water Utilities, EBS, and the Office of the Mayor and City Council
- Reviewed personnel files, Check Lists, attendance records, and information regarding assets and expenses
- Examined disposition of assets, termination of network access, receipt of identification badges and parking decals, deactivation of identification badges, payment of liabilities due the City, disabling employee vendor accounts and status of memberships
- Calculated City Council meeting attendance rates and payroll amounts

## **Appendix II**

### **Major Contributors to This Report**

Carol Smith, CPA, CIA, CFE, Audit Manager

Chris Kime, CIA, Project Manager

Theresa Hampden, CPA, Quality Control Manager

## Management's Response

Memorandum

**RECEIVED**

NOV 23 2011

**City Auditor's Office**



CITY OF DALLAS

DATE: November 22, 2011

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report: Special Audit of the Account of Three Former City Council Members and a Former City Secretary

Our responses to the audit report recommendations are as follows:

**Recommendation I:**

The Director of HR should revise the Termination Check List and/or Termination Action Form and instructions to ensure that all the employee separation activities and the corresponding actions to complete the activities are included or attached to the Check List, specifically:

- Building identification badges assigned to the employees' were deactivated and the date the Department of Equipment and Building Services (EBS) deactivated the identification badges in the building security system noted
- Employees' network access was disabled and the date the Department of Communication and Information Services (CIS) disabled employee access noted
- Employees' mainframe access was disabled and the date CIS disabled employee access noted
- Desktop and peripherals assigned to the employee have been returned and the date the appropriate department received these assets noted
- Employees' vendor codes were deactivated and the date BDPS deactivated the accounts noted
- Memberships purchased on behalf of the employees' were refunded or transferred (if allowed) by the employees' department and the date of the refund or transfer noted
- Employees' followed records retention requirements and the department's responsibility for the City's records noted



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### Management Response / Corrective Action Plan

Agree  Disagree

*We agree with the Auditor's recommendation to add to the Termination Checklist the following three items: desktops and peripherals, cancelation of memberships, and compliance with the departments' records retention policies.*

*On the recommendation to modify the checklist to include additional tasks to ensure that systems access, vendor codes, and security IDs are deactivated. Human Resources will work with CIS, EBS and Purchasing to discuss ways to ensure deactivation occurs.*

### Implementation Date

*Modify the checklist to include the three items identified for inclusion in the Termination Checklist – November, 2011*

*Modify procedures for ensuring deactivation of systems, vendor codes and IDs – no later than April, 2012*

### Responsible Manager

*Molly McCall*

### Recommendation III:

As noted in Recommendation I above, we recommend the Director of HR revise the Termination Check List and/or the Termination Action Form and instructions to ensure that all the employee separation activities and the corresponding actions to complete the activities are included or attached to the Check List. Specifically have the terminating manager contact CIS to ensure they disabled employee access for:

- Employees' network access was disabled and the date CIS disabled employee access noted
- Employees' mainframe access was disabled and the date CIS disabled employee access noted

### Management Response / Corrective Action Plan

Agree  Disagree

*When an employee terminates from the City an Electronic Termination Notification Form is sent to the departments responsible for Off-Boarding activities, including CIS. Human Resources will work with CIS to identify the best way to ensure that the deactivation occurs and will modify the termination checklist do include any new instructions.*

### Implementation Date

*No later than April, 2012*

### Responsible Manager

*Molly McCall*

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**Recommendation V:**

We recommend the Director of HR change the ETNF submission criteria to state that notification to HR is required "upon notification that the City Official and/or employee is leaving the City or no later than two weeks prior to the termination date."

**Management Response / Corrective Action Plan**

Agree  Disagree

*Per the auditor's recommendation the language "or no later than two weeks prior to the termination date" has been added to eliminate the requirement for employees to immediately submit the form in situations where they have several months advanced notice of an employee s/city official's pending departure.*

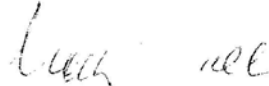
**Implementation Date**

*November 15, 2011*

**Responsible Manager**

*Molly McCall*

Sincerely,



Molly McCall  
Director, Human Resources

- c: Mary K. Suhm, City Manager
- AC Gonzalez, First Assistant City Manager
- Ryan Evans, Assistant City Manager
- Jill Jordan, Assistant City Manager
- Forest Turner, Assistant City Manager
- Joey Zapata, Assistant City Manager
- Bill Finch, Interim Director, Communication and Information Services
- Erick Thompson, Director, Equipment and Building Services
- Mike Frosch, Director, Business Development and Procurement Services

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NOV 15 2011

**City Auditor's Office**



**Memorandum**

DATE November 15, 2011

TO Craig D. Kinton, City Auditor

SUBJECT Response to Audit Report: Special Audit of the Account of Three Former City Council Members and a Former City Secretary

Our responses to the audit report recommendations are as follows:

**Recommendation II:**

We recommend the Director of EBS develop policies and procedures to ensure terminated employees access to City buildings and parking is properly controlled.

We also recommend the Director of EBS redesign the City-wide parking decals to include an expiration date.

**Management Response / Corrective Action Plan**

Agree  Disagree

EBS is in the process of updating Administrative Directive (AD) 2-4, Identification/Access Card Badge and Restricted Areas Policy. The revised AD 2-4 will include additional procedures designed to ensure that terminated employees' access to City buildings and parking is properly controlled.

The citywide parking permits are being updated as part of larger-scaled, multi-phased security enhancements being implemented. The new design will include an expiration date and additional clarification will be included to address issuance and collection/disposal of the parking permits.

**Implementation Date**

The updated AD 2-4 is anticipated to be issued by March 2012.

Issuance of the new citywide parking permits for the Mayor and Council is anticipated to occur by February 2012.

**Responsible Manager**

Batsheba Antebi, P.E., Assistant Director

Sincerely,

Errick Thompson, P.E. Director  
Equipment and Building Services

c. Mary K. Suhm, City Manager  
Forest Turner, Assistant City Manager  
Batsheba Antebi, P.E. Assistant Director

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Memorandum

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NOV 16 2011



City Auditor's Office CITY OF DALLAS

DATE: November 15, 2011

TO: Craig D. Kinton, City Auditor

SUBJECT: Response to Audit Report: Special Audit of the Account of Three Former City Council Members and a Former City Secretary

Our responses to the audit report recommendations are as follows:

**Recommendation IV:**

We recommend that the City Controller revise AD 4-12 to include criteria for the disposition of City-paid employee/City Official memberships. If allowed by the membership organization and not cost-prohibitive, the memberships should be transferred to another City Official or employee or the pro-rated amount of the membership refunded to the City.

**Management Response / Corrective Action Plan**

Agree  Disagree

The City Controller's Office will revise AD 4-12 to provide guidance to departments regarding the transfer or refund from the organization of membership dues held in the City's name.

**Implementation Date**

April 30, 2012

**Responsible Manager**

City Controller

Sincerely,

Edward R. Scott  
City Controller

C: Jeanne Chipperfield, Chief Financial Officer

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