

Memorandum



CITY OF DALLAS

DATE: October 24, 2014

TO: Honorable Mayor and Members of the City Council

SUBJECT: Office of the City Auditor – Services Summary Memo Report for Fiscal Year 2014

This memo report provides a summary of the services provided by the City of Dallas (City) Office of the City Auditor (Office) for Fiscal Year (FY) 2014 (October 1, 2013 to September 30, 2014). The Office serves as a broad general control in support of the City Council's governance and management's operational responsibilities. The mission of the Office is to promote public trust and advance accountability by providing independent, objective, and useful professional services.

In fulfillment of its mission, the Office delivered the following professional services:

- Thirteen performance audit reports and one confidential limited use report, resulting in recommendations to improve internal controls and operational efficiency and effectiveness in a wide range of City operations such as:
 - Follow-Up of Prior Year Audit Recommendations – FY 2010 - 2012
 - Compliance with Texas Prompt Payment Act
 - Aircraft Rescue and Firefighting Unit
 - Self-Insured Medical Program
 - Arts and Cultural Program Funding
 - Contract Compliance – Office Depot
 - Wastewater Collection and Treatment Operations – Internal Controls over Chemical Supplies
 - Software License Compliance

- Fourteen attestation engagements (Agreed-Upon Procedures) providing independent assessments of:
 - May 11, 2013 Elections Costs Invoiced by the Dallas County Elections Department
 - Patriot's Crossing Development
 - Sole source procurements (six totaling \$14,085,720)

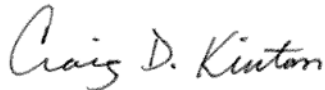
“Dallas, the City that Works: Diverse, Vibrant, and Progressive.”

- Single bid procurements (four totaling \$4,498,309)
- Weapons destruction (one totaling 1,024 weapons)
- Drug articles destruction (one totaling 4,102 drug articles)
- Ninety Fraud, Waste and Abuse Hotline Complaint Closures resulting in:
 - Investigations by the Office and/or Dallas Police Department – 50
 - Referrals to other City Departments – 21
 - Closures due to insufficient information or other factors – 19

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 management as you strive to serve the citizens of Dallas.

The attachments provide additional information on the Office's operations and results thereof for FY 2014. We appreciate the opportunity to serve you and are available to discuss our operations or results if requested.

Respectfully,



Craig D. Kinton
City Auditor

Attachments

C: A. C. Gonzalez, City Manager
Warren M. S. Ernst, City Attorney
Rosa Rios, City Secretary

ATTACHMENTS

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

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

VISION

A dynamic audit organization that is a catalyst for accountable, efficient, and effective government for the citizens of Dallas.

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 2014¹**

Staff Tenure with Office	
	Percent
One Year or Less	40.9
Two to Five Years	22.7
Six to Ten Years	31.8
More than Ten Years	4.6

Gender		
	Office Percent	Dallas, TX * Percent
Male	68.2	50.4
Female	31.8	49.6

* Source: US Census Bureau 2014 (Estimate)

Ethnicity		
	Office Percent	Dallas, TX * Percent
Non-Hispanic White	59.1	29.3
Non-Hispanic Black	4.5	24.6
Hispanic	9.1	41.4
Other Race	27.3	4.6

* Source: Economic Development Profile –
Office of Economic Development 2012 (Estimate)

Education *	
	Percent
Some College, No Degree	4.6
Bachelors Degree	95.4
Masters Degree	50.0

* Does not total to 100% as employees with Masters Degrees also have Bachelor's Degrees

Professional Certifications *	
	Percent
Certified Public Accountant (CPA)	36.4
Certified Internal Auditor (CIA)	40.9
Certified Information System Auditor (CISA)	13.6
Certified Fraud Examiner (CFE)	18.2
Certified Financial Forensics (CFF)	4.5
Other Certifications	22.7

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

¹ As of September 30, 2014

**City of Dallas
Office of the City Auditor
Audit Report Highlights
Fiscal Year 2014**

**Audit of City of Dallas' Compliance with the Texas Prompt Payment Act
(November 1, 2013)**

- The City of Dallas (City) does not have a formal method to monitor compliance with the Texas Government Code, Chapter 2251 *Payment for Goods and Services* (Prompt Payment Act). As a result, the City cannot easily determine: (1) when vendor payments are not processed in accordance with the Prompt Payment Act; (2) if interest amounts are owed to vendors; and, (3) if valid exceptions to the Prompt Payment Act exist.
- Specifically, the City does not:
 - Have a consistent method to identify and track the actual invoice receipt date
 - Require the actual invoice receipt date to be recorded in the AMS Advantage 3 general ledger accounting system (AMS) prior to invoice processing
 - Identify invoices in dispute in AMS
 - Provide guidance for monitoring compliance with the Prompt Payment Act, including how to use available financial reports, in the annual training conducted by the City Controller's Office

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Controller implement a formal method to monitor compliance with the Prompt Payment Act.	City Controller's Office (CCO)	Agree	10/31/2015
We recommend the City Controller implement a consistent method to identify and track the actual invoice receipt date.	CCO	Agree	09/30/2014
We recommend the City Controller require the actual invoice receipt date to be recorded before an invoice can be processed if AMS can be configured to do so.	CCO	Agree	10/31/2015

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Controller identify invoices in dispute if AMS can be configured to do so.	CCO	Agree	10/31/2015
We recommend the City Controller provide guidance for monitoring compliance with the Prompt Payment Act, including how to use available financial reports, in the CCO's annual training.	CCO	Agree	09/30/2013

Audit of MuniServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees (November 15, 2013)

- In Fiscal Year (FY) 2013, the Office of the City Auditor (Office) verified \$902,218 in sales tax receipts collections that MuniServices, LLC (Consultant) identified as owed to the City of Dallas (City) from businesses operating in the City. The Office also verified the accuracy of \$225,555 in Consultant invoices received for the period October 1, 2012 through September 30, 2013 for payment of the Consultant's percentage of the amount collected under the contingent fee contract arrangement with the City.
- In 2010, the Office, in conjunction with City management, sought proposals for sales/use tax compliance review services. The City entered into a three-year contract with the Consultant to identify businesses operating in the City that are not properly collecting and/or reporting sales/use taxes. The contract ended on September 7, 2013; however, a one-year renewal option was approved by the City Council on August 14, 2013 extending the contract term through September 7, 2014.
- Through a variety of means, the Consultant identifies businesses operating in the City that are not properly collecting and/or reporting sales/use taxes. Then, the Consultant works directly with the identified businesses to achieve voluntary tax compliance by assisting the businesses with tax code interpretations and preparation of amended tax returns. If businesses do not voluntarily comply, referrals are made to the Texas State Comptroller of Public Accounts requesting audit assistance to achieve compliance.

No associated recommendations with this report.

**Special Audit of the Accounts of Five Former City Council Members
(December 6, 2013)**

- The Office of the City Auditor (Office) determined that the former accounts for City of Dallas (City) Council Members Angela Hunt, Delia Jasso, Linda Koop, Ann Margolin, and Pauline Medrano were in order; however, certain procedural errors and a processing control issue were noted. The Office issued a Management Letter that included these issues.
- Although no formal responses were requested of management, the Office will follow-up on these issues during subsequent special audits to determine whether corrective actions were taken.

No associated recommendations with this report.

**Audit of the City of Dallas' Aircraft Rescue and Firefighting Unit
(December 6, 2013)**

- The City of Dallas' (City) Aircraft Rescue and Firefighting Unit (Unit) has designed internal controls to help ensure the Unit consistently complies with certain Federal Aviation Administration (FAA) regulations related to the certification and operation of airports. There are opportunities, however, to improve internal controls in the following areas: documentation of FAA required training; apparatus self-inspections; and, apparatus preventive maintenance.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Fire Chief ensure FAA training for Unit personnel is recorded accurately and timely in each individual's FAA form and reconciled to the Unit's summary training spreadsheet.	Dallas Fire-Rescue (DFR)	Agree	01/01/2014
We recommend the Fire Chief monitor, at least semi-annually, Unit personnel's progress in meeting the established FAA training curriculum.	DFR	Agree	01/01/2014
We recommend the Fire Chief define and formally document Unit personnel's and the Battalion Chief's self-inspection responsibilities for Unit apparatus.	DFR	Agree	01/01/2014
We recommend the Fire Chief establish, formally document, and follow routine preventative maintenance schedules for Unit apparatus.	DFR	Agree	01/01/2014

Audit of City of Dallas' Self-Insured Medical Program (February 14, 2014)

- The City of Dallas' (City) Department of Human Resources (HR) has opportunities to improve administration and internal controls over the Self-Insured Medical Program (Program). Specifically:
 - Independent audits are not completed timely to verify Third Party Administrators (TPA) processed and paid medical and pharmacy claims in accordance with Program guidelines.
 - The HR does not have written procedures to ensure administrative fee payments are processed accurately and consistently.
 - Checks received in the benefits area are not routinely deposited by the next business day as required by Administrative Directive (AD) 4-13, *Cash and Debt Management Policies and Procedures*.
 - The HR does not always receive and review the TPAs' performance guarantee reports timely.
 - The City has not performed ongoing compliance monitoring activities and cannot ensure Protected Health Information (PHI) is properly protected as required by law.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of HR ensure medical and pharmacy benefits are paid in accordance with plan guidelines by: (1) contracting with an independent auditor who is qualified to audit medical and pharmacy claims and performance guarantees; and, (2) establishing a schedule to ensure the audits are completed at least bi-annually for each plan.	HR	Agree	12/31/2014
We recommend the Director of HR improve internal controls by developing written procedures for: (1) Guiding employees in processing payments; (2) Specifying spreadsheet controls; (3) Identifying analytical review criteria; (4) Specifying the timing for researching and resolving issues resulting from the analytical review; and, (5) Ensuring supervisory review of the calculation of the monthly administrative fee is performed prior to payment to the TPA.	HR	Agree	09/30/2014

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of HR research and resolve the variance identified for the number of retirees to ensure potential overpayments are corrected.	HR	Agree	02/28/2014
We recommend the Director of HR develop procedures to ensure checks are deposited within one business day as required by AD 4-13.	HR	Agree	02/28/2014
We recommend the Director of HR ensure: (1) The TPAs Reports are received and reviewed at least quarterly to determine compliance with the performance guarantee requirements as set forth in the contracts; (2) Deviations identified during the review are communicated timely to the TPAs and corrected appropriately; and, (3) Amounts due, if any, are requested for collection in the first quarter of the next year.	HR	Agree	02/28/2014
We recommend the Privacy Officer: (1) Conduct ongoing compliance monitoring activities; and, (2) Review all system-related information security plans to ensure alignment between security and privacy practices.	Privacy Officer	Agree	09/30/2015
We recommend the Director of the Department of Communication and Information Services (CIS): (1) Develop procedures to ensure compliance with the <i>City's Policies and Procedures for Health Insurance Portability and Accountability Act (HIPAA) Compliance</i> , including the Health Information Technology for Economic and Clinical Health (HITECH) Act security standards; and, (2) Implement ongoing monitoring activities to ensure compliance with the newly developed procedures.	CIS	Agree	09/30/2015
We recommend the Director of CIS perform HIPAA security risk assessments and ongoing security audits.	CIS	Agree	09/30/2015

Audit of Arts and Cultural Program Funding (February 21, 2014)

- The Office of Cultural Affairs (OCA) has designed a process to demonstrate applications for funding are evaluated objectively and available funds are distributed fairly for the two main Cultural Contracts Programs: the Cultural Organization Program and the Cultural Projects Program. This process includes: (1) application submission; (2) eligibility determination; (3) funding recommendations; (4) contracting; and, (4) expenditure reimbursement.
- Monitoring controls, segregation of duties, and documentation for the Cultural Programs funding processes, however, can be improved to maximize efficiency and effectiveness.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of OCA implement improvements to the monitoring controls to ensure that organizations participating in the Cultural Organization Program and Cultural Projects Program comply with Council Resolution 02-3206 and with required contract provisions.	OCA	Agree	09/30/2014
We recommend the Director of OCA segregate funding process responsibilities and/or implement some form of supervisory review.	OCA	Agree	09/30/2015
We recommend the Director of OCA document OCA's funding process consistently for each Cultural Organization Program and Cultural Projects Program applicant by using a checklist or other forms.	OCA	Agree	09/30/2014

Special Audit of the Accounts of Former City Attorney, Thomas P. Perkins, Jr. (February 28, 2014)

Regarding the accounts of the former City Attorney, Thomas P. Perkins, Jr.:

- Accounts were in order
- Access to City of Dallas (City) systems was timely removed
- No debt was owed to the City
- All City items assigned were substantiated

No associated recommendations with this report.

Audit of Contract Compliance – Office Depot (February 28, 2014)

- Between January 2006 and August 2010, the City of Dallas (City) incurred financial losses estimated to be between \$1.3 million to \$3.6 million resulting from Office Depot's non-compliance with certain terms of Master Agreement Number 42595 (contract). (Note: Office Depot disagreed with this conclusion.)
- The Department of Business Development and Procurement Services (BDPS) did not have formal contract monitoring policies and procedures in place to guide BDPS personnel in establishing monitoring oversight responsibilities and conducting routine monitoring activities to verify that Office Depot and City departments complied with the contract.
- Between June 2009 and August 2010, BDPS increased the Office Depot contract by approximately \$900,000 (14 percent of the original \$6.5 million contract) by processing 35 individual change orders. While allowable under Administrative Directive 4-5, *Contracting Policy*, the total result was a significant increase in purchasing authority under the contract without additional oversight or approval by the City Council.
- The City also paid \$272,373 for 941 office products which each exceeded the authorized limit of \$150 per Council Resolutions.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager (CMO), with the assistance of the City Attorney's Office, initiate actions to collect the overcharges from Office Depot.	CMO	Agree	To Be Determined
We recommend the Director of BDPS improve contract monitoring by developing formal policies and procedures that ensure BDPS personnel identify: (1) key contract provisions; (2) monitoring oversight responsibilities; and, (3) monitoring activities, including the documentation necessary to demonstrate that appropriate monitoring occurred.	BDPS	Agree	05/2014
We recommend the CMO consider amending AD 4-5 to add limits on the number and/or amount of change orders authorized to department directors through the City Manager's delegation.	BDPS	Agree	09/2014
We recommend the Director of BDPS amend AD 4-5 to include appropriate processing controls for change orders.	BDPS	Agree	09/2014

Audit of the Department of Dallas Water Utilities’ Wastewater Collection and Treatment Operations – Internal Controls over Chemical Supplies (April 11, 2014)

- The Department of Dallas Water Utilities (DWU) Wastewater Collection and Treatment facilities have established certain controls over chemical supplies used in the wastewater treatment process. Central and Southside facilities personnel, however, do not have a formal receiving process to independently determine the reasonableness of the amount of chemical supplies received. As a result, DWU cannot readily determine that the City only pays for amounts received.
- In Fiscal Year (FY) 2013, Budget versus Actual Reports showed expenditures for chemical supplies totaled \$4,024,442, or 27 percent, of the \$14,770,335 total supply expenditures at the two wastewater facilities.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of DWU require facility personnel to independently determine the reasonableness of the amount of chemical supplies received to ensure that the City pays only for amounts actually received.	DWU	Agree	Retroactively implemented beginning with records from October 2013
We recommend the Director of DWU ensure the Central facility consistently follow record keeping practices.	DWU	Agree	April 2013

Confidential Limited Use Report: Audit of the Department of Dallas Water Utilities’ Wastewater Collection and Treatment Operations – Internal Controls over Chemical Supplies (April 11, 2014)

- The report issues and associated recommendations related to security over chemical supplies are omitted from the publicly released report based upon:
 - Government Auditing Standards, December 2011, Revision, Section 7.39 – 7.43, *Reporting Confidential and Sensitive Information*

Audit of Software License Compliance (April 11, 2014)

- The City of Dallas (City) does not have an effective software asset management plan for the acquisition, use, and disposal of software.
- The City also cannot properly track software and assess software license compliance. Specifically: (1) software licenses' usage and compliance cannot be readily identified; (2) Administrative Directives (AD) are not consistently followed or clear; (3) annual software licenses' costs are not readily identifiable; and, (4) software license policy is not communicated effectively.

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of the Department of Communication and Information Services (CIS) continue to develop and maintain an inventory of software and related software licenses in the two categories that CIS knows of and has control over managing daily and/or manages for departments with their approval.	CIS	Agree	September 30, 2015
We recommend the City Manager (CMO) develop a formal software license compliance program for the two software categories for which software license management is not clearly understood.	CMO	Agree	September 30, 2015
We recommend the CMO ensure City departments comply with AD 2-26 and perform annual software inventories of software licenses.	CMO	Agree	September 30, 2015
We recommend the Director of CIS update AD 2-26 to clarify what the departments, including CIS, should do with the annual software inventories and specify a method to periodically evaluate software licensing activities using the software inventories.	CIS	Agree	September 30, 2015
We recommend the Director of the Department of Business Development and Procurement Services (BDPS) update AD 4-05 to clarify that high technology items procured through AAs also require consultation with CIS prior to procurement.	BDPS	Agree	January 2015

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Controller's Office (CCO) clarify the object codes that should be used by departments with a focus on accurately and consistently accounting for software license cost.	CCO	Agree	October 2014
We recommend the Director of CIS ensure that software license policy is communicated periodically to City employees with formal acknowledgement that the employee has read and understood the policy.	CIS	Agree	September 30, 2015

Special Audit of the Accounts of Former City Manager, Mary K. Suhm (May 2, 2014)

Regarding the accounts of the former City Manager, Mary K. Suhm:

- Accounts were in order except for the following payroll software application calculation errors:
 - The employee's contribution amount to the Employees' Retirement Fund (ERF) (13.06 percent of the employee's final regular payroll and applicable lump sum payment) was incorrectly calculated. As a result, Ms. Suhm's ERF contribution was \$4,823.90 less than required.
 - The City of Dallas' (City) ERF contribution amount (12.94 percent of the employee's final regular payroll and applicable lump sum payment) was also incorrectly calculated. As a result, the City's ERF contribution was \$1,516.83 more than required.
- Access to City systems was timely removed
- All City items assigned were substantiated

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Controller investigate the cause of the payroll software application calculation errors and ensure the payroll software application is correctly calculating ERF contributions for terminating employees.	CCO	Agree	Immediate

Fiscal Year 2013 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2010 to 2012 (May 9, 2014)

- The City of Dallas (City) does not have adequate internal controls in place to ensure that audit recommendations (recommendations) are timely implemented and that identified financial, compliance, and operational risks are appropriately mitigated.
- The 38 percent implementation rate for the recommendations evaluated during the Fiscal Year (FY) 2013 follow-up audit was consistent with the two previous years' implementation rates of 35 percent (FY 2011) and 19 percent (FY 2012).
- The City is not adequately improving: (1) accountability through stronger financial controls; (2) compliance with laws and regulations; and, (3) service delivery by becoming more efficient and effective. Specifically, the City does not:
 - Prioritize recommendations so that higher risk recommendations are implemented first
 - Assign formal responsibility to individuals with the authority, such as Assistant City Managers, to ensure that each department has a process in place to:
 - Identify outstanding recommendations
 - Understand what actions are needed to achieve full implementation of outstanding recommendations
 - Timely implement outstanding recommendations
 - Track and report recommendation implementation progress
 - Transfer responsibility and information regarding recommendations when personnel changes take place so that new personnel are aware of and accept responsibility for fully implementing recommendations in a timely manner
 - Communicate with the Office of the City Auditor (Office) or request information from the Office as to what might constitute full implementation of recommendations so that efforts made by management mitigate the identified risks

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager (CMO) implement internal controls to ensure that recommendations are timely implemented and associated risks are appropriately mitigated.	CMO	Agree	March 2015

Audit of Revenue Estimates Included in the Fiscal Year 2014-15 Proposed Annual Budget for the City of Dallas (September 12, 2014)

- In total, the revenue estimates included in the Fiscal Year (FY) 2014-15 Proposed Annual Budget appear reasonable. The Office of the City Auditor (Office) reviewed approximately \$1.95 billion of the \$2.55 billion in proposed revenue estimates for the General Fund, Enterprise Funds, and Debt Service Fund, or 77 percent, of the revenue estimates included in the FY 2014-15 Proposed Annual Budget.
- Our review did not include the remaining \$597 million in revenue estimates which are mainly derived from department reimbursements and City of Dallas (City), employee, and retiree contributions for retirement and health benefits.
- City management is responsible for preparing reasonable revenue estimates for inclusion in the FY 2014-15 Proposed Annual Budget. In preparing these revenue estimates, City management develops revenue estimate methodologies, such as regression analyses and/or historical trends, and documents the significant assumptions used to support those methodologies. This information is reviewed by the Office for reasonableness; however, neither City management nor the Office guarantees the achievement of the FY 2014-15 revenue estimates.

No associated recommendations with this report.

**City of Dallas
Office of the City Auditor
Attestation Services Highlights
Fiscal Year 2014**

Agreed-Upon Procedures

May 11, 2013 Election Costs Invoiced by the Dallas County Elections Department (August 13, 2014)

- The Office of the City Auditor (Office) determined that the City of Dallas' (City) allocation of the May 11, 2013 Election Costs increased by 85 percent, or \$382,362.57, from \$449,708.04 to \$832,070.61.
- The increase was due to the partial or full withdrawal of 12 entities that initially planned to participate, decreasing the number of voting locations by 319, from 976 to 657. Of these 319 voting locations, the Dallas County School Board accounted for 273, or 86 percent.
- As a result of these withdrawals, the City's allocated election costs increased from 27.41 percent to 44.84 percent. In addition, the Office determined a total overcharge of \$31,169.66.
- A Management Letter was issued that included certain contract issues related to the Joint Election Contract and Election Services Agreement. No formal management response was requested; however, the Office may follow-up on recommendations during subsequent engagements to determine whether corrective actions were taken.

Patriot's Crossing Development (September 17, 2014)

- City's Management Review Team's² (Team) conclusions supported that in general the Department of Housing/Community Services (HOU) staff: (1) complied with regulations, policies, procedures, and rules; and, (2) followed City Council's direction related to the Patriot's Crossing Development.
- The Team's review, however, was not always complete, accurate, and adequately supported by source documents. As a result, the Office cannot

² The Team was comprised of representatives from the City Manager's Office (CMO), Department of Sustainable Development and Construction (SDC), the Office of Financial Services (OFS), and the City Attorney's Office (ATT).

confirm that additional expenditure transactions were not paid on behalf of the Patriot's Crossing Development and/or incorrectly recorded.

- A Management Letter was issued that included recommendations to address the: (1) AMS and HOU internal control limitations that allowed expenditure transactions to be paid and processed using an incorrect vendor and encumbrance without detection during the normal course of business operations; (2) Absence of HOU policies and procedures for managing City projects; and, (3) Sustainable Development and Construction's noncompliance with Administrative Directive 4-5, *Contracting Policy* by authorizing an appraisal review prior to contract execution. No formal management response was requested; however, the Office may follow-up on recommendations during subsequent engagements to determine whether corrective actions were taken.

Sole Source / Single Bid Procurements

- Six sole source procurements (\$14,085,720) and four single bid procurements (\$4,498,309) totaling \$18,584,029 for efforts to increase competition and compliance with applicable requirements

Drug and Weapons Destructions

- One drug destruction (2,748 drug invoices and associated 4,102 drug articles totaling 3,090 pounds) and one weapons destruction (1,024 weapons) by the Dallas Police Department were observed and evaluated for proper compliance

**City of Dallas
Office of the City Auditor
Non-Audit Services Highlights
Fiscal Year 2014**

City Council Support

- Council Members supported individually upon request on a variety of topics, including:
 - Dallas' Animal Services revenues and expenditures: Fiscal Years 2009 to 2013
 - Evaluation of the procurement process for the Kay Bailey Hutchinson Convention Center's janitorial and set-up services
 - Dallas City Hall space occupied by non-City employees
 - Dallas Fire-Rescue sub calls (trade time)

**City of Dallas
Office of the City Auditor
Investigative Services Highlights
Fiscal Year 2014**

Fraud / Waste / Abuse (FWA)

- 90 hotline complaints closed during Fiscal Year (FY) 2014
- 50 complaints were either investigated by the Office of the City Auditor (Office) or referred to DPD for potential criminal investigation
- 21 complaints were referred to other City of Dallas (City) departments
- 19 complaints were not investigated due to insufficient information or the risk-based evaluation showed the complaint did not merit assignment of limited investigative resources
- 19 open complaints active as of September 30, 2014
- Results from significant investigations conducted during FY 2014 include:

Department	Allegation	Outcome
Dallas Water Utilities	Disrupting public utilities	Employee arrested on felony criminal mischief charge for disrupting public utilities. Management terminated employment and committed to continued notification to the Office of any apparent violations of law or apparent instances of misfeasance or nonfeasance by City employees
Housing / Community Services	Federal criminal charges	Employee pled guilty to Federal criminal charges of: (1) one count of making false statement to the United States Department of Housing and Urban Development (HUD); (2) one count of deprivation of rights under the color of law; and, (3) one count of witness tampering. During the course of the investigation, employee resigned employment with the City.

Department	Allegation	Outcome
Equipment and Building Services	Disturbance and Theft of Fuel	Employee admitted to theft of fuel and was arrested for felony theft by the Dallas Police Department – Public Integrity Unit (DPD PIU). Management terminated employment.
Sanitation Services	Theft of Cell Phone	The DPD-PIU arrested employee for the theft a citizen’s cell phone. Management terminated employment.
City Controller’s Office	Unauthorized Use of Payroll Service Account	Evidence revealed employee used the payroll service account and associated password to access personal payroll records and stop payroll deduction for the life insurance premium that had been elected to purchase. Management placed employee on administrative leave during the course of the investigation and the employee submitted letter of intent to retire. Employee retired from City employment.
Dallas Water Utilities	Water Meter Fraud	Employee was charged with Abuse of Official Capacity (Class B Misdemeanor) for illegally reconnecting water accounts. Employee terminated his employment prior to the execution of the pre-termination hearing.
Communication and Information Services	Insurance Fraud and Theft by a Public Servant	Arrest warrant was issued for a City employee for Insurance Fraud and Theft by a Public Servant of a City-owned computer. The criminal charges are still pending. Management terminated employment.
Sustainable Development and Construction	Harassment of Citizen	A Building Inspection employee harassed a citizen and retired before the pre-termination hearing.