

Memorandum



CITY OF DALLAS

DATE: May 13, 2016

TO: Honorable Members of the Budget, Finance & Audit Committee –
Jennifer S. Gates (Chair); Philip T. Kingston (Vice Chair);
Deputy Mayor Pro Tem Erik Wilson; Rickey D. Callahan;
Scott Griggs; Lee M. Kleinman

SUBJECT: Office of the City Auditor Fiscal Year 2016 – Third Quarter Update

I will provide a briefing to the members of the Budget, Finance & Audit Committee on Monday, May 16, 2016 regarding:

- Office of the City Auditor Fiscal Year 2016 – Third Quarter Update

Sincerely,

A handwritten signature in black ink that reads "Craig D. Kinton".

Craig D. Kinton
City Auditor

C: Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Christopher D. Bowers, Interim City Attorney
Rosa A. Rios, City Secretary
Jeanne Chipperfield, Chief Financial Officer
Daniel F. Solis, Administrative Judge
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Ryan S. Evans, First Assistant City Manager
Eric D. Campbell, City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Sana Syed, Public Information Officer

Office of the City Auditor Fiscal Year 2016 – Third Quarter Update



City of Dallas
Office of the City Auditor
May 16, 2016



Audit and Attestation Services Reports Issued

through May 13, 2016

- Performance Audits
 - Special Audit of the Accounts of Six Former City Council Members
 - Performance Measurement Process for Dallas Police Department
 - Building Permits – Sustainable Development and Construction
 - Department of Housing/Community Services' Contract Monitoring
 - Business Partners Oversight – Fair Park Related Contracts

Investigative Services Reports Issued

through May 13, 2016

- Theft (Scrap Metal) – Department of Sanitation Services
 - Two SAN employees were observed loading scrap metal into one of the employee’s personal pickup truck and removing the scrap metal from the McCommas Bluff Landfill
 - SAN terminated both employees from City employment on July 24, 2015

- Theft (Copper Wire) – Department of Dallas Water Utilities
 - Central Wastewater Treatment Plant employee charged with three counts of felony theft of material – aluminum, bronze, copper, or brass - and sentenced to nine months confinement in State Jail
 - DWU terminated employee from City employment on September 18, 2015

Investigative Services Reports Issued

through May 13, 2016

- Theft (Cash) – Department of Sanitation Services
 - SAN employee stole fees meant for the City as payment for access to and usage of the McCommas Bluff Landfill and was arrested and charged with Commercial Bribery, a State Jail Felony
 - SAN terminated employee from City employment on January 15, 2016

Audit and Attestation Services

Anticipated Report Releases

Third Quarter, Fiscal Year 2016

- Contract Monitoring – Department of Public Works
- Leasing, Concessions, and Other Activities – Aviation
- Police Personnel and Training Services
- Prior Audit Recommendations Follow-Up (Fiscal Year 2014)
- Regulatory, Safety, and Maintenance – Department of Park and Recreation (Aquatics)

Audit and Attestation Services

Projects In-Progress

Third Quarter, Fiscal Year 2016

- Animal Services
- Customer Service / 311 Non-Emergency Services
- Courts Information System – Cash Management / Collections Processes
- Neighborhood Code Enforcement Services – Code Compliance
- Construction Related Procurements
- Environmental Compliance – Multiple Departments
- Records Management System – Dallas Police Department
- Prior Audit Recommendations Follow-Up (Fiscal Year 2015)
- Franchise Fees Review through MuniServices (*Ongoing*)
- Sales/Use Tax Compliance Review through MuniServices (*Ongoing*)

Audit and Attestation Services

Anticipated Project Starts

Third Quarter, Fiscal Year 2016

- Special Audit – City Attorney
- Regulatory Safety and Maintenance – Department of Park and Recreation (Land Use)
- Street Cut Repair and Inspection Process
- Trinity Watershed Management
- Compliance with Administrative Directive 4-9, *Internal Control*

Special Audit

Accounts of Six Former City Council Members

Recommendations

- Follow procedures for completing and submitting Electronic Termination Notification Forms
- Develop “chain of custody” form to document City property issued to and returned by City Council Members
- Maintain records for purchases of personal property considered high-risk for loss or theft
- Ensure compliance with Administrative Directive 4-15, *Purchasing Card Policy and Procedures*, for P-Card purchases
- Consider amendments to City Council’s rules to clarify circumstances under which former City Council Members may purchase items assigned to them
- Ensure electronic devices are returned or use e-cycle buy-back program to establish cost to purchase

Special Audit

Accounts of Six Former City Council Members

Recommendations *(continued)*

- Continue to identify and formally inform City Council Members prior to their departure of any debts owed to the City
- Attempt to collect outstanding debt owed by former City Council Members
- Establish policy to specify work week for Mayor and City Council Members for consistent use in case of future payroll deductions
- Determine whether former City Council Members should receive an additional 3.2 hours of final pay
- Timely collect City-issued ID badges and parking decals prior to departure of former City Council Members

Performance Measurement Process

Dallas Police Department

Recommendations

- Develop comprehensive written procedures for performance measures
- Provide continuity and training on performance measurement process during leadership rotations and/or transfers
- Strengthen supervisory: (1) review controls; (2) review over calculations and associated documentation; and, (3) review of data input and calculations
- Communicate to staff importance of controls that ensure performance measure results are reliable
- Develop and document comprehensive procedures that include consistent use of single methodology
- Provide source documentation for the actual percent of cases filed that met the two day deadline
- Revise formula to calculate a result that conforms to the performance measure definition

Building Permits

Sustainable Development and Construction Recommendations

- Ensure building permits are reviewed and processed with 45 days in accordance with Texas Local Government Code (TLGC) requirements
- Retain evidence to show that City is complying with TLGC requirements for timely building permits
- Develop necessary report functions in POSSE and provide consistent training to appropriate personnel
- Regularly monitor building permit processing activities for violations of procedures
- Develop and implement formal documented procedures that include segregation of duties for building permit processing to ensure consistency and timeliness in building permit processing

Building Permits

Sustainable Development and Construction

Recommendations *(continued)*

- Scan all building permit related documentation into electronic format to preserve legibility and availability of building permit records
- Complete annual user reviews for POSSE for inappropriate access
- Review audit logs to verify CIS POSSE administrator activity matches SDC's change request log
- The CIS should comply with Security Standard to ensure that: (1) access to POSSE is granted with proper authorizations via SAR form; and (2) user password requirements conform to Security Standard
- The CIS should provide audit logs and user access listings to SDC management and, if applicable, provide training on how to read audit logs and user listings for anomalies

Contract Monitoring

Department of Housing/Community Services

Recommendations

- Develop and implement formal (written, approved, and dated) policies and procedures, and
- Develop, implement, and retain complete and consistent documentation for:
 - Preparation and posting of the Notice of Funding Availability (NOFA) which is the solicitation to prospective developers for new projects
 - Evaluation of developers' responses to the NOFA
 - Selection of qualified developers who propose the most beneficial Projects
 - Underwriting the selected Projects
 - Monitoring the Projects

Fair Park Business Partners Oversight – Park and Recreation & Office of Cultural Affairs Recommendations

- Implement procedures to more closely monitor the financial viability for Dallas Historical Society, Inc.; DSM Management Group; and, Foundation for African-American Art (*OCA*)
- Develop and implement formal (written, approved, and dated) contract oversight / monitoring policies and procedures (*PKR & OCA*)
- Develop written procedures to ensure contracts are timely renewed and properly executed in accordance with Administrative Directive 4-05, *Contracting Policy* (*OCA*)
- Establish procedures to ensure all key contract requirements are monitored and are in compliance with the contract requirements (*PKR & OCA*)

Fair Park Business Partners Oversight – Park and Recreation & Office of Cultural Affairs Recommendations *(continued)*

- Work with City Attorney’s Office and State Fair of Texas to develop and agree on contract definition that is sufficiently clear to allow PKR to verify the reasonableness of the amounts determined by the State Fair of Texas as available for development and enhancement of Fair Park *(PKR)*
- Develop and implement written supervisor review procedures and formally approve the procedures *(PKR)*
- Cross train staff to verify the Live Nation Minimum Guaranteed Rental, Percentage Rental, and the Additional Rental calculations to ensure a contingency plan is in place in the event assigned personnel leave PKR unexpectedly *(PKR)*

QUESTIONS?



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