

Memorandum



DATE: February 1, 2019

TO: Honorable Members of the Government Performance & Financial Management Committee:
Jennifer S. Gates (Chair), Scott Griggs (Vice Chair), Sandy Greyson, Lee M. Kleinman,
Philip T. Kingston, Tennell Atkins, Kevin Felder

SUBJECT: Office of the City Auditor – Fiscal Year 2019 Second Quarter Update

Carol A. Smith, Interim City Auditor, will provide a briefing to the members of the Government Performance & Financial Management Committee on Monday, February 4, 2019 regarding:

- Office of the City Auditor – Fiscal Year 2019 Second Quarter Update

Respectfully,



Carol A. Smith
Interim City Auditor

c: Honorable Members of the City Council
T.C. Broadnax, City Manager
Christopher J. Caso, Interim City Attorney
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Nadia Chandler Hardy, Assistant City Manager & Chief Resilience Officer
Jon Fortune, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Joey Zapata, Assistant City Manager
Directors and Assistant Directors

Office of the City Auditor – Fiscal Year 2019 Second Quarter Update

**Government Performance & Financial
Management Committee
February 4, 2018**

**Carol A. Smith, Interim City Auditor
Office of the City Auditor
City of Dallas**



Audit, Attestation, and Investigative Services

Second Quarter Update



Reports Issued

First Quarter Fiscal Year 2019 (October 1 – December 31)

Performance Audits

- Audit of the Dallas Police Department's Off-Duty Employment Program (A19-001)
- Audit of Surveillance Camera Oversight (A19-002)
- Audit of MuniServices, LLC Contract – Summary of Sales/Use Tax Receipts and Associated Fees (A19-003)
- Audit of TexasCityServices, LLC Contract Related to the Verification of Sales\Use Tax Receipts and Associated Fees (A19-004)
- Audit of Business Partners Oversight – Department of Park and Recreation (A19-005)



Audit of the Dallas Police Department's Off-Duty Employment Program

Release Date: November 9, 2018

Objective(s): Evaluate: (1) the Dallas Police Department's (DPD) internal controls over off-duty employment; and, (2) whether DPD officers adhere to the DPD policies related to off-duty employment

Scope: Fiscal Years (FY) 2016 through 2017*

Conclusion(s): The DPD's Off-Duty Employment Program (Program) allows sworn DPD officers to work off-duty law enforcement jobs (off-duty employment) in addition to regular on-duty work hours. Studies show off-duty employment programs can provide benefits both to the City of Dallas and to the individual police officers.

** Certain other matters, procedures, and transactions occurring outside that period were reviewed to understand and verify information related to the audit period*



Audit of the Dallas Police Department's Off-Duty Employment Program

The DPD's General Order 421.00, *Off-Duty Employment* (General Order 421.00), establishes the policies and procedures for the Program; however, DPD officers do not always comply with the existing internal controls included in General Order 421.00. Additionally, DPD does not have adequate information and internal controls to manage and monitor the Program.

As a result, the potential benefits of the Program may be diminished.



Audit of the Dallas Police Department's Off-Duty Employment Program

The following issues were noted where additional information and internal controls are needed to improve the Program. Specifically,

- Internal controls specified in General Order 421.00 do not consistently align with the best practices of the: (1) International Association of Chiefs of Police (IACP) Model Policy for *Secondary Employment* (IACP Model Policy); and, (2) majority of the 19 city police departments judgmentally sampled to benchmark policies and procedures for administering an off-duty employment program



Audit of the Dallas Police Department's Off-Duty Employment Program

- DPD officers do not always comply with existing internal controls included in General Order 421.00 when requesting, approving, and monitoring off-duty employment requests
- The off-duty module of the Intelligent Workforce Management System (IWM), DPD's automated workforce management system, does not include the necessary information and internal controls to properly manage off-duty employment requests, the associated supervisory approvals, and ongoing monitoring activities



Audit of the Dallas Police Department's Off-Duty Employment Program

We recommended:

- The **Chief of Police** implements additional internal controls over the Program to align with the IACP Model Policy and the best practices of the majority of the 19 city police departments benchmarked by:
 - Implementing a dedicated central authority within DPD with responsibility for Program oversight, such as a contract system
 - Decreasing total work hours from 112 hours per week to an amount that minimizes the risks that the IACP identified. Note: Total work hours consist of regular-duty hours (including overtime and court duties) and off-duty employment hours.

Audit of the Dallas Police Department's Off-Duty Employment Program

- Consolidating guidelines for restrictions and prohibitions related to off-duty employment into one section of General Order 421.00
- Providing clear definitions for important terms in General Order 421.00, including aligning DPD's terms with the IACP Model Policy definitions for secondary employment



Audit of the Dallas Police Department's Off-Duty Employment Program

- Updating all areas of the General Order 421.00 to reflect current DPD practices and procedures
- Giving DPD supervisors authorizing off-duty requests direct oversight of the off-duty employment



Audit of the Dallas Police Department's Off-Duty Employment Program

We recommended:

- The **Chief of Police** ensures DPD officers comply with existing internal controls included in General Order 421.00 when requesting, approving, and monitoring off-duty employment by:
 - Developing and implementing training that includes General Order 421.00, and requiring DPD officers to complete the training prior to requesting off-duty employment
 - Confirming DPD officers submit off-duty employment requests timely and properly document late requests

Audit of the Dallas Police Department's Off-Duty Employment Program

- Requiring DPD supervisors to compare DPD officers' sick leave requests and off-duty employment requests prior to approving the off-duty employment requests
- Confirming DPD supervisors approve off-duty employment requests timely
- Verifying the Safety Unit confirms and files long forms for off-duty employment requests where the DPD officers obtained approval to work at an establishment whose principal specialty is dispensing/selling alcoholic beverages



Audit of the Dallas Police Department's Off-Duty Employment Program

- Verifying that DPD supervisors: (1) complete periodic on-site inspections of off-duty employment locations; and, (2) document and properly file the *Off-Duty Employment Verification* form
- Establishing a monitoring process to periodically evaluate DPD officers' and supervisors' compliance with General Order 421.00



Audit of the Dallas Police Department's Off-Duty Employment Program

We recommended:

- The **Chief of Police** ensures the IWM System or an alternative automated system includes the necessary information and internal controls to properly manage off-duty employment requests, the associated supervisory approvals, and ongoing monitoring activities by:
 - Including the actual off-duty employment hours worked
 - Notifying DPD supervisors authorizing off-duty employment requests when off duty employment requests are pending approval
 - Ensuring DPD supervisors authorizing off-duty employment requests can independently confirm the DPD officers' compliance with General Order 421.00 prior to approving off-duty employment requests

Audit of the Dallas Police Department's Off-Duty Employment Program

- Including edit checks that automatically reject certain off-duty employment requests when:
 - Certain parameters are not met, such as confirming the requestor is eligible to participate in the Program
 - DPD officers' projected hours exceed specified thresholds, such as exceeding the 16 hour a day limit



Audit of Surveillance Camera Oversight

Release Date: December 7, 2018

Objective(s): Determine whether the City of Dallas (City) adequately/effectively manages and maintains its networks of surveillance cameras. Surveillance cameras such as body cameras, traffic cameras, trail cameras, etc. were excluded from the audit

Scope: Management operations of closed-circuit television (CCTV) camera systems from October 1, 2016 through March 31, 2018*

Conclusion(s): The Office of the City Auditor's internal control design assessment showed the City does not have appropriate internal controls for managing and maintaining CCTV camera systems at City owned and leased facilities..

** Certain other matters, procedures, and transactions occurring outside that period were reviewed to understand and verify information related to the audit period*



Audit of Surveillance Camera Oversight

As a result, the City's use of CCTV camera systems for:

- Public safety and security
- Monitoring operational activities
- Safeguarding property and equipment may not be effective

Specifically, the City does not have formal policies and procedures (written, approved, and dated) for the management and maintenance of CCTV camera systems, such as defining formal data retention requirements.

Audit of Surveillance Camera Oversight

We recommended the City Manager ensures:

- The City has appropriate internal controls for the management and maintenance of CCTV camera systems by developing formal city-wide policies and procedures (e.g., Administrative Directive), that incorporate standards or best practices such as the U.S. Department of Homeland Security's CCTV: Developing Privacy Best Practices principles and relevant elements, including defining the formal data retention requirements for CCTV camera systems' data
- Responsible departments comply with the newly established requirements in the city-wide policies and procedures



Audit of MuniServices, LLC Contract – Summary of Sales/Use Tax Receipts and Associated Fees

Release Date: December 7, 2018

Objective(s): Determine whether the fees associated with MuniServices, LLC's (Consultant) identification of incorrectly remitted sales/use tax for FYs 2011 through 2018 were accurate and supported by the Texas State Comptroller of Public Accountants (Comptroller).

Conclusion(s): *See next slide*



Audit of MuniServices, LLC Contract – Summary of Sales/Use Tax Receipts and Associated Fees

Since contract inception, the Office of the City Auditor has verified a total of:

- \$6,171,795 in sales/use tax receipts collections the Consultant identified as owed to the City [\$121,890 of these collections related to FY 2018]
- \$1,649,221 in Consultant invoices for payment of the Consultant's percentage of the amount collected under the contingent fee contract arrangement with the City (\$35,449 of these invoices related to FY 2018)

Recommendations: (None)

Audit of TexasCityServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees

Release Date: December 7, 2018

Objective(s): Determine whether the fees associated with TexasCityServices, LLC's (Consultant) identification of incorrectly remitted sales/use tax for FY 2017 through FY 2018 are accurate and supported by the Comptroller

Conclusion(s): From January 1, 2017 through October 11, 2018, the Office of the City Auditor verified \$3,871,338 in sales/use tax receipts collections that the Consultant identified as owed to the City from businesses operating in the City.

The Office of the City Auditor also verified that \$929,120 in Consultant invoices received were accurate.

Recommendations: (None)



Audit of Business Partners Oversight – Department of Park and Recreation

Release Date: December 7, 2018

Objective(s): Evaluate the financial, operational, and other risks for the major business partners operating facilities under the oversight of the Department of Park and Recreation (PKR) and the City's oversight and monitoring controls. The audit focused on two major business partners and the associated oversight and monitoring responsibilities provided by the Leisure Venue Destination Management (LVDM) Division.

Scope: Management operations from FY 2017 through FY 2018*

Conclusion(s): The PKR's LVDM Division has policies and procedures in place for oversight and monitoring of long-term facility contracts (Contracts). Certain contract monitoring procedures, however, were either not performed or not fully completed.

** Certain other matters, procedures, and transactions occurring outside that period were reviewed to understand and verify information related to the audit period*



Audit of Business Partners Oversight – Department of Park and Recreation

The Office of the City Auditor’s risk evaluation also identified some areas of financial risk for the Dallas Zoological Society/Dallas Zoo Management, Inc. (DZS/DZM) and the Dallas Arboretum and Botanical Society (DABS). As a result, PKR cannot ensure adequate oversight and contract monitoring of DZS/DZM and DABS and closer monitoring by PKR is warranted.

In addition, revenues generated by Elm Fork Shooting Sports, Inc., and the golf courses and the tennis centers were not sufficiently validated to ensure complete and accurate revenues were received by the City. Shortcomings with DZS/DZM and DABS Contracts were also noted.



Audit of Business Partners Oversight – Department of Park and Recreation

We recommended the Director of PKR:

- Ensures LVDM performs and fully completes contract oversight and monitoring procedures as specified by LVDM policies and procedures
- Maintains adequate and qualified personnel by working with the City's Department of Human Resources to evaluate and streamline the recruiting and hiring process for LVDM contract administrators



Audit of Business Partners Oversight – Department of Park and Recreation

We recommended the **Director of PKR** ensures all necessary contract monitoring activities are properly executed by:

- Minimizing the fragmentation and increasing coordination among PKR's divisions and other City departments which may include:
 - Defining and agreeing upon roles and responsibilities
 - Establishing compatible policies and procedures across PKR divisions with contract oversight and monitoring responsibilities
 - Reinforcing LVDM's role as the centralized oversight function within PKR to monitor and evaluate the adequacy of contract monitoring activities performed by PKR divisions and other City departments

Audit of Business Partners Oversight – Department of Park and Recreation

- Confirming personnel have the specialized skills and experience to oversee specific contract oversight and monitoring activities, such as conveyance of capital assets and analysis of financial data to ensure contract compliance

We recommended the Director of PKR in coordination with the **City Manager**:

- Develops a consistent process for receiving DZS/DZM requests to convey new assets; identifies the City department or division to receive such requests; and communicates the process to DZS/DZM
- *See next slide*

Audit of Business Partners Oversight – Department of Park and Recreation

- Develops and implements policies and procedures to ensure new assets acquired by DZS/DZM are consistently conveyed to the City. This may include:
 - Defining and agreeing upon roles and responsibilities
 - Establishing compatible policies and procedures to operate across departments and PKR divisions
 - Centralizing oversight by LVDM to ensure receipt of information needed to fulfill contract monitoring responsibilities related to conveyance of assets

Audit of Business Partners Oversight – Department of Park and Recreation

We recommended the Director of PKR:

- Ensures completion of an energy audit to establish the optimum energy usage
- Coordinates with DABS and appropriate authorities, such as the City Council and the Dallas Park and Recreation Board, to establish more clearly defined caps or limitations on the amounts the City is authorized to disburse for utilities consumed at the Dallas Arboretum
- Ensures LVDM's Senior Contract Compliance Administrator or other designated personnel reviews DABS' utility invoices before payment disbursement to ensure proper payment as authorized by the contract and applicable current or future City Council resolution(s). If a pre-review of utility invoices is not feasible, ensure that a post-payment review of utility invoices is completed.

Audit of Business Partners Oversight – Department of Park and Recreation

We recommended the Director of PKR:

- Ensures LVDM and PKR Special Services validate the accuracy and completeness of gross sales and revenue reported by the contractors managing Elm Fork, the golf courses, and the tennis centers
- Implements consistent policies and procedures to review additional contractor documentation, such as daily cash drawer counts, close out reports to credit card reports (z-tapes), cash receipts, check deposits, and bank reconciliations
- *See next slide*



Audit of Business Partners Oversight – Department of Park and Recreation

- Requires the golf courses and the tennis centers to obtain and provide externally validated or audited gross sales reports
- Requires contractors to apply appropriate internal controls for the handling and recording of cash receipts by formally notifying contractors either in supplemental contract agreements or when contracts are renewed



Audit of Business Partners Oversight – Department of Park and Recreation

We recommended the Director of PKR:

- Assesses the current policy and procedure for distributing Dallas Arboretum complimentary tickets to identify ways to accomplish the objective to provide all City residents equitable access to the Dallas Arboretum
- *See next slide*



Audit of Business Partners Oversight – Department of Park and Recreation

- Implements a consistent procedure for:
 - Communicating the overall purpose of the Program to recreation center staff responsible for distributing the complimentary Dallas Arboretum tickets
 - Advertising or communicating the availability of the complimentary Dallas Arboretum tickets to the public
 - Managing practical aspects of the Program, such as the number of complimentary Dallas Arboretum tickets allowed annually per resident and how to distribute the tickets equitably across the City, by continuing to monitor the Program and make adjustments as necessary



Audit of Business Partners Oversight – Department of Park and Recreation

We recommended the Director of PKR, in consultation with the City Attorney's Office, work with DZS/DZM and the Department of Sustainable Development and Construction to:

- Clarify the language in the contract regarding ownership of land purchased by DZS/DZM before the Dallas Zoo privatization
- Convey the land to the City if the clarified contract language results in a determination that the land should have been transferred

Audit of Business Partners Oversight – Department of Park and Recreation

We recommended the Director of PKR:

- Develops a process to annually define the specific performance indicators or measures and other relevant information agreed upon by DZS/DZM and DABS
- Identifies how PKR personnel will evaluate performance, including the specific performance information required for evaluation and when the information should be received by PKR personnel
- Ensures that PKR personnel are conducting periodic performance analysis as required by LVDM policies and procedures



Audit of Business Partners Oversight – Department of Park and Recreation

We recommended the **Director of PKR**, in consultation with the **City Attorney's Office**, work with **DZS/DZM** and **DABS** to include in a supplemental contract agreement a process to annually define the specific performance indicators or measures and other relevant information as described in Recommendation VIII (which was discussed on slide 34).



Audit of Business Partners Oversight – Department of Park and Recreation

We recommended the **Director of PKR**, implements procedures to more closely monitor the financial position of these two business partners, including the financial risks noted.

We recommended the **Director of PKR** works with the DZS/DZM and DABS to seek ways to diversify their revenue sources and obtain sustainable investment options. This may require memorandums of understanding or supplemental agreements to the existing Contracts that include performance expectations that measure fundraising progress or other initiatives that seek to diversify DZS/DZM and DABS' funding sources.

We recommended the **Director of PKR** implements policies and procedures to ensure DABS' fulfillment of matching requirements aligns with Section 3.2 of the contract. If additional or revised language is needed, we recommended the Director of PKR, in consultation with the City Attorney's Office, works with DABS to develop a supplemental contract agreement.



Investigative Services Performed

First Quarter Fiscal Year 2018 (October 1 – December 31)

Investigative Services opened 37 new cases during the first quarter. Examples of allegations received include:

- Violations of departmental policy
- Environment, health, and safety issues
- Theft
- Misuse of City resources



Investigative Services Performed

First Quarter Fiscal Year 2018 (October 1 – December 31)

Eighty-three cases were closed during the period. Of these, **13** were investigated and closed by the Office of the City Auditor resulting in two substantiated complaints, both of which related to employee relations. The substantiated complaints led to accountability actions including:

- Reassigned seating for employees
- Employee counseling



Investigative Services Performed

First Quarter Fiscal Year 2018 (October 1 – December 31)

The remaining **70 complaints** were not investigated:

- **Ten** were not related to the City
- **Sixty** complaints pertaining to the same incident were dismissed by the Ethics Advisory Commission's Preliminary Panel

Reports Issued Second Quarter to Date

Second Quarter Fiscal Year 2019 (January 1 – February 4)

Performance Audits

- Audit of VisitDallas (A19-006) - to be briefed separately

Investigative Services

- Summary of Investigative Reports closed in Fiscal Year 2018 (I19-001)
 - Dallas Public Library – Theft
 - Building Services Department – Criminal Trespass
 - Building Services Department – Theft and Tampering with a Government Record



Summary of Investigative Reports Closed in Fiscal Year 2018

Release Date: January 23, 2019

Results: This memorandum provides a brief overview of the results for three separate investigative reports closed during FY 2018. Specifically, these results include criminal investigations of allegations involving:

- Theft of cash by Dallas Public Library employee, Shameka Griffith, Customer Service Representative
- Criminal trespass by Building Services Department (BSD) employees: Jeffrey Landsbaum, Alan Ramos, and Nicholas Smith
- Engaging in an organized criminal activity – theft of City of Dallas (City) property and tampering with a government record by various BSD employees



Summary of Investigative Reports Closed in Fiscal Year 2018

- It should be noted that City management and a concerned employee initiated each of these investigations by proactively reporting to the Office of the City Auditor, the allegations on the previous slide, involving employee(s) in their respective departments.
- In addition, in response to these investigative results, City management reported taking subsequent corrective actions.



Anticipated Report Releases

Second Quarter Fiscal Year 2018 (January 1 – March 31)

Performance Audits

- Special Audit of the Accounts of Former City Attorney, Larry Casto – City Attorney’s Office
- Special Audit of the Accounts of Former City Council Member Dwaine R. Caraway – Mayor and City Council Office
- Water Quality and Safety, Testing, and Monitoring – Dallas Water Utilities



Projects in Progress

Second Quarter Fiscal Year 2018 (January 1 – March 31)

Performance Audits

- Business Partner Oversight of Texas Horse Park – Department of Dallas Water Utilities
- Business Partner Oversight of White Rock Boathouse – Department of Park and Recreation
- City of Dallas' Purchasing and Travel Cards – Office of Procurement Services/Multiple Departments
- Dallas Police Department's Complaint Process
- Fiscal Year 2019 Audit Follow-Up of Prior Audit Recommendations: Construction Related Procurements – Multiple Departments



Projects in Progress

Second Quarter Fiscal Year 2018 (January 1 – March 31)

- Fiscal Year 2019 Audit Follow-Up Prior Audit Recommendations: Court Information System – Cash Management/Collections Processes
- Fiscal Year 2019 Audit Follow-Up Prior Audit Recommendations: Fiscal Years 2016, 2017, and 2018 – Multiple Departments
- Fiscal Year 2019 Audit Follow-Up Prior Audit Recommendations: Homeless Response System Effectiveness – Office of Homeless Solutions
- Management of the City's Surplus Real Properties – Department of Sustainable Development and Construction
- Open Records Request Process – City Secretary's Office



Projects in Progress

Second Quarter Fiscal Year 2018 (January 1 – March 31)

- Performance Measurement Process – Multiple Departments
- Security and Safety Protocols for Large Public Venues Owned or Managed by the City – Multiple Departments
- Franchise Fees Review through Third-Party Vendor (*Ongoing*)
- Sales/Use Tax Compliance Review through Third-Party Vendor (*Ongoing*)



Anticipated Project Starts

Second Quarter Fiscal Year 2018 (January 1 – March 31)

Performance Audits

- Audit of Information Technology – Department of Communication Information Services
- Audit of Notification of Security Violations – Department of Communication Information Services



Appendix – Report Links

Performance Audits

- [Audit of Dallas Police Department's Off-Duty Employment Program \(A19-001\)](#)
- [Audit of Surveillance Camera Oversight \(A19-002\)](#)
- [Audit of MuniServices, LLC Contract - Summary of Sales/Use Tax Receipts and Associated Fees \(A19-003\)](#)
- [Audit of TexasCityServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees \(A19-004\)](#)
- [Audit of Business Partners Oversight - Department of Park and Recreation \(A19-005\)](#)



Appendix – Report Links

Performance Audits

- [Audit of VisitDallas](#) (A19-006)
- [Summary of Investigative Reports Closed in Fiscal Year 2018](#) (I19-001)



Office of the City Auditor – Fiscal Year 2019 Second Quarter Update

**Government Performance & Financial
Management Committee
February 4, 2018**

**Carol A. Smith, Interim City Auditor
Office of the City Auditor
City of Dallas**

