

# Memorandum



CITY OF DALLAS

**DATE:** January 29, 2018

**TO:** Honorable Members of the Government Performance and 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 2018 – Second Quarter Update

I will provide a briefing to the members of the Government Performance and Financial Management Committee on Monday, February 5, 2018 regarding:

- Office of the City Auditor Fiscal Year 2018 – Second 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  
T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
M. Elizabeth Reich, Chief Financial Officer  
Biliera Johnson, City Secretary (Interim)  
Daniel F. Solis, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Jo M. (Jody) Puckett, Assistant City Manager (Interim)  
Nadia Chandler Hardy, Chief of Community Services  
Raquel Favela, Chief of Economic Development & Neighborhood Services  
Theresa O'Donnell, Chief of Resilience  
Directors and Assistant Directors

# **Office of the City Auditor – Fiscal Year 2018 Second Quarter Update**

**Government Performance and  
Financial Management Committee  
February 5, 2018**

**Craig D. Kinton, City Auditor  
Office of the City Auditor  
City of Dallas**



# Audit and Attestation Services Reports Issued

(First Quarter Fiscal Year 2018 through January 26, 2018)

- **Performance Audits**

- Construction-Related Procurements
- MuniServices, LLC Contract Related to the Verification of Sales / Use Tax Receipts and Associated Fees
- Follow-up of Line-of-Duty Death Report Recommendations
- Homeless Response System Effectiveness
- Special Audit of the Accounts of Four Former City Council Members

- **Attestation Engagement**

- Agreed-Upon Procedures for Bid #CIZ1677: Department of Trinity Watershed Management – Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement, \$206,700,000

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# Construction-Related Procurements

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Release Date: October 20, 2017

Objective: Determine the effectiveness of internal controls for construction-related procurements

Scope: Fiscal Year (FY) 2014 through FY 2015

Conclusion: The Department of Dallas Water Utilities (DWU), one of six City of Dallas (City) departments with construction procurement authority, had well documented internal controls in place and supporting documentation to demonstrate Administrative Directive 4-05, *Contracting Policy (AD 4-05)* was consistently followed. The City, however, does not have sufficient internal controls to ensure that all departments consistently follow AD 4-05.

# Construction-Related Procurements

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## Conclusion (continued)

### Specifically:

- The remaining five departments with construction procurement authority either: (1) had no formal policies and procedures; (2) the existing policies and procedures were inaccurate, inconsistent, incomplete or out of date; or, (3) did not have sufficient documentation to demonstrate appropriate procurement steps were followed
- The practices of the Department of Public Works (PBW), Department of Trinity Watershed Management (TWM), and the Department of Park and Recreation (PKR) resulted in the distribution of professional services contracts among multiple firms that were not transparent, consistent, documented nor compliant with AD 4-05
- The PBW, TWM, and PKR did not adequately document the department Directors' reasoning for selecting firms when the professional services procurement selection process resulted in a tie or when the firm selected was not the most highly qualified firm recommended by the selection committee

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# Construction-Related Procurements

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## We recommended the City:

- Requires all departments involved in construction-related procurements adopt uniform internal control best practices, such as those used by DWU, to ensure compliance with State of Texas laws and AD 4-05
- Ensures the City departments authorized to conduct construction-related procurements have formal policies and procedures
- Ensures the Director of the Office of Procurement Services (OPS) develops formal policies and procedures that describe OPS' responsibilities for facilitating construction-related procurements
- Ensures City departments authorized to conduct construction-related procurements and OPS implement internal controls needed to ensure AD 4-05 is uniformly followed
- Ensures City departments, in collaboration with the City Attorney's Office, develop internal controls to ensure distributing the work practices are transparent, consistent, documented and comply with AD 4-05
- Ensures policies and procedures are developed to require department Directors to document their reasoning for selecting a specific firm when the: (1) selection committee scoring and ranking process results in a tie; or, (2) the firm selected is not the most highly qualified firm recommended by the selection committee

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# MuniServices, LLC Contract Related to the Verification of Sales / Use Tax Receipts

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**Release Date:** November 3, 2017

**Objective:** Determine whether the fees associated with MuniServices, LLC's identification of incorrectly remitted sales / use tax for FY 2017 were accurate and supported by the Texas State Comptroller of Public Accounts

**Scope:** October 1, 2016 to September 30, 2017

**Conclusions:** Verified \$814,270 in sales tax receipts collections that MuniServices, LLC identified as owed to the City from businesses operating in the City and verified the accuracy of \$241,244 in MuniServices, LLC invoices received for the period

**Recommendations:** (None)

# Follow-up of Line-of-Duty Death Report Recommendations

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- Release Date:** December 8, 2017
- Objective:** Determine implementation status of recommendations resulting from line-of-duty death reports
- Scope:** May 2013 to December 2017
- Conclusions:** Implementation of recommendations produced significant improvements in Department of Dallas Fire-Rescue's (DFR): (1) Departmental procedures; (2) Training program; and, (3) Post-incident analysis. The sustainability of improvements depends, however, upon DFR's Training program and DFR's ability to identify Officer, Member, and Command Technician training needs, monitor participation, analyze the benefits, and adjust training accordingly





# Follow-up of Line-of-Duty Death Report Recommendations

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## **We recommended the City:**

- Improves DFR's capabilities for monitoring training attendance and assessment of the training curriculum
- Requires documentation of attendance at every training exercise
- Revises the language used in all DFR communications to ensure consistent use of terminology
- Continues consideration of implementation of the recommendation to monitor fireground tactical channel

# Homeless Response System Effectiveness

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**Release Date:** December 8, 2017

**Objective:** Assess the efficiency and effectiveness of City's homeless response system, including contracting procedures for homeless services

**Scope:** FY 2015 and 2016

**Conclusions:** The City cannot tell how well the homeless response system is performing and needs to improve: (1) oversight of the Metro Dallas Homeless Alliance (MDHA) and The Bridge; and, (2) how the City evaluates, coordinates, and monitors homeless services

# Homeless Response System Effectiveness

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## We recommended the City:

- Prioritizes increasing participation in HMIS and incentivize HMIS participation by providing resources such as, grants, software licenses or other assistance
- Works with MDHA to improve planning, coordination, and implementation of HMIS
- Provides additional oversight to ensure MDHA is administering HMIS to meet Federal procurement requirements and has processes for document retention
- Ensures appropriate and effective oversight of MDHA which could include increasing representation on the Board of Directors, improving contract oversight, requesting increased reporting on MDHA performance and initiatives
- Ensures The Bridge remains able to provide services through timely contract execution, continued Bridge compliance with HMIS participation requirements
- Monitors The Bridge's financial viability more closely

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# Homeless Response System Effectiveness

## Recommendations: (continued)

- Implements procedures to ensure both the City's and The Bridge's compliance with the management services contract; develops measurable performance expectations / requirements to hold The Bridge accountable; strengthens payment processing procedures
- Works with The Bridge to minimize risk of loss of bank funds above Federal Deposit Insurance Corporation limits
- Adopts a strategic review process that aligns with City-wide objectives and clearly defines success / progress for each key objective of reducing homelessness and increasing housing placement opportunities
- Assesses coordination and fragmentation between City operating units; improves coordination and communication between units; aligns performance measures with City priorities; assesses demand for homeless prevention resources; determines cost of homeless services across City government
- Assesses the effectiveness of the Gateway to Permanent Housing and Rapid Rehousing / My Residence programs; ensures Community of Care grant funds are spent within the appropriate grant period

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# Homeless Response System Effectiveness

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## Recommendations: (continued)

- Designs a feedback process to receive timely input from clients as they are receiving services
- Adopts and documents policies and procedures to mitigate risks of fraud and document controls



# Special Audit of the Accounts of Four Former City Council Members

**Release Date:** January 26, 2018

**Objective:** Assess whether the City and / or former City Council Members properly: (1) controlled and accounted for any City assets assigned to and / or purchased with City funds; (2) removed the former City Council Members as authorized agents of the City; (3) ensured the former City Council Members did not have any outstanding debts owed to the City

In addition, we evaluated the adequacy of employee processing controls related to the termination of the former City officials.

**Scope:** FY 2016 and FY 2017

**Conclusions:** The City continues to have difficulties consistently following appropriate procedures to meet these objectives. Certain City policies and procedures were not always followed, an outstanding debt was owed to the City, and compliance exceptions reported in prior Special Audits still exist. **Note:** The outstanding debt owed to the City was subsequently paid as of January 16, 2018

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# Special Audit of the Accounts of Four Former City Council Members

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**We recommended the City improves compliance with City policies and procedures by:**

- Ensuring the Mayor and City Council (MCC) staff consistently follow City Code, Vol. 1, Chapter 15A, Article 1-b *City-Funded Officeholder Accounts*, (Effective July 1, 2017) prohibiting the use of city-funded officeholder accounts for gifts or transfer of public funds to individuals or entities
- Ensuring MCC staff consistently follow Administrative Directive 4-15 *Purchasing Card Policy and Procedure* (AD 4-15)
- Continuing to identify and formally inform City Council Members prior to their departure of any indebtedness to the City



# Agreed-Upon Procedures for Bid #CIZ1677: Department of Trinity Watershed Management Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement, \$206,700,000

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**Release Date:** January 18, 2018

**Objective:** Perform agreed-upon procedures to assist the Dallas City Council and City management in evaluating management's compliance with State of Texas purchasing and contracting requirements and AD 4-05

**Results:** Exceptions were noted for seven of eighteen procedures performed. Management took subsequent actions to address most of the exceptions or provided explanations to support its position





# Anticipated Report Releases

Second Quarter FY 2018

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- Special Audit – Former City Secretary
- Environmental Compliance
- Special Collections Operations
- Miscellaneous Permit Fee Revenues
- Prior Audit Recommendations Follow-up Fiscal Year 2016

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# Audit and Attestation Services

## Projects In Progress

Second Quarter, Fiscal Year 2018

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- Business Partner Oversight
- Continuity of Operations Audit Follow-Up
- Dallas Convention & Visitors Bureau (VisitDallas)
- Off-Duty Employment Administration – Dallas Police Department
- Prior Audit Recommendations Follow-Up Fiscal Year 2018
- Records Management System
- Surveillance Camera Oversight
- Water Quality and Safety, Testing, and Monitoring
- Franchise Fees Review through Third-Party Vendor (*Ongoing*)
- Sales / Use Tax Compliance Review through Third Party Vendor (*Ongoing*)

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# Audit and Attestation Services

## Anticipated Project Starts

Second Quarter, Fiscal Year 2018

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- Economic Development Programs and Incentives
- Management of the City's Surplus Real Properties
- Open Records Request Process

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# Appendix – Report Links

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## Audit Reports

- [Audit of Construction-Related Procurements](#)
- [Audit of MuniServices Contract Related to Verification of Sales / Use Tax Receipts](#)
- [Audit Follow-Up of Line-of-Duty Death Report Recommendations](#)
- [Audit of Homeless Response System Effectiveness](#)
- [Special Audit of the Accounts of Four Former City Council Members](#)
- [Independent Auditor's Report on Applying Agreed-Upon Procedures for Bid #CIZ1677: Department of Trinity Watershed Management – Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement, \\$206,700,000](#)



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