

# Memorandum



CITY OF DALLAS

**DATE:** April 10, 2017

**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 2017 Third Quarter Update

I will provide a briefing to the members of the Budget, Finance & Audit Committee on Monday, April 17, 2017 regarding:

- Office of the City Auditor – Fiscal Year 2017 Third Quarter Update

Sincerely,

Craig D. Kinton  
City Auditor

C: Honorable Mayor and Members of the City Council  
T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Rosa A. Rios, City Secretary  
Daniel F. Solis, Administrative Judge  
M. Elizabeth Reich, Chief Financial Officer  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Sana Syed, Public Information Officer  
Directors and Assistant Directors

Majed A. Al-Ghafry, Assistant City Manager  
Eric D. Campbell, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Mark McDaniel, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Alan E. Sims, Interim Chief of Community Services  
Theresa O'Donnell, Interim Chief of Economic  
Development & Neighborhood Services

# **Office of the City Auditor – Fiscal Year 2017 Third Quarter Update**

**Budget, Finance and Audit Committee  
April 17, 2017**

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



# Audit and Attestation Services Reports Issued

(November 7, 2016 through March 31, 2017)

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- Performance Audits
  - Muniservices, LLC Contract Related to the Verification of Sales / Use Tax Receipts and Associated Fees
  - Dallas Animal Services Operations
  - Special Audit of the Accounts of Former Chief Financial Officer – Jeanne Chipperfield
  - Fiscal Year 2015 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2014, and 2015

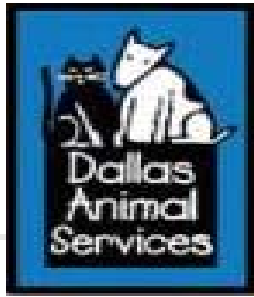
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## MuniServices, LLC Contract Related to the Verification of Sales / Use Tax Receipts and Associated Fees – Recommendations

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- *No recommendations associated with this report*
- In FY 2016, verified \$1,014,463 in sales / use tax receipts collections that MuniServices, LLC (Consultant) identified as owed to the City from businesses operating in the City
- Also verified accuracy of \$290,922 in Consultant invoices received for the period of October 1, 2015 through September 30, 2016 for payment of Consultant's percentage of the amount collected under the contingent fee contract arrangement with the City
- Since inception of the contract in 2010, Consultant has identified a total of \$5,235,635 in sales / use tax receipts collections owed to the City, and the City has received \$3,863,108 net of the Consultant's fees of \$1,372,527

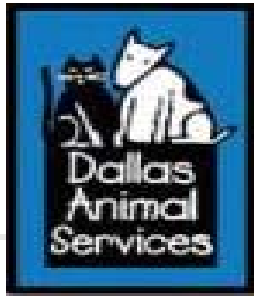
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## Dallas Animal Services Operations – Recommendations

- Ensure Dallas Animal Services (DAS) reviews and tracks call response times to improve timeliness of high priority call responses
- Improve data reliability related to the Chameleon System
- Work with 311 and Department of Communication and Information Services (CIS) for better call response time analysis
- Ensure DAS continues to develop and implement policies and procedures related to call response time management to resolve inconsistent protocols for collecting call response time information

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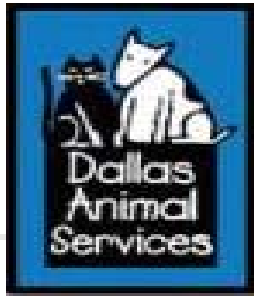


## Dallas Animal Services Operations – Recommendations *(continued)*

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- Improve the Dangerous Dog Program
- Improve oversight of active dangerous dog cases by developing policies and procedures
- Improve drug inventory management
- Improve the surveillance camera system

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## Dallas Animal Services Operations – Recommendations *(continued)*

- Improve security protocols related to access to restricted areas
- Formalize certain practices already used and also develop and / or revise policies and procedures used to guide DAS personnel, making them available to all DAS personnel
- Develop policies and procedures related to DAS personnel training
- Ensure DAS employs an independent veterinarian to conduct annual inspections as required in State Health and Safety Code Chapter 823

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# Special Audit of the Accounts of Former Chief Financial Officer, Jeanne Chipperfield – Recommendations

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- *No recommendations associated with this report*



## Fiscal Year 2015 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2014, and 2015 –

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- City management implemented 30 of 77, or 39 percent, of the audit recommendations agreed to by management
- Opportunities continue to exist to improve City management's understanding of internal controls and the documentation required to demonstrate recommendation implementation

## Fiscal Year 2015 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2014, and 2015 *(continued)* –

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- Financial, operational, and compliance risks remain in the following areas:
  - Cash receipts and collections
  - Contract monitoring
  - Ethics Program implementation
  - *Health Insurance Portability and Accountability Act* compliance
  - High risk inventory (weapons and tasers)
  - Information technology user access controls
  - Policies and procedures necessary to establish internal control framework
  - Software license compliance
  - Succession planning

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# Investigative Services Reports Issued

(November 7, 2016 through March 31, 2017)

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- Theft of Cash – Department of Park and Recreation
  - A PKR employee was terminated and arrested for Theft by a Public Servant for theft of cash
- Abuse of Position – Office of Cultural Affairs
  - An OCA employee was terminated for actions in violations of the City’s Personnel Rules and Code of Ethics for requiring a dry cleaning business to provide free cleaning services in exchange for the business’ employees parking free at an OCA facility

# Anticipated Report Releases

Third Quarter FY 2017

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- Special Audit of the Accounts of Former City Manager – A.C. Gonzalez
- Neighborhood Code Enforcement Services
- Cash Management / Collections Processes – Courts Information System
- Sole Source / Single Bid Procurements – Business Development and Procurement Services
- Trinity Watershed Management
- Business Partners Oversight – Arts District
- Construction Related Procurements
- Environmental Compliance – Multiple Departments

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# Audit and Attestation Services

## Projects In-Progress

Third Quarter, Fiscal Year 2017

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- Continuity of Operations Audit Follow-Up
- Homeless Response System Effectiveness
- Line-of-Duty Death Report Recommendations – Dallas Police Department
- Miscellaneous Permit Fee Revenues
- Special Collections Operations – Dallas Water Utilities
- Off-Duty Employment Administration – Dallas Police Department
- Records Management System – Dallas Police Department
- Information Technology Processes – Communication and Information Services
- Prior Audit Recommendations Follow-Up (Fiscal Year 2016)
- Franchise Fees Review through MuniServices (*Ongoing*)
- Sales/Use Tax Compliance Review through MuniServices (*Ongoing*)

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# Audit and Attestation Services

## Anticipated Project Starts

Third Quarter, Fiscal Year 2017

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- Contract Monitoring – Cloud Computing
- Dallas Convention & Visitors Bureau (Visit Dallas)
- Surveillance Camera Oversight – Multiple Departments

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# Audit Project Cancellations

Third Quarter, Fiscal Year 2017

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- City Attorney's Office Operations

# QUESTIONS?

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# Appendix – Report Links

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## Audit Reports

- [Audit of MuniServices, LLC Contract Related to the Verification of Sales / Use Tax Receipts and Associated Fees](#)
- [Audit of Dallas Animal Services Operations](#)
- [Special Audit of the Accounts of Former Chief Financial Officer – Jeanne Chipperfield](#)
- [Fiscal Year 2015 Audit Follow-Up of Prior Audit Recommendations for Fiscal Years 2012, 2014, and 2015](#)

## Investigative Reports

- [Theft of Cash – Department of Park and Recreation](#)
- [Abuse of Position – Office of Cultural Affairs](#)

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**Budget, Finance and Audit Committee  
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