

# Memorandum



CITY OF DALLAS

**DATE:** August 12, 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 – Fourth Quarter Update

I will provide a briefing to the members of the Budget, Finance & Audit Committee on Monday, August 15, 2016 regarding:

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



City of Dallas  
Office of the City Auditor  
August 15, 2016



# External Peer Review Results – Association of Local Government Auditors



## Association of Local Government Auditors

June 17, 2016

Mr. Craig Kinton  
City Auditor  
City of Dallas, Texas  
City Hall  
1500 Marilla  
Dallas, TX 75201

Dear Mr. Kinton,

We have completed a peer review of the City of Dallas, Office of the City Auditor for the period May 1, 2013 through April 30, 2016. In conducting our review, we followed the standards and guidelines contained in the Peer Review Guide published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with Government Auditing Standards issued by the Comptroller General of the United States. Our procedures included:


- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff, management, and members of the Audit Committee to assess their understanding of, and compliance with, relevant quality control policies and procedures.


Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Dallas, Office of the City Auditor's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with the Government Auditing Standards for audits and attestation engagements during the period of May 1, 2013 through April 30, 2016.

We have prepared a separate letter identifying strengths of your office that are noteworthy.

Sincerely,

  
Edmundo S. Calderon, CIA, CGAP  
Internal Audit Office  
City of El Paso, TX

  
L. Diane Hinojoza  
Internal Audit  
City of Ft. Worth, TX

  
Stephen Lawrence, CPA, CIA, CGMA  
Office of the City Auditor  
City of Oakland, CA

449 Lewis Hargett Circle, Suite 290, Lexington, KY 40503, Phone: (859) 276-0686, Fax: (859) 278-0507  
memberservices@governmentauditors.org • www.governmentauditors.org

## External Peer Review Results – Association of Local Government Auditors

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*“It is our opinion that the City of Dallas, Office of the City Auditor’s internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with the Government Auditing Standards for audits and attestation engagements during the period of May 1, 2013 to April 30, 2016.”*

# External Peer Review Results – Association of Local Government Auditors



## Association of Local Government Auditors

June 17, 2016

Mr. Craig Kinton  
City Auditor  
City of Dallas, Texas  
City Hall  
1500 Marilla  
Dallas, TX 75201

Dear Mr. Kinton,

We have completed a peer review of the City of Dallas Office of the City Auditor for the period May 1, 2013 through April 30, 2016 and issued our report thereon dated June 17, 2016. We are issuing this companion letter to offer these observations stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- A comprehensive set of Policies and Procedures addressing all aspects of Generally Accepted Government Auditing Standards.
- A competent and professional staff, which processes the necessary experience, education, and professional certifications. These qualities contribute to a strong and efficient operation.
- In the area of independence, the procedures and practices in place promotes that the Office of the City Auditor maintains and protects its independence while conducting its work.
- A robust continuing professional education program for staff that exceeds the Government Auditing Standards requirements.
- Maximizing the use of electronic workpapers (Teammate software) to meet the requirements of Government Auditing Standards. Staff is well trained and is proficient in the use of the software.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Edmundo S. Calderon, CIA, CGAP  
Internal Audit Office  
City of El Paso, TX

L. Diane Hinojoza  
Internal Audit  
City of Ft. Worth, TX

Stephen Lawrence, CPA, CIA, CGMA  
Office of the City Auditor  
City of Oakland, CA

# External Peer Review Results – Association of Local Government Auditors

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Areas in which the office excels:

- Comprehensive set of Policies and Procedures
- Competent and professional staff
- Promotes and protects its independence
- Robust continuing professional education program
- Maximizes use of electronic workpapers

# Audit and Attestation Services Reports Issued

through August 12, 2016

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## ■ Performance Audits

- Fair Park Business Partners Oversight
- Department of Public Works' Contract Monitoring
- Leasing, Concessions, and Other Activities for the Department of Aviation
- Department of Park and Recreation Internal Controls over Regulatory, Safety, and Maintenance – Aquatic Facilities
- Special Audit of the Accounts of Former City Attorney, Warren M.S. Ernst

# Audit and Attestation Services Reports Issued

through August 12, 2016

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## ■ Attestation Services

- Department of Trinity Watershed Management – Storm Drainage Improvements Mill Creek / Peaks Branch / State-Thomas Drainage Relief Tunnel Procurement
- Department of Public Works – Dallas City Hall and IC Harris Service Center Underground Storage Tank Removal and Replacement



# Investigative Services Reports Issued

through August 12, 2016

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- Theft – Department of Trinity Watershed Management
  - A TWM employee was observed stealing food items from a convenience store while on duty and while driving a City truck
  - The TWM management was in process of terminating the employee when the employee provided a letter of resignation on April 28, 2016
  
- Theft – Department of Dallas Water Utilities
  - On April 29, 2016, a former DWU employee was indicted by a Dallas County Grand Jury for Misapplication of Fiduciary Property, a second degree felony

# Audit and Attestation Services

## Anticipated Report Releases

Fourth Quarter, Fiscal Year 2016

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- Police Personnel and Training Services
- Customer Service / 311 Non-Emergency Services
- Neighborhood Code Enforcement Services
- Prior Audit Recommendations Follow-Up (Fiscal Year 2014)
- Revenue Estimates – Budgeted Revenues for Fiscal Year 2016-2017

# Audit and Attestation Services

## Projects In-Progress

Fourth Quarter, Fiscal Year 2016

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

# Audit and Attestation Services

## Anticipated Project Starts

Fourth Quarter, Fiscal Year 2016

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- Sole Source / Single Bid Procurements – Business Development and Procurement Services
- Information Technology Processes – Communication and Information Services

# Audit Project Cancellations

Fourth Quarter, Fiscal Year 2016

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- Compliance with Administrative Directive 4-09, *Internal Control*
- Performance Measurement Process
- Regulatory Safety and Maintenance – Department of Park and Recreation (Land Use)
- Street Cut Repair and Inspection Process

# Audit of Fair Park Business Partners Oversight Recommendations

- Implement procedures to more closely monitor financial viability for Dallas Historical Society, DSM Management Group, Inc., and Foundation for African-American Art – *(Office of Cultural Affairs {OCA})*
- Develop written procedures to ensure contracts are timely renewed and properly executed in accordance with Administrative Directive 4-05, *Contracting Policy – (OCA)*
- Develop and agree on contract definition sufficiently clear to allow Department of Park and Recreation (PKR) to verify reasonableness of amounts determined by State Fair of Texas as available for development and enhancement of Fair Park – *PKR*



# Audit of Fair Park Business Partners Oversight Recommendations (continued)

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- Develop and implement written supervisor review procedures and formally approve the procedures – *PKR*
- Cross train staff to verify Live Nation Minimum Guaranteed Rental, Percentage Rental, and Additional Rental calculations to ensure contingency plan is in place in event currently assigned personnel leave unexpectedly – *PKR*
- Establish procedures to ensure all key contract requirements are monitored and are in compliance with contract requirements – *PKR and OCA*
- Develop and implement formal (written, approved, and dated) contract oversight / monitoring policies and procedures – *PKR and OCA*

# Department of Public Works' Contract Monitoring Recommendations



- Update formal (written, signed, dated) policies and procedures for contract monitoring, including specifying document approval and maintenance responsibilities among Facilities Architecture / Engineering Division (Division) personnel, architect, and contractor
  - Develop and implement standard quality control documents using best practices, such as American Institute of Architects, to demonstrate sufficient contract monitoring and consistent documentation
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- Ensure Division personnel comply with Division's contract monitoring resources
  - Implement a consistent, systematic process for filing construction related documents for construction contract monitoring activities



# Leasing, Concessions, and Other Activities for Department of Aviation Recommendations

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- Develop and implement formal (written, signed, dated) contract monitoring policies and procedures
- Ensure Department of Aviation employees responsible for contract monitoring have direct (read-only) access to Parking Revenue Control System
- Integrate the new parking system with North Texas Tollway Authority parking system to obtain TollTag parking information; or, capture relevant TollTag parking information, such as vehicles' license plate numbers and specific date and time vehicles were parked

# Department of Park and Recreation Internal Controls over Regulatory, Safety, and Maintenance – Aquatic Facilities Recommendations

## ■ Ensure:

- Compliance with Federal, State and City regulatory standards for aquatic facilities including water quality standards, lifeguard training/performance evaluation standards, and health and safety standards
- Effective maintenance procedures including identifying, documenting and monitoring life expectancy of pool drain covers/grates and consistent daily inspections of aquatic facilities during the operating season
- Documentation is proper, complete and retained for:
  - ❑ Daily health, safety, environmental, and maintenance inspections
  - ❑ Annual maintenance inspections
  - ❑ Lifeguard orientation forms
  - ❑ Water safety instructors' certification



# Special Audit of Accounts of Former City Attorney, Warren M.S. Ernst Recommendations

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- No recommendations associated with this report

# QUESTIONS?



**City of Dallas**  
**Office of the City Auditor**  
**August 15, 2016**

