

# 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 2017 Audit Plan

On August 15, 2016, the Office of the City Auditor will present the proposed Fiscal Year 2017 Audit Plan to the Budget, Finance & Audit Committee for consideration of recommendation for approval by the full City Council. If approved by the Committee, the Council Agenda for Wednesday, September 14, 2016, will include an item to authorize the adoption of the Office of the City Auditor's Fiscal Year 2017 Audit Plan.

The Office of the City Auditor performs work for and under the direction of the City Council. The Fiscal Year 2017 Audit Plan is designed to satisfy responsibilities established by the Dallas City Charter, meet the needs of the City Council, and outline the services that the Office of the City Auditor plans to initiate and/or complete during Fiscal Year 2017. The plan demonstrates the variety of services the Office of the City Auditor provides and reflects the following City Council priorities:

- Public Safety Improvements and Crime Reduction
- Economic Vibrancy
- Clean, Healthy Environment
- Culture, Arts, Recreation and Education
- E-Gov

We respectfully present the Fiscal Year 2017 Audit Plan and request your support for a recommendation to the full City Council for approval of the plan.

Sincerely,

Craig D. Kinton  
City Auditor

## Attachment

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 2017 Audit Plan



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



# Requirement for Annual Audit Plan

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*“Before the beginning of each fiscal year the City Auditor shall submit an annual audit plan to the City Council for approval.”*

Source: Council Resolution 904027

# Office of the City Auditor Serves as a General Control in Support of the City's Internal Control Structure

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*“The Office of the City Auditor is an independent appraisal activity within the City organization for the review of operations as a service to the City Council and to management. Audit work carried out by the Office functions as a **general control** by measuring and evaluating the effectiveness of other controls.”*

*“The objective of audit work carried out by the Office is to assist all members of the City Council and City management in the effective discharge of their responsibilities by furnishing them with analyses, appraisal, recommendations, and pertinent comments concerning the activities reviewed.”*

Source: Council Resolution 904027

# Audit Work Is Designed to Evaluate Internal Controls

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Internal control is a process used by management to help an entity achieve its objectives.

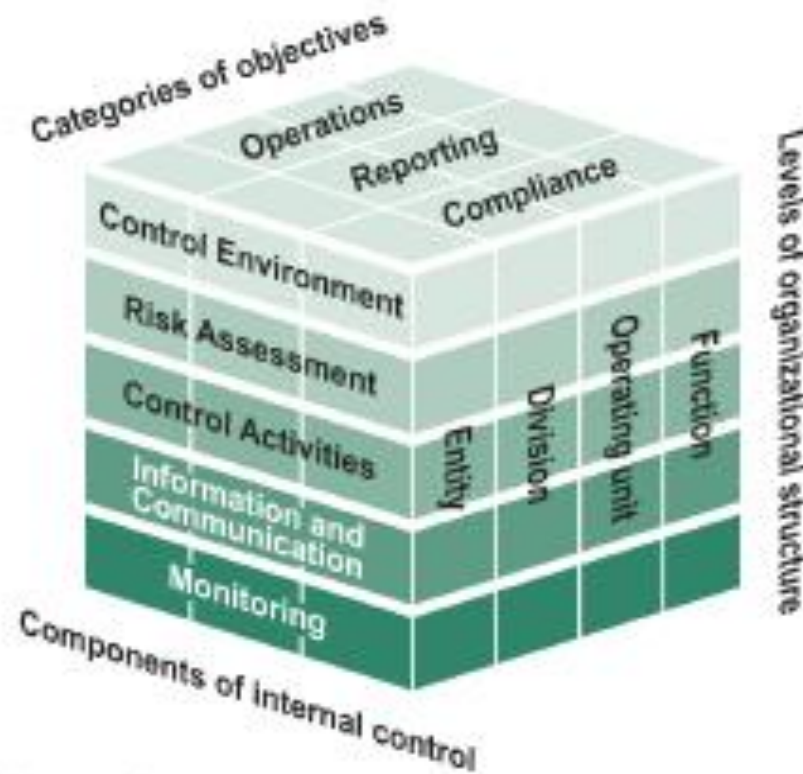
Internal controls help an entity:

- Run its operations efficiently and effectively
- Report reliable information about operations
- Comply with applicable laws and regulations

**Source:** Unites States Government Accountability Office – Standards for Internal Control in the Federal Government

# The Federal Internal Control Standards Provide the Framework for Consideration of Internal Control

**Figure 4: The Components, Objectives, and Organizational Structure of Internal Control**



Sources: CDSO and GAO. | GAO-14-704G

# There are Multiple Steps in Development of the Audit Plan

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- Define the audit universe
- Determine the auditable units
- Assess risk
- Review prior audit coverage
- Consider:
  - Work in progress
  - Required work
  - Suggestions from Council Members, City management, audit staff, peer city audits
  - Proposals from previous audit plans
- Prioritize proposals
- Consider staffing constraints
- Confer with Budget, Finance & Audit Committee Members
- Recommend audit plan for City Council action

# A "Heat Map" Is Updated Annually to Reflect Auditable Units, Risk, Coverage, and Proposed Work

## City Auditor's Office

### FY 2017 Auditable Units Risk-Ranked by Department - Updated With FY 2016 Adopted Budget

#### Prior Audit Coverage and Proposed FY 2017 Audit Plan

Key Focus Area	Department	Auditable Units <sup>(1)(2)</sup>	Financial	Service Impact	Operational	Regulatory/ Compliance	Weighted Total
4 <sup>(2)</sup>	LIB	Library Operation/Public Service & Literacy					165
4	LIB	Library Materials & Collection Management					141
5	MCC	Administrative Support for the Mayor and City Council	(14, 16)	(14, 16)	(14, 16)	(14, 16)	187
1, 2, 3, 5 <sup>(10)</sup>	MGT	Management Services	(14) WIP P	(14) WIP P	(14) WIP P	(14) WIP P	188
4	OCA	WRR Municipal Radio Classical Music					195
4 <sup>(3)</sup>	OCA	Cultural Facilities and Services	(14, 16) WIP P	(14, 16) WIP P	(14, 16) WIP P	(14, 16) WIP P	160
5 <sup>(3)</sup>	OFS	Budget Development, Monitoring & Other Services	(14-16) WIP	(14-16) WIP	(14-16) WIP	(14-16) WIP	202
2, 5 <sup>(4)</sup>	OFS	Non-Departmental, GO Commercial Paper & TIF Payments	WIP	WIP	WIP	WIP	174
	ORM	Risk Management / Administration Services	WIP	WIP	WIP	WIP	224
2	PBW	PBW - Capital Facilities Program	(16) WIP	(16)	(16)	(16) WIP	204
2	PBW	PBW-Capital and Interagency Planning Program	(14)	(14)	(14)	(14)	202
1, 2 <sup>(4)</sup> , 3 <sup>(3)</sup> , 5	PBW	PBW - Other Program and Services					193
4 <sup>(2)</sup>	PKR	Leisure Venue Management & Aquatic Services	(16) P	(16) P	(16) P	(16) P	194
4	PKR	Park & Recreation Community Services					180
2	PKR	Operation & Maintenance of Fair Park	(16)	(16)	(16)	(16)	168
4 <sup>(2)</sup>	PKR	Park Land Maintained & Environment Mgmt Systems & Cap Mgmt	WIP			WIP	164
4	PKR	Golf and Tennis Centers					158
2 <sup>(3)</sup>	PNV	Planning Neighborhood Vitality					171



The remaining slides included in this presentation represent the proposed audit plan for Fiscal Year 2017.

The City Auditor seeks a motion to recommend the proposed plan to the full City Council for approval.



CITY OF DALLAS

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**OFFICE OF THE CITY AUDITOR**

**AUDIT PLAN  
FISCAL YEAR 2017**

**CRAIG D. KINTON  
CITY AUDITOR**

**DRAFT**



## AUDIT PLAN FOR FISCAL YEAR 2017

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The City of Dallas (City) Office of the City Auditor (Office) performs work for and under the direction of the Dallas City Council. The Fiscal Year 2017 Audit Plan (Audit Plan) is designed to satisfy responsibilities established by the Dallas City Charter, meet the needs of the City Council, and outline the professional services that the Office plans to initiate and / or complete during Fiscal Year 2017.

The Office's mission is to promote public trust and advance accountability by providing independent, objective, and useful professional services for the City of Dallas. The Audit Plan demonstrates the variety of services the Office provides to address its mission and reflects the following Dallas City Council priorities:

- Public Safety
- Economic Vibrancy
- Clean, Healthy Environment
- Culture, Arts, Recreation and Education
- E-Gov

This Audit Plan is a working document in that the City Auditor is authorized, when deemed necessary in his professional judgment, to amend the Audit Plan. The Dallas City Council will be notified in writing concerning additions to, deletions from, or other changes to this Audit Plan. The Audit Plan includes audits, attestation engagements, and other professional services.

### AUDIT AND ATTESTATION SERVICES

The Office complies with generally accepted government auditing standards when performing audits and attestation engagements. These standards provide a framework for conducting high quality audits and attestation engagements with competence, integrity, objectivity, and independence. The types of audits and attestation engagements performed under these standards include:

- **Performance Audits**

Conducted to provide objective analysis to assist management and those charged with governance and oversight to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Performance audit objectives vary widely and can include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and, prospective analyses.

- **Financial Audits**

Conducted to provide an independent assessment of whether an entity's reported financial information (e.g., financial condition, results, and use of resources) are presented fairly and in accordance with recognized criteria. Financial audits provide users with statements concerning the reliability of information, and provide information about internal control over financial reporting, and compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.

- **Attestation Engagements**

Conducted to address a broad range of financial or non-financial objectives. An attestation engagement results in an examination, a review, or an agreed-upon procedures report on a subject matter or an assertion about a subject matter that is the responsibility of another party.

## **OTHER PROFESSIONAL SERVICES**

The Office provides other professional services which may or may not be performed in accordance with generally accepted government auditing standards. These other professional services include:

- **Investigative Services**

The Office provides investigative services to evaluate and investigate allegations of fraud, waste and abuse and maintains a Hotline as a tool for the confidential reporting of allegations. Investigations are conducted in accordance with Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency. Criminal allegations are referred to appropriate law enforcement authorities. Significant findings of fraud are reported to the Mayor, the Chair of the Budget, Finance & Audit Committee, the City Attorney, and City management as required by Council Resolutions and Administrative Directive.

- **City Council Support**

The Office is authorized to conduct audits, attestation engagements, or other professional services for individual City Council Members, provided the request will not impact the completion of the Audit Plan. If, in the judgment of the City Auditor, a request will impact completion of the Audit Plan, the City Auditor is to request that the Council Member submit the request in writing for consideration and approval by the Budget, Finance & Audit Committee and the City Council as an amendment to the Audit Plan. All work products will be produced at the direction of the City Auditor.

- **Management Assistance**

The Office is authorized to perform audits and attestation services and other professional services at the request of management to assist in carrying out management's responsibilities. These services may include, but are not limited to, providing technical advice, such as participating on committees, task forces, panels, and focus groups. The Office may provide management assistance based on consideration of the impact on auditor independence and audit plan completion.

- **Litigation Support**

The Office is authorized to perform audits and attestation services and other professional services at the request of the City Attorney. The services provided by the Office depend on the needs of the City Attorney. These services may include, but are not limited to, research, analysis, and computer forensics.

### **INDEPENDENCE DISCLOSURES**

Section 40-A.2.(c)(C) of the Dallas City Code designates the City Auditor as a voting member of the Employees' Retirement Fund (ERF) Board of Trustees. Generally accepted government auditing standards require the Office to disclose impairments to independence. The Office lacks independence in relation to any audit work that might be conducted at the ERF. To the extent that audits and attestation engagements are performed in this area, the Office is not independent. The effects of this independence concern on audit work will be clearly identified in any final reports, if applicable.

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#	Department	Key Focus Area™	Description	Objectives
1	ATT	E-Gov	Litigation Support	Provide audit, attestation, and other professional services, as requested by the City Attorney
2	ATT	E-Gov	City Attorney's Office Operations	Evaluate the effectiveness and efficiency of the City Attorney's Office intake, tracking, and monitoring processes for legal support, such as case management / requests for legal assistance
3	CES	Economic Vibrancy / E-Gov	Dallas Convention Visitors Bureau	Evaluate the effectiveness of services provided by the Dallas Convention and Visitors Bureau, which may include: (1) assessing the reliability and reporting of performance measures; and, (2) determining whether Tourism Public Improvement District incentive funds were used properly
4	CIS	E-Gov / Public Safety	Contract Monitoring – Cloud Computing	Determine whether the Department of Communication and Information Services (CIS) effectively monitors the third party vendor providing services to ensure City data is secure and the City is receiving the contracted services
5	CIS	E-Gov / Public Safety	Information Technology Processes	Determine the effectiveness of CIS' security controls by: (1) finalizing a contract with a consultant hired to evaluate the security management process which may include policy, awareness, access, monitoring, compliance, and strategy; and, (2) providing ongoing contract monitoring

#	Department	Key Focus Area**	Description	Objectives
6	DFR	Public Safety	Follow-Up Line of Duty Death Report Recommendations	Determine whether the Department of Dallas Fire-Rescue implemented the Line-of-Duty Death Report recommendations
7	DPD	Public Safety	Off-Duty Employment Administration	To evaluate: (1) the Dallas Police Department's (DPD) internal controls over off-duty employment; and, (2) whether DPD officers adhere to DPD policies related to off-duty employment
8	DWU	Economic Vibrancy	Water Quality and Safety, Testing, and Monitoring	To determine whether the Department of Dallas Water Utilities has: (1) adequate policies and procedures in place for ongoing accuracy testing and monitoring of City water quality and safety; and, (2) effective means of communicating with City residents regular testing and monitoring results
9	DWU	E-Gov	Special Collections Operations	Determine whether internal controls are adequate to ensure cash receipts are timely deposited and accounted for properly
10	HCS	Clean, Healthy Environment	Homeless Response System Effectiveness	Assess the effectiveness and / or efficiency of the City's homeless response system which may include an evaluation of the contracting procedures for homeless services, including how contracted services meet assessed needs and are monitored for quality performance

#	Department	Key Focus Area**	Description	Objectives
11	OFS	E-Gov	Revenue Estimates – Budgeted Revenues for Fiscal Year 2017-2018	Determine whether the City has effective processes to ensure reasonable revenue estimates are included in the City Manager's proposed operating budget
12	OFS	Economic Vibrancy / E-Gov	Verification of Third Party Receipts Collections for Sales / Use Tax and Franchise Fees	Verify that: (1) sales / use tax receipts identified by the third party consultant are accurate and properly supported; and, (2) franchise fees (which may include utilities, cable, and telephone) identified by the third party consultant(s) are received by the City
13	Multiple	Multiple	Continuity of Operations Audit Follow-Up	Conduct audit follow-up of recommendations included in <i>Audit of the Design of the City of Dallas' Pandemic Influenza Continuity of Operations Basic Plan Report</i> , issued September 13, 2013
14	Multiple	Multiple	Business Partner Oversight	Evaluate controls related to oversight / monitoring of entities operating City-owned facilities which may include Dallas Zoo, Dallas Arboretum, Dallas Omni Hotel, and Dallas arts and park facilities
15	Multiple	Multiple	Miscellaneous Permit Fee Revenues	Determine whether controls are adequate / effective to ensure permit fee revenues are collected from business entities required to obtain a permit to operate a business in the City



#	Department	Key Focus Area**	Description	Objectives
16	Multiple	Multiple	Surveillance Camera Oversight	Determine whether the City adequately / effectively manages and maintains its network of surveillance cameras
17	Multiple	Multiple	Special Audits	Conduct audits, in accordance with Chapter IX, Section 4 of the City Charter, of officers who vacate their offices due to death, resignation, removal, or expiration of term
18	Multiple	Multiple	Council Assistance	Provide audit and attestation services and other professional services, as requested by individual City Council members
19	Multiple	Multiple	Fraud, Waste and Abuse Investigations	Evaluate allegations of fraud, waste and abuse, conduct investigations, and educate employees
20	Multiple	Multiple	Management Assistance	Provide audit and attestation services and other professional services as requested by Management
21	Multiple	Multiple	Prior Audit Recommendations Follow-Up	Evaluate Management's implementation of prior audit recommendations

\*\* The Fiscal Year 2017 Audit Plan (Audit Plan) is based on a risk assessment updated for City services approved in the Fiscal Year 2016 City of Dallas Adopted Annual Budget. While this year's Audit Plan does not directly address Culture, Arts, Recreation and Education, one of the City Council's Fiscal Year 2016 Key Focus Areas, to the extent possible the Office will include this Key Focus Area in projects identified as "Multiple".