

# Memorandum



**DATE:** August 14, 2017

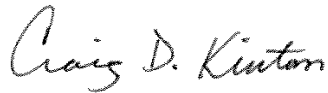
**TO:** Honorable Members of the  
Government Performance and Financial Management Committee –  
Jennifer S. Gates (Chair); Scott Griggs (Vice Chair);  
Tennell Atkins; Kevin Felder; Sandy Greyson; Philip T. Kingston; Lee M. Kleinman

**SUBJECT:** Office of the City Auditor Fiscal Year 2018 Audit Plan

I will provide a briefing to the members of the Government Performance and Financial Management Committee on Monday, August 21, 2017 regarding:

- Office of the City Auditor Fiscal Year 2018 Audit Plan

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 Bizzor Tolbert, Chief of Staff to the City Manager  
Directors and Assistant Directors

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

# Office of the City Auditor Fiscal Year 2018 Audit Plan

Government Performance  
and Financial Management  
Committee

August 21, 2017

Craig D. Kinton  
City Auditor  
Office of the City Auditor



**City of Dallas**



# Purpose

- Requirement for Annual Audit Plan

*“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

*“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

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

Internal controls help an entity:

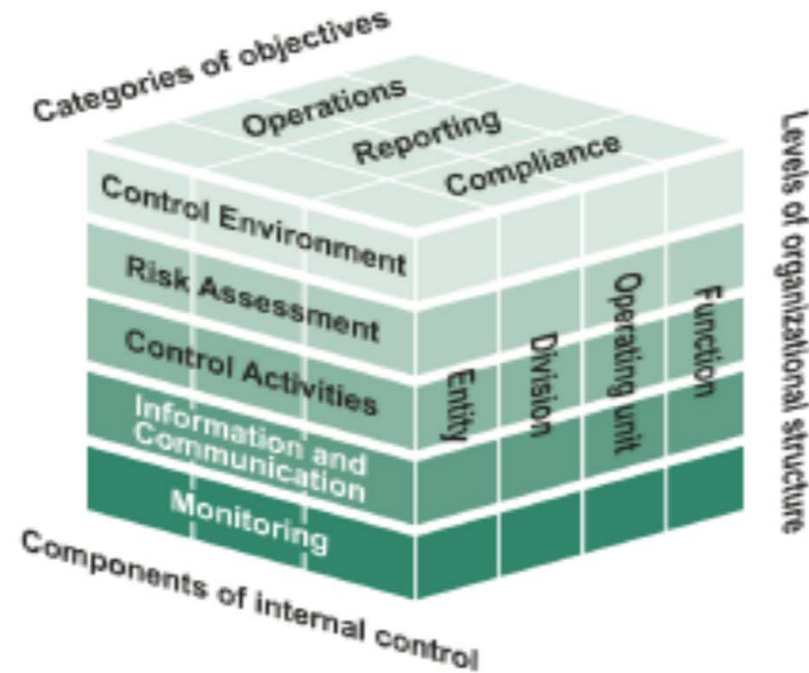
- Run its operations efficiently and effectively
- Report reliable information about operations
- Comply with applicable laws and regulations

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

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# 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: COSO and GAO. | GAO-14-704G

## Multiple Steps in Development of the Audit Plan

- 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



## Multiple Steps in Development of the Audit Plan *(continued)*

- Prioritize proposals
- Consider staffing constraints
- Confer with Government Performance and Financial Management 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 2018 Auditable Units Risk-Ranked by Department - Updated With FY 2017 Adopted Budget  
 Prior Audit Coverage and Proposed FY 2018 Audit Plan

Department	Auditable Units <sup>(1)(2)</sup>	Reporting		Operational		Compliance	Weighted Total
		Financial	Non Financial	Effectiveness	Efficiency		
ACS	Dallas Animal Services & Neighborhood Nuisance Abatement	(17) P	(17) P	(17) P	(17) P	(17) P	230
ATT	Legal Services					(16)	214
AVI	Airport Services	(15-17) P	(15-17) P	(16) WIP	(16) WIP	(17)	200
AVI	Airport Capital Construction and Debt Service						139
BDPS	Purchasing, Contract Management & Vendor Development	(15,17) WIP	(15, 17) WIP	(15, 17) WIP	(15, 17) WIP	(15, 17) WIP	253
BDPS	Business Services, Surplus & Police Unclaimed Ppty						111
Capital Bud	Water Utilities	(16, 17) P	(16, 17) P	(16, 17) P	(16, 17) P	(17) P	202
Capital Bud	Streets and Thoroughfares	(15, 17) P	(15, 17) P	(15, 17) P	(15, 17) P	(17) P	221
Capital Bud	City Facilities	(17) P	(16, 17) P	(16, 17) P	(16, 17) P	(17) P	199
Capital Bud	Flood Protection and Storm Drainage	(17) P	(17) P	(17) P	(17) P	(17) P	183
Capital Bud	Aviation	(17)	(17)	(17)	(17)	(17)	195
Capital Bud	Park and Recreation	(17) P	(17) P	(17) P	(17) P	(17) P	206
Capital Bud	Economic Development	P	P	P	P	P	222
Capital Bud	Convention and Event Services	(17)	(17)	(17)	(17)	(17)	179
Capital Bud	Equipment Acquisition						183
Capital Bud	Cultural Facilities	(17) P	(17) P	(17) P	(17) P	(17) P	136
CCO	Financial Services and Financial Reporting	(15-17) P	(15-17)	(15-17) P	(15-17) P	(15-17) P	172
CES	Convention Center Facilities Services	(15-17) WIP, P	(15-17) P	(15,17) WIP, P	(15) P		183
CES	Convention Center Debt Svc Payment						173
CIS	Communication & Information Services	(15-17) WIP, P	(15-17) WIP, P	(15-17) WIP, P	(15-17) WIP	(15-17) WIP	277
CMO	City Administration	(15-17) WIP	(15-17) WIP	(15-17) WIP	(15-17) WIP	(15-17) WIP	157
CODE	Neighborhood Code Compliance Services	(17) WIP	(17) WIP	(17) WIP	(17)	WIP	135
CODE	Consumer Health						156
CTJ	Judiciary Services						182
CTS	Municipal Court Services	(17) WIP	(16, 17) WIP	(16, 17) WIP	(16, 17) WIP		233
CTS	Jail Contract, Detention Ctr & Illegal Dump Investigation / Marshall			WIP	WIP		170
CVS	Civil Service						148
Debt Svc	General Obligation Debt	P	P	P	P	P	158
DFR	Fire and Rescue Emergency Response	(17)		(15, 17) WIP, P	(15, 17) WIP, P	(17), P	197
DFR	Fire Dispatch / Communications & Special Operations	WIP	(16)	(15-17) P	(15, 17) P	(16, 17) P	175
DFR	Fire Investigations & Inspections			(15) WIP, P	(15) P	WIP, P	190
DFR	Fire Training and Support Services	(16-17)	(16) WIP	(15-17) WIP, P	(15-17) WIP, P	(16-17) P	183



# A “Heat Map” Is Updated Annually to Reflect Auditable Units, Risk, Coverage, and Proposed Work *(continued)*

**City Auditor's Office**  
**FY 2018 Auditable Units Risk-Ranked by Department - Updated With FY 2017 Adopted Budget**  
**Prior Audit Coverage and Proposed FY 2018 Audit Plan**

Department	Auditable Units <sup>(1)(2)</sup>	Reporting		Operational		Compliance	Weighted Total
		Financial	Non Financial	Effectiveness	Efficiency		
CIS	Communication & Information Services	(15-17) WIP, P	(15-17) WIP, P	(15-17) WIP, P	(15-17) WIP	(15-17) WIP	277
BDPS	Purchasing, Contract Management & Vendor Development	(15,17) WIP	(15, 17) WIP	(15, 17) WIP	(15, 17) WIP	(15, 17) WIP	253
HR	Dallas Police and Fire Pension System	(15, 17)	(15, 17)	(15, 17)	(15, 17)		242
HNS	HOU - Community / Senior Services			WIP			234
CTS	Municipal Court Services	(17) WIP	(16, 17) WIP	(16, 17) WIP	(16, 17) WIP		233
HNS	HOU - Housing Preservation						230
DWU	DWU Financial Management & Customer Services	(15-17) WIP, P	(15-17) WIP, P	(15, 16) WIP	(15, 16) WIP	(15-17) WIP	230
ACS	Dallas Animal Services & Neighborhood Nuisance Abatement	(17) P	(17) P	(17) P	(17) P	(17) P	230
HNS	HOU -Comprehensive Homeless Outreach	WIP	WIP	WIP	WIP	WIP	228
DPD	Police Administrative Support	(15, 17) WIP	(15-17) WIP, P	(15-17) WIP, P	(16, 17) WIP, P	(15, 17) WIP, P	225
HNS	HOU - Home Ownership Development						222
Capital Bud	Economic Development	P	P	P	P	P	222
Capital Bud	Streets and Thoroughfares	(15, 17) P	(15, 17) P	(15, 17) P	(15, 17) P	( 17) P	221
MCC	Administrative Support for the Mayor and City Council	(16) WIP	(16) WIP	(16) WIP	(16)	(17) WIP	219
ATT	Legal Services					(16)	214
LIB	Library Operation/Public Service & Literacy			WIP	WIP		212
PUD	Planning Neighborhood Vitality						208
PKR	Leisure Venue Management & Aquatic Services		(16)	(16) WIP, P	(16) WIP, P	(16)	207
Capital Bud	Park and Recreation	(17) P	(17) P	(17) P	(17) P	(17) P	206
DWU	Water Production, Delivery & Conservation	(15-17) WIP, P	(15-17) WIP, P	(15, 16) WIP	(15, 16) WIP	(15) WIP	204
ECO	Economic Development	(15-17) P	(15, 17) P	(15-17) P	(15,17) P	(16) P	202
Capital Bud	Water Utilities	(16, 17) P	(16, 17) P	(16, 17) P	(16, 17) P	(17) P	202
AVI	Airport Services	(15-17) P	(15-17) P	(16) WIP	(16) WIP	(17)	200
Capital Bud	City Facilities	(17) P	(16, 17) P	(16, 17) P	(16, 17) P	( 17) P	199
DFR	Fire and Rescue Emergency Response	(17)		(15, 17) WIP, P	(15, 17) WIP, P	(17), P	197
HNS	HOU - Housing Management/Contract Support	(16)	(16)	(16) WIP	(16) WIP	(16)	197
DPD	Police Investigations of Narcotics & Vice Related Crimes	WIP	(17) WIP, P	(17) WIP, P	(17) P	(17) WIP, P	197
Capital Bud	Aviation	(17)	(17)	(17)	(17)	(17)	195
DPD	Police Criminal Investigations		(17) P	(16, 17) WIP, P	(16, 17) P	(17) WIP, P	195
TWM	TWM - Storm Water Drainage Management Program	(15, 17)	(15, 17)	(15, 17) WIP	(15, 17) WIP	(17)	193
DPD	Police Field Patrol	(17) WIP	(16, 17) P	(16, 17) WIP, P	(17) WIP, P	(17) WIP, P	192
EBS	EBS Building Services	(17)	(16)	(16, 17) WIP, P	(16, 17) WIP, P	(17)	192

## Next Steps

- The remaining slides included in this presentation represent the proposed Fiscal Year 2018 Audit Plan
- Seeking approval from the Government Performance and Financial Management Committee to recommend the proposed Fiscal Year 2018 Audit Plan to the full City Council for approval
- Item will be on the City Council Agenda for Wednesday, September 13, 2017



CITY OF DALLAS

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OFFICE OF THE CITY AUDITOR

AUDIT PLAN  
FISCAL YEAR 2018

CRAIG D. KINTON  
CITY AUDITOR

DRAFT





## AUDIT PLAN FOR FISCAL YEAR 2018

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 2018 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 2018.

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 Key Strategic Priorities:

- Public Safety
- Mobility Solutions, Infrastructure, and Sustainability
- Economic and Neighborhood Vitality
- Human and Social Needs
- Quality of Life
- Government Performance and Financial Management

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.



- **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.

- **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.

#### **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 Government Performance and Financial Management 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 Government Performance and Financial Management 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 Strategic Priorities™	Description	Objectives
1	ATT	Government Performance and Financial Management	Litigation Support	Provide audit, attestation, and other professional services, as requested by the City Attorney
2	CCO	Government Performance and Financial Management	Monthly Bank Reconciliations	Determine whether monthly bank reconciliations are accurate, timely, and efficiently completed
3	CIS	Mobility Solutions, Infrastructure and Sustainability / Government Performance and Financial Management	Information Technology Processes	To procure and monitor professional services necessary to perform a security program maturity assessment and evaluate the City's: (1) information security risk management strategy; (2) security architecture; and, (3) implementation of information technology security and privacy controls
4	CPE	Government Performance and Financial Management	Performance Measurement Process	Conduct an audit of the performance measures included in the City's 365 website to evaluate whether performance data are meaningful, accurate, supportable, reliable and valid



#	Department	Key Strategic Priorities**	Description	Objectives
5	DFR	Public Safety	DFR Occupational Safety and Health Program	Determine whether the DFR occupational safety and health program is appropriately designed to reduce on-the-job accidents, injuries, worker compensation claims, etc. by comparison to appropriate national standards or identifiable industry best practices
6	DPD	Public Safety	DPD's Complaint Process	To determine if: (1) the DPD complaint process is accessible; (2) internal and external complaints are processed consistently; and, (3) appropriate and consistent corrective actions are taken
7	ECO	Economic and Neighborhood Vitality	Economic Development Programs and Incentives	Evaluate whether selected economic development programs are producing expected results and whether monitoring controls are effective
8	MCC	Multiple	Council Assistance	Provide audit and attestation services and other professional services, as requested by individual City Council members

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#	Department	Key Strategic Priorities**	Description	Objectives
9	OFS	Government Performance and Financial Management	Verification of Third-Party Receipts Collections for Sales and Use Tax and Franchise Fees	Verify that: (1) sales and 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
10	OFS	Government Performance and Financial Management	Revenue Estimates – Budgeted Revenues for Fiscal Year 2018-2019	Determine whether the City has effective processes to ensure reasonable revenue estimates are included in the City Manager's proposed operating budget
11	OFS / CCO	Government Performance and Financial Management	Utilization of Bond Funds	To evaluate the administration of general obligation bond fund programs which may include an assessment of: (1) the timeliness of deployment of funds after issuance; (2) processes for tracking expenditures, interest allocations, or unused funds; (3) processes for reallocation of funds between projects
12	PIO	Government Performance and Financial Management	Open Records Request Process	Evaluate the effectiveness of the PIO's compliance with State law and whether there are cost-saving opportunities

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#	Department	Key Strategic Priorities**	Description	Objectives
13	SDC	Mobility Solutions, Infrastructure and Sustainability	Management of the City's Surplus Real Properties	Evaluate the City's processes for identifying, managing, and disposing of surplus real property
14	Multiple	Public Safety	Security and Safety Protocols for Large Public Venues Owned or Managed by the City	Evaluate the adequacy of the security and safety protocols in place for large public venues owned or managed by the City
15	Multiple	Quality of Life / Government Performance and Financial Management	Business Partner Oversight	Evaluate the financial, operational, and other risks for major business partners operating City-owned facilities under the oversight of the Department of Park and Recreation and the City's oversight and monitoring controls (may include the Dallas Zoo, the Dallas Arboretum, and / or Bahama Beach; will exclude Fair Park facilities which were audited in Fiscal Year 2016)
16	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
17	Multiple	Multiple	Fraud, Waste and Abuse Investigations	Evaluate allegations of fraud, waste and abuse, conduct investigations, and educate employees

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#	Department	Key Strategic Priorities**	Description	Objectives
18	Multiple	Multiple	Management Assistance	Provide audit and attestation services and other professional services as requested by Management
19	Multiple	Multiple	Prior Audit Recommendations Follow-Up	Evaluate Management's implementation of prior audit recommendations

\*\* The Fiscal Year 2018 Audit Plan (Audit Plan) is based on a risk assessment updated for City services approved in the Fiscal Year 2017 City of Dallas Adopted Annual Budget. While this year's Audit Plan does not directly address Human and Social Needs, one of the City Council's Fiscal Year 2018 Key Strategic Priorities, to the extent possible the Office will include this Key Strategic Priority in projects identified as "Multiple".

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# Office of the City Auditor Fiscal Year 2018 Audit Plan

Government Performance  
and Financial Management  
Committee

August 21, 2017

Craig D. Kinton  
City Auditor  
Office of the City Auditor



## City of Dallas