

Memorandum



CITY OF DALLAS

DATE: July 30, 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 Fourth Quarter Update

Carol A. Smith, First Assistant City Auditor, will provide a briefing to the members of the Government Performance and Financial Management Committee on Monday, August 6, 2018 regarding:

- Office of the City Auditor – FY 2018 Fourth Quarter Update

Respectfully,

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
Daniel F. Solis, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Jon Fortune, Assistant City Manager
Majed A. Al-Ghafry, Assistant City Manager
Joey Zapata, Assistant City Manager
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 Fourth Quarter Update

**Government Performance & Financial
Management Committee
August 6, 2018**

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



Audit and Attestation Services

Fourth Quarter Update

Government Performance & Financial Management



City of Dallas

Reports Issued

Third Quarter Fiscal Year 2018 (April 1 – June 30)

Performance Audits

- Continuity of Operations Audit Follow-Up – Multiple Departments
- Records Management System – Dallas Police Department
- Fiscal Year 2018 Audit Follow-Up of Prior Recommendations – Multiple Departments



Continuity of Operations Audit Follow-Up

Release Date: June 15, 2018

Objectives: Evaluate whether, as of December 31, 2017, certain FY 2013* prior audit recommendations were implemented

Conclusion: Between FY 2013 and FY 2017, the Office of Emergency Management (OEM), with the assistance of a consulting firm and certain department directors, identified and prioritized the City of Dallas' (City) mission essential functions and updated the City's Continuity of Operations (COOP) Basic Plan and department specific annexes

- This updated information was used by the Department of Communication and Information Services (CIS) to develop a framework for a comprehensive Disaster Recovery Plan
- Although annual updates are required, in FY 2017, most departments' annexes were not updated

** Certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.*



Continuity of Operations Audit Follow-Up

Conclusion (continued...)

Despite measurable progress by OEM and CIS, the three recommendations included in the original audit, *Audit of the Design of the City of Dallas' Pandemic Influenza Continuity of Operations Basic Plan*, Report No. A13-009, September 13, 2013 were not fully implemented

- *The City Manager and/or designated continuity personnel develop and implement the ten COOP Plan*
- *The City Manager and/or designated continuity personnel provide periodic updates to the City Council on the project to ensure transparency*
- *The City Manager and the Director of CIS develop a Disaster Recovery Plan using the information from the ten Continuity Management Functions of the COOP Plan*



Continuity of Operations Audit Follow-Up

Conclusion (continued...)

Full recommendation implementation required City management to:

- Address 50 critical characteristics identified in the original audit as missing components from the ten Continuity Management Functions
- Communicate with City Council
- Develop a comprehensive Disaster Recovery Plan



Continuity of Operations Audit Follow-Up

We recommended:

- The **City Manager** in coordination with the **Directors of OEM and CIS**:
 - Develop an administrative directive that establishes the City's policy regarding business continuity planning and the COOP Basic Plan at both a citywide and departmental level
 - Establish an organizational structure that clearly defines roles, responsibilities, and accountability related to business continuity planning and the COOP Basic Plan
 - Dedicate continuity of operations personnel with the appropriate authority and resources
 - Obtain departmental commitment to ensure: (1) the City's COOP Basic Plan and the departments' annexes are complete, including adequate information technology (IT) resources and other supplies necessary to restore and maintain essential functions for 30 days; (2) regularly updated (at least annually); and, (3) properly tested



Continuity of Operations Audit Follow-Up

(continued...)

- Develop or obtain IT systems to document the departments' annexes and monitor annual updates
 - Reach a consensus among departments regarding which IT systems must be restored
- The **City Manager** in coordination with the **Director of CIS**:
- Develop a comprehensive Disaster Recovery Plan by establishing a formal plan that includes measurable interim milestones to demonstrate progress
- The **City Manager**¹ periodically briefs the City Council on the City's business continuity

1. Based on management's response, OEM and CIS will provide periodic updates to City Council upon completion of each milestone noted in the second recommendation.

Records Management System

Release Date: June 22, 2018

Objectives: Determine if the Records Management System (RMS) has adequate internal controls to ensure that all crime related data are processed efficiently and effectively (Note: This is the revised objective²)

Scope: RMS crime incidents reported from June 1, 2014 to June 30, 2017*

Conclusion: For the audit period, (June 1, 2014 through June 30, 2017), the Dallas Police Department (DPD) had adequate internal controls to ensure that all crime related data were processed efficiently and effectively

2. The original objective was to determine whether the City of Dallas' (City) goals for implementing the Record Management System (RMS) achieved anticipated results (specifically cost, project schedule, functions implemented, and shadow systems eliminated) and whether the RMS includes appropriate controls.

* Certain other matters, procedures, and transactions occurring outside that period may have been reviewed to understand and verify information related to the audit period



Records Management System

Conclusion (continued...)

The DPD reported complete, correctly classified, and accurate counts of serious crime incidents and arrests to the Texas Department of Public Safety (TX DPS). As a result, the citizens of Dallas, the TX DPS, and the United States Federal Bureau of Investigation (FBI) can rely on the crime statistics reported by DPD.

The DPD's internal controls related to the Records Management System (RMS), however, are not sufficient to:

- Prevent and detect unauthorized deletions or alterations of RMS data
- Ensure only users who need access to RMS to perform their job responsibilities have access



Records Management System

We recommended the Chief of Police:

- Implements formal policies and procedures to ensure:
 - Any legitimate alteration and expungement of data from RMS is formally requested, authorized, and documented by DPD management
 - Crime data unit logs are preserved, and regularly reviewed for indications of inappropriate or unusual activity
- Develops a matrix of user access privileges in RMS that would ensure segregation of incompatible duties and the assignment of least privileges to each user that are essential to perform the user's assigned duties
- Uses the matrix of user access privileges to re-assign user access in RMS based on the principles of segregation of incompatible duties and the assignment of least privileges to each user that are essential to perform the user's intended duties

Records Management System

(continued):

- Implements formal policies and procedures to perform an annual comparison of user access privileges in RMS to the matrix of user access privileges
- Deactivates RMS user accounts of users who are no longer employed by the City
- Ensures DPD complies with the City's Enterprise Information Security Standard (EISS), specifically:
 - Assigns a unique personal user account to every RMS user
 - Limits temporary access to an elevated privilege, such as an administrator, to seven days
 - Disables and locks RMS users accounts when the individual has not accessed RMS for any consecutive 90 day period



Records Management System

(continued...):

- Deactivates/disables vendor accounts if the accounts have not been used in any consecutive 90 day period
- Revokes user access to RMS immediately upon termination of employment
- Logs the activities of all elevated accounts and reviews the logs regularly to ensure that inappropriate activities are identified early and resolved

We recommended the Director of CIS:

- Performs security reviews and security assessments of RMS in accordance with the EISS

Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations

Release Date: June 22, 2018

Objectives: Evaluate whether, as of September 30, 2017, certain Fiscal Years (FY) 2016 and 2017 prior audit recommendations were implemented

Conclusion: The Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations (Follow-Up Audit) covered 43 recommendations that were included in five audit reports issued in Fiscal Year (FY) 2016 and FY 2017. The City of Dallas' (City) management agreed to implement these recommendations by September 30, 2017

The Office of the City Auditor's verification results showed City management implemented 19 of the 43 recommendations, or 44 percent



Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations

Conclusion (continued...)

While City management made concerted efforts, recommendations were not considered fully implemented if the underlying risks identified in the prior audits were not sufficiently mitigated. The Office of the City Auditor identified opportunities to improve the following:

- Policies and procedures necessary to establish an internal control framework
- Monitoring of the timeliness, effectiveness, and consistency of the established internal controls
- Proper and consistent documentation of transactions, internal controls, and organizational events
- Appropriate design and implementation of information systems

Recommendations: (None)

Investigative Services

Fourth Quarter Update

Government Performance & Financial Management



City of Dallas

Investigative Services Performed

Third Quarter Fiscal Year 2018 (April 1 – June 30)

Investigative Services opened 34 cases during the third quarter. Examples of allegations received include:

- Conflicts of interest
- Discrimination
- Theft of time
- Misuse of City services



Investigative Services Performed

Third Quarter Fiscal Year 2018 (April 1 – June 30)

Twenty-six cases were closed during the period resulting in five substantiated complaints related to employee relations, employee pay and improper notification of a vehicle accident. The substantiated complaints led to accountability actions including:

- An employee resignation
- Letters of counseling
- Training
- Salary adjustment



Anticipated Report Releases

Fourth Quarter Fiscal Year 2018 (July 1 – September 30)

Performance Audits

- Business Partner Oversight – Park and Recreation
- Miscellaneous Permit Fee Revenues – Dallas Water Utilities
- Off-Duty Employment Administration – Dallas Police Department

Attestation Engagement

- Agreed-Upon Procedures for Petition Processing by the City Secretary's Office



Projects in Progress

Fourth Quarter Fiscal Year 2018 (July 1 – September 30)

Performance Audits

- Dallas Convention & Visitors Bureau (VisitDallas) – Convention and Events Center
- Open Records Request Process – City Secretary’s Office
- Performance Measurement Process – Multiple Departments
- Surveillance Camera Oversight – Multiple Departments
- Water Quality and Safety, Testing, and Monitoring – Dallas Water Utilities
- Security and Safety Protocols for Large Public Venues Owned or Managed by the City – Multiple Departments



Projects in Progress

Fourth Quarter Fiscal Year 2018 (July 1 – September 30)

Performance Audits (continued...)

- Franchise Fees Review through Third-Party Vendor (*Ongoing*)
- Sales/Use Tax Compliance Review through Third-Party Vendor (*Ongoing*)



Anticipated Project Starts

Fourth Quarter Fiscal Year 2018 (July 1 – September 30)

Performance Audits

- Dallas Police Department's Complaint Process
- Economic Development Programs and Incentives – Office of Economic Development
- Management of the City's Surplus Real Properties – Department of Sustainable Development and Construction
- Revenue Estimates – Office of Budget



Appendix – Report Links

Performance Audits

- [Continuity of Operations Audit Follow-Up](#)
- [Records Management System](#)
- [Fiscal Year 2018 Audit Follow-up of Prior Audit Recommendations](#)



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