

Memorandum



DATE: January 20, 2011

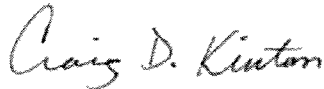
TO: Honorable Members of the Budget, Finance & Audit Committee –
Jerry R. Allen, Chair; Ann Margolin, Vice-Chair; Delia Jasso; Vonciel Jones Hill;
Angela Hunt; Ron Natinsky; David A. Neumann

SUBJECT: Presentation to the Budget, Finance & Audit Committee:
Office of the City Auditor Fiscal Year 2011 – Second Quarter Update

I will provide a briefing to the members of the Budget, Finance & Audit Committee on Monday, January 24, 2011 regarding:

- Fiscal Year 2011 Audit Plan Status Update – Second Quarter

Sincerely,



Craig D. Kinton
City Auditor

Budget, Finance and Audit Committee

Office of the City Auditor Fiscal Year 2011 – Second Quarter Update



City of Dallas
Office of the City Auditor
January 24, 2011



Reports Issued

First Quarter, Fiscal Year 2011

- Sanitation Franchise Fee Audit of a Selected Solid Waste Collection and Hauling Company
- Audit of Selected General Computer Controls Over Various Revenue Sources for the Department of Park and Recreation
- Confidential Security Administration Limited Use Report – Audit of Selected General Computer Controls Over Various Revenue Sources for the Department of Park and Recreation
- American Recovery and Reinvestment Act (ARRA) – July 1, 2010 to September 30, 2010
- Audit of Fleet Management Services

Reports Issued

First Quarter, Fiscal Year 2011

- Independent Auditor's Reports on Applying Agreed-Upon Procedures
 - Fiscal Year 2010 # 4 Drug Destruction
 - Fiscal Year 2010 # 4 Weapons Destruction
 - Fiscal Year 2011 # 1 Weapons Destruction
 - Fiscal Year 2011 # 1 Drug Destruction
 - Bonds Review: General Obligation Refunding Bonds, Series 2010C; Equipment Acquisition Contractual Obligations, Series 2010; General Obligation Refunding Bonds, Taxable Series, 2010

Reports Issued

First Quarter, Fiscal Year 2011

■ Sole Source Bid Reviews

- Deccan International – Dallas Fire-Rescue
- Hansen Information Technologies Software Service and Maintenance Renewal – Dallas Water Utilities
- Lawson HRIS Software Maintenance Renewal and Contract for Additional Licenses – Department of Communication and Information Services
- LeadsOnline Subscription – Dallas Police Department
- NewsBank, Inc. – Dallas Public Library
- Orion Software Maintenance – Dallas Police Department

■ Single Bid Reviews

- Rifle Purchase with Trade-In – Dallas Police Department
- Business Loan Program – Department of Economic Development



Reports Issued

Second Quarter, Fiscal Year 2011

- Sanitation Franchise Fee Audit of a Selected Solid Waste Collection and Hauling Company

Anticipated Report Releases

Second Quarter, Fiscal Year 2011

- American Recovery and Reinvestment Act (ARRA) – Summary Report of October 1, to 2009 to September 30, 2010
- South Dallas Fair Park Trust Fund
- Follow-Up Audit of Outstanding Prior Audit Recommendations
- Fiscal Year 2011 # 2 Drug Destruction

Projects In-Progress

Second Quarter, Fiscal Year 2011

- Uniform Overtime for Dallas Fire-Rescue
- Sales/Use Tax Compliance Review Service
- No Smoking Ordinance
- Information Technology Disaster Recovery
- Fleet Management Fuel Usage
- Emergency Management Operations and Business Continuity Plan
- Capital Programs

Anticipated Project Starts

Second Quarter, Fiscal Year 2011

- Contract Compliance – Office Depot Former Contract
- Sanitation Refuse Collection and Bulk Removal
- Aviation Regulatory Compliance
- Municipal Court Collection Services
- Drug Articles and Weapons Destructions (as requested)
- Single Bid and Sole Source Reviews (as requested)

Audit Highlights

First Quarter, Fiscal Year 2011

■ Sanitation Franchise Fee Audit of Selected Solid Waste Collection and Hauling Company

- Identified \$51,633 in underpaid franchise fees
- As a result, the company remitted \$51,633 to the City of Dallas on August 26, 2010

Audit Highlights

First Quarter, Fiscal Year 2011

■ **Audit of Selected General Computer Controls Over Various Revenue Sources for the Department of Park and Recreation**

- Selected General Computer Controls for the Class and Club Prophet Point of Sale (POS) Applications, which support revenue transaction processing for approximately 72 percent of the \$11.8 million PKR FY 2010 budgeted revenue, are generally not well designed or properly implemented
- The PKR information technology function has not established general computer controls over change management, security administration, and computer operations for these POS applications; without general computer controls for these POS applications, PKR cannot ensure accuracy and completeness of revenue processing

■ **Confidential Security Administration Limited Use Report – Audit of Selected General Computer Controls Over Various Revenue Sources for the Department of Park and Recreation**

- Issues and associated recommendations related to security administration have been omitted from the publicly released report based on:
 - Government Auditing Standards, July 2007 revision, Sections 8.39 – 8.42 Reporting Confidential or Sensitive Information; and,
 - Texas Government Code Section 552.139. Exception: Government Information Related to Security or Infrastructure Issues for Computers

Audit Highlights

First Quarter, Fiscal Year 2011

■ American Recovery and Reinvestment Act (ARRA) – July 1, 2010 to September 30, 2010

- As of September 30, 2010, the City of Dallas (City) has been awarded ARRA funds of \$136,033,631 by Federal and State agencies. Of this amount, \$76,805,968 was funded through the Texas Department of Transportation, the Regional Transportation Commission, and the North Central Texas Council of Governments. Of the remaining \$59,227,663, the City indicated that \$16,036,051, or approximately 27 percent, has been expended.
- During the period of July 1, 2010 through September 30, 2010, the City did not directly receive new ARRA funding awards; however the City has two applications totaling \$932,479 pending approval by Federal and State agencies
- The City will benefit from \$76.8 million in ARRA funding allocated to transportation projects by Regional Transportation Commission, Texas Department of Transportation, and North Central Texas Council of Governments. The City is not directly responsible for monitoring these funds.
- The Office of the City Auditor previously reported the City's actual ARRA expenditures were not reported to the public because the Federal government required that expenditure amounts could not exceed the amount reimbursed from Federal agencies. This requirement was changed for the reports due beginning in July 2010.
- The Office of the City Auditor has not received any allegations involving Federal stimulus grants through the Fraud, Waste and Abuse Hotline during the period of July 1, 2010 through September 30, 2010

Audit Highlights

First Quarter, Fiscal Year 2011

■ American Recovery and Reinvestment Act (ARRA) – July 1, 2010 to September 30, 2010 (*CONTINUED FROM PREVIOUS PAGE*)

- The City should be commended for either implementing or partially implementing 27 of the 28 recommendations included in the 2009 ARRA risk assessment reported by the Office of the City Auditor. The recommendation not implemented suggests City management include the ARRA **preference** for “quick start” activities in written policies and procedures. This does not impact the City’s compliance with ARRA requirements.
- A September 2010 Government Accountability Office Recovery Act report on *Opportunities to Improve Management and Strengthen Accountability over States’ and Localities’ Uses of Funds* shows that the Dallas City Auditor has taken various steps to promote accountability within the City
- Weatherization Assistance Program contractors have completed work on 257 homes from July 1, 2010 through September 30, 2010 and the City has met the target production goals per the Mitigation Action Plan; however, non-compliance issues remain a concern
- The City did not meet the initial September 2010 benchmark of spending 20 percent (\$2.6 million) of Energy Efficiency and Conservation Block Grant funds; however, the Federal government did not take any adverse action
- The City and its sub-recipients reported 158 jobs were funded during the period July 1, 2010 through September 30, 2010

Audit Highlights

First Quarter, Fiscal Year 2011

■ **Audit of Fleet Management Services**

- The City of Dallas can improve fleet management and efficiency and minimize risks by:
 - Establishing and evaluating vehicle utilization criteria
 - Developing benchmarks for the timely processing of vehicles through the make ready process (process of preparing a vehicle for service) and disposition stages of the vehicles' life cycle
 - Using the FleetFocus M5 software application to track the number and status of all vehicles in the City's fleet
 - Implementing appropriate controls to ensure the reliability and integrity of fleet data used for decision making

Attestation Highlights

First Quarter, Fiscal Year 2011

- **Independent Auditor Reports on Applying Agreed-Upon Procedures**
 - **Fiscal Year 2010 # 4 Drug Destruction**
 - 1,113 drug invoices and associated 1,977 drug articles totaling 225.1 pounds destroyed
 - **Fiscal Year 2010 # 4 Weapons Destruction**
 - 115 weapons destroyed
 - **Fiscal Year 2011 # 1 Weapons Destruction**
 - 208 weapons destroyed
 - **Fiscal Year 2011 # 1 Drug Destruction**
 - 66 drug invoices and associated 211 drug articles totaling 811.0 pounds destroyed

Attestation Highlights

First Quarter, Fiscal Year 2011

■ Bonds Reviews

The following Official Statements related to the listed bonds were reviewed to minimize concerns that the City's financial condition is not accurately disclosed:

- Official Statement Totaling \$237,275,000 – General Obligation Refunding Bonds, Series 2010 C; Equipment Acquisition Contractual Obligations, Series 2010; General Obligation Refunding Bonds, Taxable Series 2010

Attestation Highlights

First Quarter, Fiscal Year 2011

□ Sole Source Bid Reviews

The following Sole Source Bid Reviews met the exemptions from competitive bidding as specified in the State of Texas Local Government Code, Chapter 252.022, **General Exemptions (a) (7)** – *a procurement of items that are available from only one source*

- Deccan International \$84,250 – Dallas Fire-Rescue
- Hansen Information Technologies Software Service and Maintenance Renewal \$39,026 – Dallas Water Utilities
- Lawson HRIS Software Maintenance Renewal and Contract for Additional Licenses \$998,321.52 – Department of Communication and Information Services
- LeadsOnline Subscription \$86,400 – Dallas Police Department
- NewsBank, Inc. \$432,594 – Dallas Public Library
- Orion Software Maintenance \$223,869.73 – Dallas Police Department

Attestation Highlights

First Quarter, Fiscal Year 2011

□ **Sole Source Bid Reviews** *(CONTINUED FROM PREVIOUS PAGE)*

The following procurement met the exemptions from competitive bidding as specified in the State of Texas Local Government Code, Chapter 252.022, **General Exemptions** (a) (7) – *a procurement of items that are available from only one source*; however, an exception was noted as a result of applying agreed-upon procedures that it was not possible to determine price reasonableness due to insufficient data provided by the vendor:

- Hansen Information Technologies Software Service and Maintenance Renewal \$39,026 – Dallas Water Utilities

The following procurement met the exemptions from competitive bidding as specified in the State of Texas Local Government Code, Chapter 252.022, **General Exemptions** (a) (7) – *a procurement of items that are available from only one source*; however, two exceptions were noted as a result of applying agreed-upon procedures that: (1) In FY 2008, 2009, and 2010, the Dallas Public Library made purchases without City Council approval, an Office of the City Auditor's Sole Source Review, or a contract. In August 2010, City Management approved payment of \$25,000 of the \$125,870 through an Administrative Action. During the same three fiscal years, the Library also purchased NewsBank microfilm access services in the amounts of \$24,430.82, \$22,111, and \$23,190.46, respectively, which were invoiced separately; and, (2) There is no contract with the vendor for the online newspaper database and microfilm access services:

- NewsBank, Inc. \$432,594 – Dallas Public Library

Attestation Highlights

First Quarter, Fiscal Year 2011

□ Single Bid Reviews

The following procurement followed Administrative Directive 4-5 provisions for processing single bid items and made reasonable efforts to increase bid participation:

- Rifle Purchase with Trade-In \$40,900 – Dallas Police Department

The following procurement followed the majority of the provisions contained within Administrative Directive 4-5 provisions for processing single bid items; however, an exception was noted as a result of applying agreed upon procedures that the Request for Competitive Sealed Requirements appeared unduly restrictive, thereby limiting competition:

- Business Loan Program \$3,000,000 – Department of Economic Development



Audit Highlights

Second Quarter, Fiscal Year 2011

- Sanitation Franchise Fee Audit of a Selected Solid Waste Collection and Hauling Company – *Released January 21, 2011*
 - Audit identified \$165,147 in underpaid franchise fees; as a result, the company remitted \$165,147 to the City of Dallas on December 28, 2010

QUESTIONS?



City of Dallas
Office of the City Auditor
January 24, 2011

