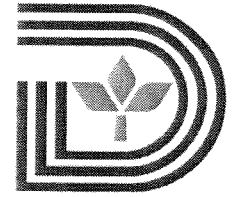


## Memorandum



CITY OF DALLAS

**DATE:** January 31, 2013

**TO:** Honorable Members of the Budget, Finance & Audit Committee –  
Jerry R. Allen, Chair; Tennell Atkins, Vice-Chair;  
Monica Alonzo; Scott Griggs; Ann Margolin

**SUBJECT:** Presentation to the Budget, Finance & Audit Committee:  
Office of the City Auditor Fiscal Year 2013 – Second Quarter Update

I will provide a briefing to the members of the Budget, Finance & Audit Committee on Monday, February 4, 2013 regarding:

- Office of the City Auditor Fiscal Year 2013 – Second Quarter Update

Sincerely,

A handwritten signature in cursive script that reads "Craig D. Kinton".

Craig D. Kinton  
City Auditor

# Budget, Finance and Audit Committee

## Office of the City Auditor Fiscal Year 2013 – Second Quarter Update



City of Dallas  
Office of the City Auditor  
February 4, 2013





# Audits and Attestation Services Reports Issued

*First Quarter, Fiscal Year 2013*

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- Audit of Monitoring Controls Over Tax Increment Financing (TIF) Districts
- Audit Follow-Up of Prior Year Audit Recommendations – Fiscal Years 2010 to 2011
- Confidential Security Administration Limited Use Report – Audit Follow-Up of Prior Year Recommendations – Fiscal Years 2010 to 2011 as it Relates to Audit of Selected General Computer Controls for the Dallas Police Department and the Dallas Fire-Rescue Primarily Administered by the Department of Communication and Information Services
- Confidential Security Administration Limited Use Report – Audit Follow-Up of Prior Year Recommendations – Fiscal Years 2010 to 2011 as it Relates to Audit of Selected General Computer Controls Over Various Revenue Sources for the Department of Park and Recreation
- Audit of Administrative Actions



# Audits and Attestation Services Reports Issued

First Quarter, Fiscal Year 2013

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## ■ Independent Auditor's Reports on Applying Agreed-Upon Procedures

- Official Statement as of October 9, 2012 for the City of Dallas, Texas (Dallas, Denton, Collin and Rockwall Counties) General Obligation Refunding Bonds, Series 2012 – \$214,495,000
- Fiscal Year 2013 # 1 Weapons Destruction
- Sole Source – EnvisionConnect Software Upgrade, \$114,424
- Single Bid # BU1223 Department of Communication and Information Services / City Controller's Office – Purchase of Accurate NXG Software (Fiserv) Maintenance Support and Professional Services, \$389,500
- Single Bid # BDZ1241 Department of Housing/Community Services – One Year Loan Agreement for Housing Opportunities for Persons with AIDS (HOPWA) Housing Facilities Rehab/Repair, \$150,000



# Investigative Services Reports Issued

First Quarter, Fiscal Year 2013

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- Fraud, Waste and Abuse Allegations: Investigation of Sick Leave Usage in Department of Dallas-Fire Rescue
- Investigative Report: Department of Dallas Water Utilities – Public Water System Monitoring and Reporting Issues
- Investigative Report: Library – Sexual Activity in the Workplace
- Investigative Report: Department of Business Development and Procurement Services and Department of Equipment and Building Services – Potential Fraudulent Activity Related to Used Tires Auctioned by the City Store



# Audit and Attestation Services Anticipated Report Releases

Second Quarter, Fiscal Year 2013

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- Sales/Use Tax Compliance Review Through MuniServices (March 2011 to September 2012)
- Design of Dallas Central Appraisal District's Internal Control over Total Exemption Processing
- Special Audit – Department of Park and Recreation Director Retirement
- Fines / Fees Processing and Effectiveness – Selected Permits and Fees
- City's Self-Insurance Programs – General Liability
- Contract Compliance – Office Depot



# Audit and Attestation Services Projects In-Progress

Second Quarter, Fiscal Year 2013

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- Sales/Use Tax Compliance Review Through MuniServices (*Ongoing*)
- Business Continuity Plan
- Arts and Cultural Program Funding
- Citizen Centric Report
- Payroll Audit
- Water Customer Billings
- Software Licensing Agreements
- Purchasing / Contracting Processes
- Franchise Fees



# Audit and Attestation Services Anticipated Project Starts

Second Quarter, Fiscal Year 2013

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- Accounts Payable
- Wastewater Collection and Treatment
- Drug Articles and Weapons Destructions (as requested)
- Single Bid and Sole Source Reviews (as requested)
- Bond Statements (as requested)





# Audit and Attestation Services Highlights

First Quarter, Fiscal Year 2013

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## ■ Audit of Monitoring Controls Over Tax Increment Financing (TIF) Districts (December 7, 2012)

- ❑ The Department of Economic Development's (ECO) Tax Increment Financing Program (TIF Program) has sufficient monitoring controls to help ensure compliance with TIF District Agreements.
- ❑ Judgmental samples of tax increment revenues (revenues) of approximately \$20.1 of \$26.2 million, or 77 percent, and TIF Districts' expenditures of approximately \$22 of \$24 million, or 92 percent, for calendar year 2011 showed: (1) revenues were properly supported and accounted for; and, (2) payments and transfers made to entities associated with these TIF Districts were for allowable expenses, adequately supported, and appropriately authorized.
- ❑ The ECO, however, does not have formal TIF Program policies and procedures.
- ❑ The ECO's monitoring responsibilities for the 17 individual TIF Districts are not formally documented and ECO cannot ensure that monitoring processes by personnel are properly documented and performed timely and consistently.



# Audit and Attestation Services Highlights

First Quarter, Fiscal Year 2013

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## ■ Audit Follow-Up of Prior Year Audit Recommendations – Fiscal Years 2010 to 2011 (December 7, 2012)

□ During Fiscal Year (FY) 2009-2010 and FY 2010-2011, the Office of the City Auditor (Office) issued 15 audit reports which included 58 recommendations that seven City of Dallas (City) departments and Dallas Zoo Management, Inc. (DZM) agreed to implement.

□ Progress was made by all seven departments and DZM towards the implementation of audit recommendations.

□ When the audit began, management reported that five of the 58 recommendations had not been implemented. Forty-six of the remaining 53 recommendations were selected for audit testing of the implementation status as of February 2012. Testing results indicated that 35 of 46 (76 percent) were not sufficiently implemented to fully address the underlying areas of risk associated with each recommendation.

□ The Departments of Communication and Information Services (CIS) and Equipment and Building Services (EBS) were responsible for 18 of the recommendations identified as not implemented (eleven and seven, respectively). These recommendations involved highly complex activities, such as software implementation, facilitating business process changes within and across multiple departments, and establishing internal controls which were either missing or poorly designed. Although not fully implemented, progress was made to address risks associated with the computing operations and the fleet management operations. According to CIS and EBS management, the initial implementation timelines were overly optimistic. Leadership changes in both CIS and EBS and other personnel issues also contributed to implementation delays.



# Audit and Attestation Services Highlights

First Quarter, Fiscal Year 2013

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## ■ Audit of Administrative Actions (December 7, 2012)

- The preparation, authorization, and review of Administrative Actions (AAs) processed during Fiscal Year (FY) 2011, as well as six months before and after, met applicable City of Dallas (City) guidelines and criteria.
- Audit testing of AAs showed:
  - AAs were processed in compliance with City Code and Administrative Directive (AD) 4-5, Contracting Policy.
  - City departments initiating the AAs made no attempts to bypass competitive bid requirements and/or City Council approval processes.
  - All AAs were accounted for and processed.



# Audit and Attestation Services Highlights

First Quarter, Fiscal Year 2013

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## ■ Independent Auditor Reports on Applying Agreed-Upon Procedures

### □ Official Statement as of October 9, 2012 for the City of Dallas, Texas (Dallas, Denton, Collin and Rockwall Counties) General Obligation Refunding Bonds, Series 2012 – \$214,495,000 (October 9, 2012)

- Agreed-Upon Procedures for the Official Statement related to the City's General Obligation Refunding Bonds, Series 2012 were performed to minimize any concern that data related to the City's financial condition is not accurately disclosed.

No exceptions were noted.

### □ Fiscal Year 2013 # 1 Weapons Destruction (October 19, 2012)

- 962 weapons destroyed.

*Exceptions Noted:* Two weapons had incorrect serial numbers documented in Evidence Manager. The correct serial numbers were run through the National Crime Information Center database (NCIC) and had no matches. The correct serial numbers were updated in Evidence Manager prior to the destruction.



# Audit and Attestation Services Highlights

First Quarter, Fiscal Year 2013

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## ■ Independent Auditor Reports on Applying Agreed-Upon Procedures

- **Sole Source – EnvisionConnect Software Upgrade, \$114,424 (October 22, 2012)**

The 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*

No exceptions were noted.

- **Single Bid # BU1223 Department of Communication and Information Services / City Controller's Office – Purchase of Accurate NXG Software (Fiserv) Maintenance Support and Professional Services, \$389,500 (December 6, 2012)**

The procurement followed Administrative Directive (AD) 4-5: Contracting Policy provisions for processing single bid items and made reasonable efforts to increase bid participation.

*Exceptions Noted:*

- The bid security amount of \$100, required in the Request for Bid (RFB) and obtained from the single bidder, was not in compliance with the Administrative Directive (AD) 4-5: Contracting Policy, Section 7.2.4.B Bid Security, 2 which states:

*“The bid security amount shall be one of the following: (a) on procurement of goods or services less than or equal to \$100,000, \$100; if the procurement is greater than \$100,000, 5% of bid amount.”*

In this RFB, the required bid security should have been \$19,475.



# Audit and Attestation Services Highlights

First Quarter, Fiscal Year 2013

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## ■ Independent Auditor Reports on Applying Agreed-Upon Procedures

□ **Single Bid # BDZ1241 Department of Housing/Community Services – One Year Loan Agreement for Housing Opportunities for Persons with AIDS (HOPWA) Housing Facilities Rehab/Repair, \$150,000 (December 10, 2012)**

The procurement followed Administrative Directive (AD) 4-5: Contracting Policy provisions for processing single bid items and made reasonable efforts to increase bid participation.

No exceptions were noted.

# QUESTIONS?



City of Dallas  
Office of the City Auditor  
February 4, 2013

