

Memorandum



DATE: April 22, 2010

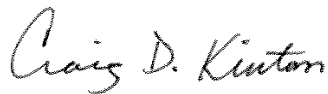
TO: Honorable Members of the Budget, Finance & Audit Committee –
Jerry R. Allen, Chair; Ann Margolin, Vice-Chair; Delia Jasso; Vonciel Jones Hill;
Ron Natinsky; David A. Neumann

SUBJECT: Presentation to the Budget, Finance & Audit Committee:
Office of the City Auditor Fiscal Year 2010 – Third Quarter Update

I will provide a briefing to the members of the Budget, Finance & Audit Committee on Monday, April 26, 2010 regarding:

- Fiscal Year 2010 Audit Plan Status Update – Third Quarter

Sincerely,



Craig D. Kinton
City Auditor

Budget, Finance and Audit Committee

Office of the City Auditor Fiscal Year 2010 – Third Quarter Update



City of Dallas
Office of the City Auditor
April 26, 2010



Reports Issued

Second Quarter

- Dallas Police Department Employee Morale Fund
- American Recovery and Reinvestment Act (ARRA) – October 1, 2009 to December 31, 2009
- Dallas Police Department's Cash Handling Procedures (Follow-up)
- Bonds Review
 - General Obligation Refunding and Improvement Bonds, Series 2010A – (\$196.6M)
 - General Obligation Bonds Taxable, Series 2010B – (\$85.4M)
 - Combination Tax and Revenue Certificates of Obligation, Series 2010 – (\$21.6M)
- Drug Destruction – FY 2010 # 2 (746.9 pounds)
- Weapons Destruction – FY 2010 # 2 (122 weapons)
- Sole Source Reviews
 - Compressed Natural Gas (\$5,389,962)
 - Westlaw On-Line Legal Research (\$370,855)

Anticipated Report Releases

Third Quarter

- Dallas Police Department Crime Statistics
- American Recovery and Reinvestment Act (ARRA) – January 1, 2010 to March 31, 2010
- Zoo Transition
- General Computer Controls (Dallas Police Department and Dallas Fire-Rescue)
- Reduction-in-Force Employee Processing Controls
- Uniform Overtime (Dallas Police Department and Dallas Fire-Rescue)
- Special Audit – Chief Financial Officer (Retirement)
- Sole Source and Single Bid Reviews (as requested)

Projects In-Progress

Third Quarter

- American Recovery and Reinvestment Act (ARRA) – April 1, 2010 to June 30, 2010
- Fleet Management
- Music Hall at Fair Park Contract
- Internal Control Review over Various Revenue Sources (Department of Park and Recreation)
- No Smoking Ordinance (City Attorney's Office)
- Confiscated Funds (Dallas Police Department)

Anticipated Project Starts

Third Quarter

- Solid Waste Hauler Franchise Fees (Department of Sanitation)
- Status of Outstanding Prior Year Audit Recommendations (Multiple Departments)
- Sales Tax and Franchise Fee Audits (contracted services)
- Single Bid and Sole Source Reviews (as requested)
- Drug and Weapons Destructions (as requested)

Audit Highlights

Second Quarter

■ Employee Morale Fund (Dallas Police Department)

- ❑ Finance and Contract Management Division of the Dallas Police Department did not comply with Administrative Directive 4-16, *Employee Morale Fund*, provisions that specify appropriate internal controls for a cash fund

■ American Recovery and Reinvestment Act (ARRA) – October 1, 2009 to December 31, 2009

- ❑ ARRA activity was primarily focused on accepting grant awards, awarding contracts, establishing fund accounts, and complying with Federal reporting requirements
- ❑ ARRA funds were properly awarded and distributed for the grants included in the audit
- ❑ ARRA funds were properly established in separate budget accounts, identified by fund number and fund type, and have not been co-mingled with funds from other sources
- ❑ City completed the initial ARRA quarterly report within the short time frame of ten days

Audit Highlights

Second Quarter

■ **DPD Cash Handling Procedures (Follow-up audit)**

- 13 of 19 recommendations from previous audit report were implemented (seven implemented; six partially implemented)
- Additional internal control weaknesses and noncompliance issues were identified, including:
 - Cash handling duties were not adequately segregated
 - Finance and Contract Management Division (FACM) does not monitor the Petty Cash Fund and Confidential Funds
 - Cash vault access is not sufficiently limited and access reviews are not performed
 - The FACM Division and DPD Divisions and Units do not comply with certain Department of Justice Financial Guidelines
 - The FACM Division did not comply with the City's Resource Information Guide governing Petty Cash Funds
 - DPD Inspections Unit's audits of the Petty Cash Fund and Confidential Funds were not effective.

Attestation Highlights

Second Quarter

- **Bonds Review – General Obligation Refunding and Improvement Bonds, Series 2010A; General Obligation Bonds Taxable, Series 2010B (Direct Subsidy Build America Bonds); Combination Tax and Revenue Certificates of Obligation, Series 2010**
 - Reviewed the Official Statement totaling \$303,570,000 related to the General Obligation Bonds / Certificates of Obligation to minimize the concerns that the City's financial condition is not accurately disclosed

- **Fiscal Year 2010 – Drug Destruction # 2**
 - 3,281 drug invoices and associated 5,775 drug articles totaling 746.90 pounds destroyed according to Agreed-Upon Procedures to assist the Dallas Police Department

- **Fiscal Year 2010 – Weapons Destruction # 2**
 - 122 weapons destroyed according to Agreed-Upon Procedures to assist the Dallas Police Department

Sole Source Highlights

Second Quarter

■ Sole Source Reviews

Sole source procurements totaling \$5,760,817 met the exemptions from competitive bidding as specified in the State of Texas Local Government Code, Chapter 252.022:

- Compressed Natural Gas (\$5,389,962 – 36 mo.)
- Westlaw On-line Legal Research (\$370,855)

QUESTIONS?



**City of Dallas
Office of the City Auditor
April 26, 2010**

