

Memorandum



DATE: April 11, 2013

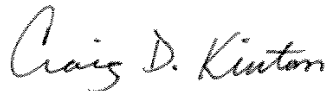
TO: Honorable Members of the Budget, Finance & Audit Committee –
Jerry R. Allen, Chair; Tennell Atkins, Vice-Chair;
Monica Alonzo; Scott Griggs; Ann Margolin

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

I will provide a briefing to the members of the Budget, Finance & Audit Committee on Monday, April 15, 2013 regarding:

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

Sincerely,



Craig D. Kinton
City Auditor

Budget, Finance and Audit Committee

Office of the City Auditor Fiscal Year 2013 – Third Quarter Update



City of Dallas
Office of the City Auditor
April 15, 2013





Audit and Attestation Services Reports Issued

Second Quarter, Fiscal Year 2013

- Audit on the Design of Dallas Central Appraisal District's Internal Control over Total Exemption Processing
- Audit of MuniServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees
- Special Audit of the Accounts of Former Director of the Department of Park and Recreation, Paul Dyer



Audit and Attestation Services Reports Issued

Second Quarter, Fiscal Year 2013

- Independent Auditor's Reports on Applying Agreed-Upon Procedures
 - Fiscal Year 2013 # 1 Drug Destruction
 - Fiscal Year 2013 # 2 Weapons Destruction



Investigative Services Reports Issued

Second Quarter, Fiscal Year 2013

- Investigative Review of Misuse of City of Dallas Resources
- Investigative Report of the Department of Sanitation Services – Abuse of Official Capacity



Audit and Attestation Services Anticipated Report Releases

Third Quarter, Fiscal Year 2013

- City's Self Insurance Programs – General Liability
- Fines / Fees Processing and Effectiveness – Selected Permits and Fees
- Citizen Centric Report



Audit and Attestation Services Projects In-Progress

Third Quarter, Fiscal Year 2013

- Sales/Use Tax Compliance Review Through MuniServices (*Ongoing*)
- Accounts Payable
- Arts and Cultural Program Funding
- Business Continuity Plan
- Contract Compliance – Office Depot
- Software Licensing Agreements
- Water Customer Billings
- Payroll Audit
- Wastewater Collection and Treatment
- Purchasing / Contracting Processes
- Franchise Fees



Audit and Attestation Services Anticipated Project Starts

Third Quarter, Fiscal Year 2013

- Aircraft Rescue and Firefighting (ARFF)
- Controls over Cash Receipts and Collections
- Drug Articles and Weapons Destructions (as requested)
- Single Bid and Sole Source Reviews (as requested)
- Bond Statements (as requested)



Audit and Attestation Services Cancelled Projects

- Dallas Police Department Efficiency Study Follow-Up (FY 2012)
- Monthly Bank Reconciliation (FY 2012)
- Data Back-Up Services (FY 2013)
- Capital Programs (FY 2013)



Audit and Attestation Services Highlights

Second Quarter, Fiscal Year 2013

- **Audit on the Design of Dallas Central Appraisal District's Internal Control over Total Exemption Processing (February 1, 2013)**
 - Dallas Central Appraisal District's (DCAD) Property Records/Exemption (PRE) department has designed reasonable controls to ensure that partial and total property tax exemptions are awarded in accordance with the Texas Property Tax Code, Chapter 11.
 - Internal control design includes both manual and automated controls, such as computer application access, processing, and monitoring controls.
 - PRE's Total Exemption policies and procedures were not always reflective of current practices relating to field inspections performed to assist in determining Total Exemption status.
 - Observation was discussed with PRE management which immediately began the process of updating policies and procedures.



Audit and Attestation Services Highlights

Second Quarter, Fiscal Year 2013

- **Audit of MuniServices, LLC Contract Related to the Verification of Sales/Use Tax Receipts and Associated Fees (February 1, 2013)**
 - Verified \$783,376 in sales/use tax receipts collections that MuniServices, LLC (Consultant) identified as owed to the City from businesses operating in the City.
 - Verified the accuracy of \$195,844 in Consultant invoices received since contract inception through September 30, 2012 for payment of the Consultant's percentage of the amount collected under the contingent fee contract arrangement with the City.



Audit and Attestation Services Highlights

Second Quarter, Fiscal Year 2013

- **Special Audit of the Accounts of Former Director of the Department of Park and Recreation, Paul Dyer (February 15, 2013)**
 - Former Director, Paul Dyer, resigned on October 30, 2012.
 - Accounts were in order.
 - Was timely removed from access to City systems.
 - Does not owe any debt to the City.
 - All City items assigned to the former Director were substantiated.
 - Certain processing control issues noted during the Special Audit.



Audit and Attestation Services Highlights

Second Quarter, Fiscal Year 2013

■ Independent Auditor Reports on Applying Agreed-Upon Procedures

□ Fiscal Year 2013 # 1 Drug Destruction (February 28, 2013)

- 82 drug invoices and associated 222 drug articles totaling 2,632.45 pounds destroyed.

No exceptions were noted.

□ Fiscal Year 2013 # 2 Weapons Destruction (March 28, 2013)

- 2,207 weapons destroyed.

Exceptions Noted:

- Two weapons had National Integrated Ballistics Information Network (NIBIN) matches for unrelated offenses – removed from the destruction.
- One weapon did not have appropriate authorization for disposal – removed from the destruction.
- Fourteen weapons had incorrect service numbers recorded in Evidence Manager – corrections were made and verified prior to the destruction.
- One weapon had incorrect serial number recorded in Evidence Manager – correct serial number was updated and verified prior to the destruction.



Investigative Services Highlights

Second Quarter, Fiscal Year 2013

■ Investigative Review of Misuse of City of Dallas Resources (January 18, 2013)

- Department of Park and Recreation (PKR) investigation involving two Tension Park Golf Course (Tenison) employees' misuse of City resources.
- Allegations of two employees' misuse of time, improper use of City equipment, and theft of property (new and salvaged parts) at Tenison.
- Evidence supports that the employees violated City Personnel Rules and potentially committed criminal offenses.
- PKR terminated both employees involved in the misuse of City resources on October 10, 2012 and neither employee appealed the termination.
- PKR's Superintendent of Special Services has implemented a detailed schedule of equipment and supply inventories; has issued a memorandum stating work on personal vehicles, mowers, and other power equipment will not be permitted to take place on City maintenance facilities; and, PKR maintenance facilities will not be used as storage locations for personal vehicles and/or associated parts.



Investigative Services Highlights

Second Quarter, Fiscal Year 2013

- **Investigative Report of the Department of Sanitation Services – Abuse of Official Capacity (March 29, 2013)**
 - Allegations involving the use of City equipment and employee services for other than official City business.
 - Department of Sanitation Services (SAN) Management requested Dallas Police Department – Public Integrity Unit (DPD-PIU) to conduct City-wide “integrity check” involving brush and bulk trash collection crews.
 - Undercover operation resulted in DPD-PIU finding three SAN employees who, as crew leaders, were willing to take money to pick up brush and bulk trash at unauthorized locations outside the districts where the crews were assigned.
 - DPD-PIU filed one case of Abuse of Official Capacity, a Class B criminal misdemeanor, against each of the employees, and all are currently awaiting trial dates.
 - Evidence suggests the employees violated the City’s Personnel Rules regarding dishonesty, theft, abuse of City property, misconduct, and disregard of the public trust.
 - Two of the employees were terminated and the third employee was issued a 10 day suspension for violations of City Personnel
 - SAN is currently undergoing a review and update of internal control processes.

QUESTIONS?



City of Dallas
Office of the City Auditor
April 15, 2013

