

Memorandum



Date May 8, 2009

To Members of the Finance, Audit & Accountability Committee
Chair Mitchell Rasansky, Vice Chair Jerry R. Allen, Mayor Pro Tem Dr. Elba Garcia,
Vonciel Jones Hill, Angela Hunt, Ron Natinsky and David Neumann

Subject **FY 2007 – 08 External Audit Status**

The Committee's May 11th agenda includes the Subject briefing. Grant Thornton's Ben Kohnle will brief the Committee and his briefing materials are attached.

Should you require additional information, please let me know.



David Cook
Chief Financial Officer

C: Honorable Mayor & Members of the City Council
Mary K Suhm, City Manager
Tom Perkins, Jr., City Attorney
Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Ryan S. Evans, First Assistant City Manager
Forest E. Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
A.C. Gonzalez, Assistant City Manager

Audit Status Meeting with the Finance, Audit and Accountability Committee

City of Dallas, Texas

Communications Related to the FY 2008 Audit

May 11, 2009

Attendees:

**Ben Kohnle – Engagement Partner
Kirt Seale – Senior Manager
Andrea Cockrell – Manager
Fulya Bayolken – Manager**

Audit timeline

Financial statement and OMB Circular A-133 audit

Audit planning	November - December 2008
Fieldwork and OMB Circular A-133	January – May 2009
Status meeting with management	Bi-weekly
Status update with FAA	May 11, 2009
Closing meetings with management	TBD
Finance, Audit and Accountability Committee meetings	May 26, 2009 (A-133) June 8, 2009 (FS)

Reports to be issued / anticipated finalization

Separate reports:

Cityplace TIF	6/8/09
DDDA TIF	6/8/09
Airport revenues fund	6/8/09
Dallas water utilities	6/8/09
TCEQ agreed-upon procedures	6/8/09

Financial statement audits:

Comprehensive annual financial report	6/8/09
Single audit (OMB Circular A-133)	5/26/09

Internal control deficiency letter	6/8/09
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Audit Status by Area - CAFR

Area	% Complete (May 1, 2009)	Ratio
Planning	100%	8%
IT	100%	5%
Cash	85%	2%
Investments	85%	5%
A/R and Revenue	90%	8%
Grant Revenue	10%	2%
Capital Assets	20%	13%
Other Assets	0%	2%
Employee Comp	10%	4%
Debt	80%	5%
Aviation	75%	8%
DWU	50%	8%
Other Sections	30%	15%
Financial Reporting	0%	15%
		100%

Audit Status by Area – OMB Circular A-133

Area	% Complete (May 1, 2009)	Ratio
Planning	100%	14%
Dept of Justice – Edward Byrne Memorial Justice Assistance	95%	10%
Community Development Block Grant-Entitlement	90%	14%
Housing Opportunities for Persons with AIDS	90%	7%
HOME Investment Partnership Program	85%	7%
Urban Areas Security Initiative	95%	9%
Flood Control Projects	95%	7%
Homeland Security – Public Assistance Grants	75%	6%
Highway Planning & Construction	5%	5%
Air Pollution Control (State)	95%	7%
Confiscated State Funds (State)	95%	2%
Commercial Auto Theft Interdiction (State)	95%	2%
Financial Reporting	0%	10%
		<u>100%</u>

A-133 – Current year compliance findings

Program	Finding	Status
Community Development Block Grant (CDBG), HOME Investment Partnership Program, Urban Area Security Initiative (UASI)	Procurement, suspension & debarment	Repeat finding
Urban Area Security Initiative (UASI)	Program income	New finding
Department of Justice - Byrne	Sub-recipient monitoring	New finding
Department of Justice - Byrne	Equipment management	New finding

A-133 – Status of prior year compliance findings

Program	Finding	Severity	Remediation Status
Community Development Block Grant (CDBG)	Suspension & debarment	Significant deficiency	In progress
Community Development Block Grant (CDBG)	Allowable activities	Significant deficiency	In progress
Community Development Block Grant (CDBG)	Cash management	Significant deficiency	In progress
HOME Investment Partnership Program	Suspension & debarment	Significant deficiency	In progress
HOME Investment Partnership Program	Cash management	Significant deficiency	In progress
Urban Area Security Initiative (UASI)	Cash management	Significant deficiency	In progress
Housing Opportunities for Persons with AIDS (HOPWA)	Cash management	Significant deficiency	In progress
Air Pollution Control	Suspension & debarment	Significant deficiency	In progress

CAFR – Current year internal control findings

Audit Area	Finding	Status	Remediation Status
IT	Segregation of duties have not been put in place regarding the administration of application-level AMS permissions as they are administered by functional staff	Repeat finding	In progress
IT	Segregation of duties within change management are not in place as developers are responsible for moving changes into production	Repeat finding	In progress
IT	Developers have been granted end-user and administrative access into the AMS and SAP production environments resulting in excessive access	Repeat finding (AMS with SAP implementation)	Remediated
IT	User access within AMS, SAP and the City's Windows domain is not formally reviewed on a periodic basis	New finding	In progress
IT	A formalized process is not in place to revoke domain-level access of terminated employees	New finding	In progress
IT	Several terminated/retired employees had unlocked, unexpired user accounts within the AMS and SAP production environments	New finding	In progress
IT	Segregation of duties have not been put in place in relation to the AMS batch processing function as it is administered and monitored by the AMS developers	New finding	In progress

CAFR – Current year internal control findings (continued)

Audit Area	Finding	Status	Remediation Status
IT	New or changed SAP batch processing jobs are not subject to quality assurance testing prior to implementation and insufficient documentation is retained relating to the SAP batch monitoring process	New finding	In progress
IT	Documentation evidencing the completion of activities within the change management process is insufficient as it relates to the AMS application.	New finding	In progress
IT	Three generic accounts used by several AXON contractors had administrative access to SAP's application-level production environment	New finding	Remediated
IT	Change promotion- / transport-related privileges within SAP were not appropriately restricted at time of testing	New finding	Remediated
IT	Batch processing-related privileges within SAP were not appropriately restricted at time of testing	New finding	In progress
Debt	Review of significant schedules which included incorrect amortization formulas, error resulted in \$2.7M in audit adjustments	New finding	Remediated

CAFR – Status of prior year internal control findings

Audit Area	Finding	Severity	Remediation Status
Bank reconciliations	Timely preparation and internal monitoring controls regarding review	Material weakness	Remediated
Capital assets	Construction in progress transferred to capital assets upon completion	Material weakness	In progress
Debt	Effective interest method amortization of bond premiums and discount	Material weakness	Remediated
Grant revenue	Reconciliation of grant revenue	Significant deficiency	In progress
Landfill liability	Using appropriate inflation rates and internal monitoring controls regarding review	Significant deficiency	Remediated

Questions and Answers

