

## Memorandum



**DATE:** August 21, 2009

**TO:** 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:** The Office of the City Auditor's Fiscal Year 2010 Audit Plan

On Tuesday, August 25, 2009, the Office of the City Auditor will present the proposed Fiscal Year 2010 Audit Plan to the Budget, Finance & Audit Committee for consideration of recommendation for approval by the full City Council. The Council Agenda for Wednesday, September 23, 2009 will include an item to authorize the adoption of the Office of the City Auditor's Fiscal Year 2010 Audit Plan.

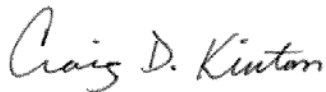
The Office of the City Auditor performs work for and under the direction of the Dallas City Council. The Fiscal Year 2010 Audit Plan is designed to satisfy responsibilities established by the Dallas City Charter, meet the needs of the City Council, and outline the services that the Office of the City Auditor plans to initiate during Fiscal Year 2010.

The Office of the City Auditor's mission is to promote public trust and advance accountability by providing independent, objective, and useful professional services for the City of Dallas. The plan demonstrates the variety of services the Office of the City Auditor provides to address its mission and reflects the following Dallas City Council priorities:

- Public Safety
- Economic Vibrancy
- Clean, Healthy Environment
- Culture, Arts and Recreation
- Education
- E<sup>3</sup> Government

We respectfully present the Fiscal Year 2010 Audit Plan and request your support for a recommendation to the full City Council for approval of the plan.

Sincerely,



Craig D. Kinton  
City Auditor

Attachment



**CITY OF DALLAS**

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**OFFICE OF THE CITY AUDITOR**

**AUDIT PLAN  
FISCAL YEAR 2010**

**CRAIG D. KINTON  
CITY AUDITOR**



# AUDIT PLAN FOR FISCAL YEAR 2010

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The City of Dallas Office of the City Auditor (Office) performs work for and under the direction of the Dallas City Council. The Fiscal Year 2010 Audit Plan (Audit Plan) is designed to satisfy responsibilities established by the Dallas City Charter, meet the needs of the City Council, and outline the services that the Office plans to initiate and / or complete during Fiscal Year 2010.

The Office's mission is to promote public trust and advance accountability by providing independent, objective, and useful professional services for the City of Dallas. The Audit Plan demonstrates the variety of services the Office provides to address its mission and reflects the following Dallas City Council priorities:

- Public Safety
- Economic Vibrancy
- Clean, Healthy Environment
- Culture, Arts and Recreation
- Educational Enhancements
- E<sup>3</sup> Government

This Audit Plan is a working document in that the City Auditor is authorized to perform work not specified in the Audit Plan when deemed necessary in his professional judgment. The Dallas City Council will be notified in writing concerning additions to, deletions from, or other changes to this Audit Plan.

## **AUDIT SERVICES**

The Office complies with generally accepted government auditing standards that provide a framework for conducting high quality audits and attestation engagements with competence, integrity, objectivity, and independence. Audit Services include:

### **Effectiveness, Economy, and Efficiency Audits**

Conducted to measure the extent to which a program is either achieving its goals and objectives or whether City departments are acquiring, protecting, and using their resources in the most productive manner to achieve program objectives.

### **Financial Audits**

Conducted to provide an independent report on whether an entity's financial information is presented fairly and in accordance with recognized criteria, provide users with statements concerning the reliability of information, and provide information about internal control, compliance with laws and regulations, and provisions of contracts and grant agreements as they relate to financial transactions, systems, and processes.

### **Special Audits**

Upon the death, resignation, removal, or expiration of the term of any officer of the City, other than the City Auditor, the City Auditor shall cause an audit and investigation of the accounts of such officer to be made and shall report to the City Manager and the Council.

## **ADDITIONAL SERVICES**

In addition to Audit Services, the Office provides the following additional services:

### **City Council Support**

The City Auditor is authorized to conduct reviews or provide analytical support for individual Council Members, provided the request for assistance or analytical support will not impact the completion of the Audit Plan. If, in the judgment of the City Auditor, a request will impact completion of the Audit Plan, the City Auditor will request the Council Member to submit the request in writing for consideration and approval by the Budget, Finance & Audit Committee and the City Council as an amendment to the Audit Plan. All work products will be produced at the direction of the City Auditor.

### **Fraud Detection and Prevention**

Conducted in accordance with the President's Council on Integrity and Efficiency Standards to substantiate or disprove allegations pertaining to fraud, waste, or abuse related to the City of Dallas. Provide City management and employees' with tools, techniques, and training that promote high ethical standards and emphasize control and protection of City resources.

### **Management Assistance**

The City Auditor performs certain audit and non-audit services (professional services that are not performed in accordance with generally accepted government auditing standards) at the request of management to assist in carrying out their responsibilities. Non-audit services may include, but are not limited to, providing technical advice, such as, participating on committees, task forces, panels, and focus groups. The City Auditor provides Management Assistance Services based on a written request, consideration of the impact on auditor independence, and execution of a memorandum of understanding between the City Auditor and the Department Director.

### **Grant Compliance**

Monitors the Consolidated Plan Grants (CDBG, HOME, ESG, HOPWA, HPRP) for compliance with federal, state, and local regulations. Provides monitoring reports on internal controls/policies and procedures, compliance with laws and regulations and contract provisions. Provides an annual Technical Assistance Workshop to city staff and nonprofit agencies personnel to reduce non-compliance findings.

## **INDEPENDENCE DISCLOSURES**

Section 40-A.2. (c) of the Dallas City Code designates the City Auditor as a voting member of the Employees' Retirement Fund Board of Trustees. As a result, the Office lacks independence in relation to any audit work that might be conducted at the ERF. To the extent Audit Services are performed in this area, the Office is not independent.

The City Auditor's Office also lacks independence relative to any audit work that might be conducted in relation to Grant Compliance monitoring functions.

The effects of these independence concerns on audit work will be clearly identified in any final reports, if applicable.

**DRAFT**

#	Department	Key Focus Area**	Description	Objectives
1	ATT	E <sup>3</sup> Government	Litigation Support	Provide support services, as requested by the City Attorney, which may include: <ul style="list-style-type: none"> <li>• Analysis / Reviews of establishments operating as bars and restaurants (CCS)</li> <li>• Other</li> </ul>
2	BMS	E <sup>3</sup> Government	Bond Statement Reviews	Review Preliminary and Final Bond Official Statements and provide an Attestation-Agreed Upon Procedures report to City management and to City Council
3	BMS	E <sup>3</sup> Government	Revenue Estimates – Budgeted Revenues for FY 2010-2011	Determine whether the City has effective processes to ensure reliable revenue estimates are included in the City Manager’s proposed operating budget
4	BMS	E <sup>3</sup> Government	Sole Source / Single Bid Procurement Reviews	Determine whether applicable purchasing rules have been followed for sole source or single bid procurements as required by Administrative Directive 4-5
5	DFR	Public Safety	Fire and Rescue Services – Emergency Medical Service (EMS)	Evaluate the adequacy of internal controls over controlled substances used/maintained by EMS
6	DFR / DPD	Public Safety	Uniform Overtime Analysis	Identify and evaluate the policies and procedures for the use of overtime
7	DPD	Public Safety	Drugs / Weapons Destruction Observations	Ensure that confiscated drugs and weapons are destroyed in accordance with State law and City policy
8	DPD	Public Safety	Police Personnel and Training Services	Conduct audits to ensure compliance with: <ul style="list-style-type: none"> <li>• DPD Personnel practices</li> <li>• DPD criminal history screening requirements</li> </ul>
9	DPD	Public Safety	Multiple	Conduct audits to ensure compliance with Department of Justice requirements, such as Confiscated Funds
10	ECO	Economic Vibrancy	South Dallas Fair Park Trust Fund	Provide an annual audit of the Trust Fund and its operations as required by CR 06-1833

#	Department	Key Focus Area**	Description	Objectives
11	PKR	Culture, Arts and Recreation	Zoo Management Agreement	Conduct audit to determine compliance with selected components of the zoo management agreement
12	Multiple	E <sup>3</sup> Government	Multiple	Evaluate the adequacy of selected employee processing controls related to the citywide reduction-in-force (RIF)
13	Multiple	E <sup>3</sup> Government	Multiple – American Recovery and Reinvestment Act of 2009 (ARRA)	Evaluate the City's compliance with ARRA requirements, which may include: <ul style="list-style-type: none"> <li>Accounting and distribution of stimulus funds</li> <li>Transparency for funds used</li> <li>Mitigating instances of fraud, waste and abuse</li> <li>Meeting performance, cost, and schedule goals</li> <li>Measuring program outcomes</li> </ul>
14	Multiple	E <sup>3</sup> Government	Special Audits	Conduct audits, in accordance with Chapter IX, Section 4 of the City Charter, of officers who vacate their offices due to death, resignation, removal or expiration of term
15	Multiple	E <sup>3</sup> Government, and Culture, Arts and Recreation	Revenue Reviews	Evaluate the adequacy of internal controls over various Revenue sources, potential sources may include: <ul style="list-style-type: none"> <li>PAY1 remittance processing for multiple departments</li> <li>Operating leases (multiple)</li> <li>Points-of-sale operations (PKR)</li> <li>State Fair concession contract (PKR)</li> <li>Music Hall at Fair Park contract (PKR)</li> </ul>

#	Department	Key Focus Area**	Description	Objectives
16	Multiple	Multiple	Council Requests	Conduct audits / analysis / reviews, requested by individual Council members, which may include: <ul style="list-style-type: none"> <li>• Sales tax from internet (on-line) sales (BMS)</li> <li>• Border analysis of certificates of occupancy for new businesses or businesses moving into the City to ensure the City is receiving applicable sales tax (BMS)</li> <li>• Other</li> </ul>
17	Multiple	Multiple	Fraud Detection and Prevention	Evaluate allegations, conduct investigations, and educate employees
18	Multiple	Multiple	Management Assistance Requests	Provide audit and / or non-audit assistance as requested by Management, which may include: <ul style="list-style-type: none"> <li>• Compliance audit of the SuperPages contract (PKR)</li> <li>• Multiple franchise audits of solid waste collection and hauling companies (SAN)</li> <li>• Other</li> </ul>
19	Multiple	Multiple	Multiple	Conduct audits of selected components of fleet management operations
20	Multiple	Multiple	Prior Audit Recommendations Follow-Up	(1) Maintain a database of audit recommendations, management corrective actions, and the timelines for implementation; and, (2) Review selected reports of implementation status for accuracy

\*\* The Fiscal Year 2010 Audit Plan (Audit Plan) is based on a risk assessment of City Services approved in the Fiscal Year 2008-2009 City of Dallas Budget. Because the risk assessment is based upon prior year budget information, the Audit Plan projects do not directly address Clean, Healthy Environment, and Educational Enhancements, two of the City Council's 2010 Key Focus Areas. To the extent possible, however, the City Auditor's Office will include these two Key Focus Areas in projects identified as "Multiple".