

## Memorandum



DATE: August 19, 2010

TO: 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: Office of the City Auditor's Fiscal Year 2011 Audit Plan

On Tuesday, August 24, 2010, the Office of the City Auditor will present the proposed Fiscal Year 2011 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 22, 2010 will include an item to authorize the adoption of the Office of the City Auditor's Fiscal Year 2011 Audit Plan.

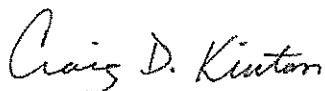
The Office of the City Auditor performs work for and under the direction of the Dallas City Council. The Fiscal Year 2011 Audit Plan is designed to satisfy responsibilities established by the Dallas City Charter, meet the needs of the City Council, and outline the services that the Office of the City Auditor plans to initiate and/or complete during Fiscal Year 2011.

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

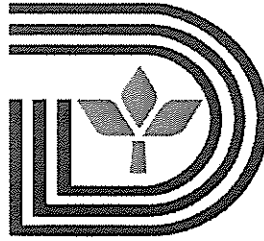
We respectfully present the Fiscal Year 2011 Audit Plan and request your support for a recommendation to the full City Council for approval of the plan.

Sincerely,



Craig D. Kinton  
City Auditor

Attachment



**CITY OF DALLAS**

---

**OFFICE OF THE CITY AUDITOR**

**AUDIT PLAN  
FISCAL YEAR 2011**

**CRAIG D. KINTON  
CITY AUDITOR**



## AUDIT PLAN FOR FISCAL YEAR 2011

---

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 2011 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 2011.

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
- Education
- E<sup>3</sup> Government

This Audit Plan is a working document in that the City Auditor is authorized, when deemed necessary in his professional judgment, to amend the Audit Plan. The Dallas City Council will be notified in writing concerning additions to, deletions from, or other changes to this Audit Plan. The Audit Plan includes audits and attestation services, fraud detection and prevention services, and non-audit services.

### AUDIT AND ATTESTATION SERVICES

The Office complies with generally accepted government auditing standards when performing audits and attestation engagements. These standards provide a framework for conducting high quality audits and attestation engagements with competence, integrity, objectivity, and independence.

Audits 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.

Attestation engagements can cover a broad range of financial or non-financial objectives. An attestation engagement results in an examination, a review, or an agreed-upon procedures report on a subject matter or an assertion about a subject matter that is the responsibility of another party.

## **FRAUD, DETECTION AND PREVENTION SERVICES**

The Office maintains a Hotline as a tool for the confidential reporting of allegations of fraud, waste, and abuse. The Office evaluates allegations, conducts investigations, and provides fraud training and support to City departments. Substantiated allegations of fraud are referred to law enforcement authorities and reported to the City Council and City management as required by the City Charter and Council Resolutions. Fraud investigations are conducted in accordance with Quality Standards for Investigations issued by the Council of the Inspectors General on Integrity and Efficiency.

## **NON-AUDIT SERVICES**

The Office also provides non-audit services which are professional services that are not performed in accordance with generally accepted government auditing standards. These non-audit services include:

- **Grants Compliance Monitoring**

The Grants Compliance Group (Group) monitors the Consolidated Plan Grants (CDBG, HOME, ESG, HOPWA) and selected programs under the American Recovery and Reinvestment Act of 2009 (HPRP, CDBG, WAP)<sup>1</sup> for compliance with Federal, State, and Local regulations. The Group provides monitoring reports on internal controls/policies and procedures, compliance with laws and regulations and contract provisions. In addition, the Group provides an annual Technical Assistance Workshop to City staff and non-profit agencies personnel to reduce non-compliance findings.

---

<sup>1</sup> CDBG – Community Development Block Grant; HOME – HOME Investment Partnerships Program; ESG – Emergency Shelter Grant; HOPWA – Housing Opportunities for Persons with AIDS; HPRP – Homeless Prevention and Rapid Re-Housing; CDBG – Community Development Block Grant Recovery; WAP – Weatherization Assistance Program (State of Texas)

- **City Council Support**

The Office performs certain non-audit services to support the City Council. 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.

- **Management Assistance**

The Office performs certain non-audit services at the request of management to assist in carrying out its responsibilities. These 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 Office 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.

- **Employees' Retirement Fund Trustee**

Section 40-A.2. (c) of the Dallas City Code designates the City Auditor as a voting member of the Employees' Retirement Fund (ERF) Board of Trustees.

## **INDEPENDENCE DISCLOSURES**

Generally accepted government auditing standards require the Office to disclose impairments to independence. The Office lacks independence in relation to any audit work that might be conducted at the ERF and in relation to the Office's responsibilities for Grants Compliance Monitoring. To the extent that audit and attestation engagements are performed in these two areas, the Office is not independent. The effects of these independence concerns on audit work will be clearly identified in any final reports, if applicable.

#	Department	Key Focus Area**	Description	Objectives
1	ATT	E <sup>3</sup> Government	Litigation Support	Provide litigation support services, as requested by the City Attorney
2	AVI	Economic Vibrancy	Aviation Regulatory Compliance	Determine whether the Department of Aviation has appropriately addressed regulatory issues / discrepancies noted in inspection and certification reports
3	BDPS	E <sup>3</sup> Government	Controls over Leased Equipment	Evaluate the adequacy of controls over leased office equipment to protect the confidentiality of government information.
4	BDPS	E <sup>3</sup> Government	Contract Compliance	Determine contractor compliance with contractual pricing provisions
5	BDPS	E <sup>3</sup> Government	Sole Source / Single Bid Procurements	Determine whether applicable purchasing rules have been followed for sole source or single bid procurements as required by Administrative Directive 4-5
6	Capital Projects	Capital Budget / Economic Vibrancy	Capital Programs	Review selected capital budget controls over expenditures, which may include: <ul style="list-style-type: none"> <li>• Dallas Water Utilities</li> <li>• Streets and Thoroughfares</li> </ul>
7	CIS	Public Safety	Disaster Recovery Plan	Evaluate the adequacy of the City's Disaster Recovery Plan and associated information technology / operations to continue to provide service in the event of a disaster
8	CCO / CTS	E <sup>3</sup> Government	Fines / Fees Processing and Effectiveness	Evaluate the efficiency, effectiveness, or adequacy of internal controls over collections, which may include: <ul style="list-style-type: none"> <li>• Court Services</li> <li>• Permits and Fees</li> <li>• Sanitation Landfill Operations</li> <li>• Stormwater Billing</li> </ul>
9	DFR	Public Safety	Fire Building Inspections	Evaluate compliance with regulations for fire building inspections

#	Department	Key Focus Area**	Description	Objectives
10	DPD	Public Safety	Drugs / Weapons Destructions	Ensure that confiscated drugs and weapons are destroyed in accordance with State law and City policies
11	EBS / CIS	E <sup>3</sup> Government	Fleet Management	Evaluate: <ul style="list-style-type: none"> <li>• Controls over fuel usage</li> <li>• The reliability of vehicle information (mileage, number of gallons used, etc.) obtained through the Vehicle Data Modules (VDM)</li> </ul>
12	ECO	Economic Vibrancy	Tax Increment Financing	Evaluate the adequacy of internal controls to determine compliance with Tax Increment Financing agreements
13	ECO	Economic Vibrancy	South Dallas Fair Park Trust Fund	Provide an annual audit of the Trust Fund and its operations as required by Council Resolution 06-1833
14	OFS	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
15	OFS	E <sup>3</sup> Government	Utility Franchise Fees	Evaluate the accuracy of payments from selected utility franchisees
16	OFS	E <sup>3</sup> Government	Revenue Estimates – Budgeted Revenues for Fiscal Year 2011-2012	Determine whether the City has effective processes to ensure reliable revenue estimates are included in the City Manager's proposed operating budget
17	Multiple	E <sup>3</sup> Government	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>

#	Department	Key Focus Area**	Description	Objectives
18	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
19	Multiple	Public Safety	Emergency Management Operations and Business Continuity Plan	Evaluate whether the City's Emergency Management Operations' preparedness, including the Business Continuity Plan, can continue operating in the event of a disaster
20	Multiple	Multiple	Council Assistance	Provide audit and non-audit support services, as requested by individual Council members
21	Multiple	Multiple	Fraud Detection and Prevention	Evaluate allegations, conduct investigations, and educate employees
22	Multiple	Multiple	Management Assistance	Provide audit and non-audit assistance as requested by Management
23	Multiple	Multiple	Prior Audit Recommendations Follow-Up	Evaluate management implementation of prior audit recommendations

\*\* The Fiscal Year 2011 Audit Plan (Audit Plan) is based on a risk assessment of City Services approved in the Fiscal Year 2009-2010 City of Dallas Budget. While this year's Audit Plan does not directly address Culture, Arts and Recreation, and Education, two of the City Council's FY 2011 Key Focus Areas, to the extent possible the Office will include these two Key Focus Areas in projects identified as "Multiple".



