

# Memorandum



DATE August 5, 2010

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

SUBJECT Communications Related to the FY 2009 Audit

The Budget, Finance & Audit Committee's August 10, 2010 agenda includes the Subject briefing. Mr. Ben Kohnle, Audit partner for Grant Thornton, LLP will brief the Committee. His briefing materials are attached.

Please contact me if you need additional information.



Jeanne Chipperfield  
Chief Financial Officer

Attachment

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

# **Audit Status Meeting with the Budget, Finance and Audit Committee**

**City of Dallas, Texas**

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## **Communications Related to the FY 2009 Audit**

**August 10, 2010**

**Attendees:**

**Ben Kohnle – Engagement Partner  
Kirt Seale – IT Principal  
Rusty Hale – Senior Manager  
Fulya Bayolken – Manager**

# Audit timeline

## Financial statement and OMB Circular A-133 audit

Audit planning	August – September 2009
Interim work and OMB Circular A-133	August – November 2009
Status meetings with management	Bi-weekly
Budget, Finance and Audit Committee update meetings	October 12, 2009 March 8, 2010
Final fieldwork	March – June 2010
Reports issued	June 2010
Budget, Finance and Audit Committee discussion of final audit results	August 10, 2010

# Reports issued

## Separate reports:

- Cityplace TIF

- DDDA TIF

- Airport revenues fund

- Dallas water utilities

- TCEQ agreed-upon procedures

## Financial statement audits:

- Comprehensive annual financial report

- Single audit (OMB Circular A-133)

## Internal control deficiency letter

# Results of Audit

- Comprehensive Annual Financial Report (CAFR)
  - Unqualified "clean" opinions
  - Includes GFOA Certificate for 2008 CAFR
  - One significant deficiency and multiple deficiencies noted
  - 12 of 16 prior year control deficiencies have been remediated
  - No scope limitations
  - Continued open and effective communication with management
- Federal Single Audit Report (A-133)
  - Three significant deficiencies noted in the current year
  - All six prior year findings have been remediated
- State Single Audit Report
  - No findings noted

# CAFR – Current year internal control findings

Audit Area	Finding	Severity	Status	Remediation Status
Capital Assets	Construction in progress transferred to capital assets upon completion	Significant deficiency	Repeat Finding	Expected by September 2010
Segregation of Duties	Monitoring approved expenditures to determine that funds were used for approved purpose	Control deficiency	New Finding	Expected by September 2010
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	Control deficiency	Repeat finding	Remediated
IT	Developers have been granted end-user and administrative access into the AMS and SAP production environments resulting in excessive access	Control deficiency	Repeat finding	Remediated

# CAFR – Current year internal control findings (continued)

Audit Area	Finding	Severity	Status	Remediation Status
IT	User access within AMS, SAP and the City's Windows domain is not formally reviewed on a periodic basis	Control deficiency	Repeat Finding	Remediated
IT	A formalized process is not in place to revoke domain-level access of terminated employees	Control deficiency	Repeat Finding	Expected by August 2010
IT	Several terminated/retired employees had unlocked, unexpired user accounts within the AMS and SAP production environments	Control deficiency	Repeat Finding	Remediated
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	Control deficiency	Repeat Finding	Expected by August 2010
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	Control deficiency	Repeat Finding	Remediated

# CAFR – Current year internal control findings (continued)

Audit Area	Finding	Severity	Status	Remediation Status
IT	Documentation evidencing the completion of activities within the change management process is insufficient as it relates to the AMS application.	Control deficiency	Repeat Finding	Remediated
IT	Developers have end-user and administrative access into the SAP application-level production environment	Control deficiency	Repeat Finding	Remediated
IT	Change promotion and transport-related privileges within SAP were not appropriately restricted at time of testing	Control deficiency	Repeat Finding	Remediated
IT	End-user had administrative access to SAP at the time of testing	Control deficiency	New Finding	Remediated
IT	SAP batch processing monitoring process does not create an audit trail sufficient to allow for testing of the process	Control deficiency	New Finding	Remediated



# CAFR – Current year internal control findings (continued)

<b>Audit Area</b>	<b>Finding</b>	<b>Severity</b>	<b>Status</b>	<b>Remediation Status</b>
IT	Batch processing-related privileges within SAP were not appropriately restricted at the time of testing	Control deficiency	New Finding	Remediated
IT	SAP change management process is not consistently observed when applying application-level SAP changes	Control deficiency	New Finding	Remediated
IT	The formalized access provisioning process is not consistently observed when granting SAP access to newly hired employees	Control deficiency	New Finding	Remediated

# CAFR – Status of prior year internal control findings

Audit Area	Finding	Severity	Remediation Status
Pension liabilities	Census data used by actuaries were not properly reviewed by management prior to submission	Significant deficiency	Remediated
Financial reporting	In the 2007 CAFR, the activities of the Downtown Dallas Development Authority were incorrectly reported as a “blended” component unit rather than as a “discreetly-presented” component unit	Significant deficiency	Remediated
Cash - Segregation of Duties	In two departments, cash-related duties of handling and recording cash were not adequately segregated	Significant deficiency	Expected by September 2010
Cash - Bank reconciliations	Reconciliations and reconciling items were not reviewed, investigated and resolved in a timely manner	Control deficiency	Remediated
Grant revenues	Employees did not receive adequate training to record grant revenue in the appropriate fiscal period	Control deficiency	Remediated

# A-133 – Current year compliance findings

<b>Program</b>	<b>Finding</b>	<b>Severity</b>	<b>Status</b>	<b>Expected Remediation Date</b>
Community Development Block Grant (CDBG), HOME Investment Partnership Program, Urban Area Security Initiative (UASI)	Procurement, suspension & debarment	Significant deficiency	Repeat finding	Remediated
Department of Justice – Edward Byrne Memorial Justice Assistance	Sub-recipient monitoring	Significant deficiency	Repeat finding	Remediated
Department of Justice – Edward Byrne Memorial Justice Assistance	Equipment management	Significant deficiency	Repeat finding	Remediated

# A-133 – Status of prior year compliance findings

<b>Program</b>	<b>Finding</b>	<b>Severity</b>	<b>Remediation Status</b>
Urban Area Security Initiative (UASI)	Cash management	Material weakness	Remediated
Community Development Block Grant (CDBG)	Cash management	Significant deficiency	Remediated
Highway Planning and Construction Cluster	Davis-Bacon Act	Material weakness	Remediated

# Questions and Answers

