

# Memorandum



**DATE:** August 16, 2012

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

**SUBJECT:** Office of the City Auditor's Fiscal Year 2013 Audit Plan

On Monday, August 20, 2012, the Office of the City Auditor will present the proposed Fiscal Year 2013 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 26, 2012 will include an item to authorize the adoption of the Office of the City Auditor's Fiscal Year 2013 Audit Plan.

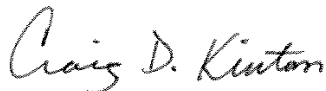
The Office of the City Auditor performs work for and under the direction of the Dallas City Council. The Fiscal Year 2013 Audit Plan is designed to satisfy responsibilities established by the Dallas City Charter, meet the needs of the City Council, and outline the services that the Office of the City Auditor plans to initiate and/or complete during Fiscal Year 2013.

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 2013 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 2013**

**DRAFT**

**CRAIG D. KINTON  
CITY AUDITOR**



# AUDIT PLAN FOR FISCAL YEAR 2013

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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 2013 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 2013.

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, 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 audit and attestation services, investigative 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:

- **Performance Audits**

Conducted to provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Performance audit objectives vary widely and can include assessments of program effectiveness, economy, and efficiency; internal control; compliance; and, prospective analyses.

- **Financial Audits**

Conducted to provide an independent assessment of whether an entity's reported financial information (e.g., financial condition, results, and use of resources) are presented fairly and in accordance with recognized criteria. Financial audits provide users with statements concerning the reliability of information, and provide information about internal control over financial reporting, and compliance with provisions of laws, regulations, contracts and grant agreements that have a material effect on the financial statements.

- **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.

## **INVESTIGATIVE 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 may provide 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 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:

- **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 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 is to request that the Council Member submits 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 consideration of the impact on auditor independence and audit plan completion.

- **Litigation Support**

The Office provides litigation support services at the request of the City Attorney. The type of support services provided by the Office depends on the needs of the City Attorney and may include providing audit services as well as non-audit services. Non-audit services may include, but are not limited to, research, analysis, and computer forensics.

- **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. To the extent that audits and attestation engagements are performed in this area, the Office is not independent. The effects of this independence concern 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 / E <sup>3</sup> Government	Aircraft Rescue and Firefighting (ARFF)	Verify whether ARFF complies with certain Federal Aviation Administration's (FAA) guidelines which may include emergency response time, ARFF training, and inspection / maintenance / quantity of ARFF vehicles and extinguishers
3	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
4	Capital Projects	Capital Budget / Economic Vibrancy	Capital Programs	Determine whether budget, financial, and/or operational controls are adequate for selected capital expenditures for various Capital Projects
5	CCO	E <sup>3</sup> Government	Accounts Payable	Evaluate whether payments for goods and/or services comply with the State's prompt requirements
6	CES	Economic Vibrancy / E <sup>3</sup> Government	Controls over Cash Receipts and Collections	Evaluate the efficiency, effectiveness, or adequacy of internal controls over Convention and Event Services cash receipts and collections
7	CIS	E <sup>3</sup> Government	Data Backup Services	Evaluate the adequacy of data backup services for client server and mainframe environments which may include scheduling, problem resolution, and off-site backup
8	CCO / 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
9	CMO / OFS / CCO	E <sup>3</sup> Government	Citizen Centric Report	Develop a methodology to prepare an annual Citizen Centric Report as a means to supplement the City's financial reports and statements and as a method to demonstrate accountability to the City's citizens and residents

#	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	DPD	Public Safety	Tracking Firearms and Equipment	Evaluate the adequacy of internal controls over tracking firearms and equipment
12	DPD / DFR	Public Safety	Uniform Payroll	Assess the adequacy and reliability of internal controls over the payroll system and the accuracy of payroll
13	DWU	Economic Vibrancy / E <sup>3</sup> Government	Maintenance of Infrastructure	Determine whether Dallas Water Utilities adequately maintains and renovates infrastructure to ensure current and future service delivery and the impact on priorities
14	DWU	E <sup>3</sup> Government	Wastewater Collection and Treatment	Assess the adequacy of internal controls over inventories of equipment and supplies
15	HR	E <sup>3</sup> Government	City's Self-Insurance Program	Assess the adequacy of internal controls over the City's Medical Self Insurance Program which may include claims processing, monitoring, oversight, and eligibility determination
16	OCA	Culture, Arts and Recreation	Arts and Cultural Program Funding	Determine the efficiency and effectiveness of the Office of Cultural Affairs' funding for arts and cultural programs which may include eligibility, submitting applications within established deadlines, contracting, and reimbursement documentation
17	OFS	E <sup>3</sup> Government	Franchise Fees	Develop a Request For Proposal for contingent fee based franchise fee reviews for selected franchisees which may include utilities, cable, and telephone
18	OFS	E <sup>3</sup> Government	Revenue Estimates – Budgeted Revenues for Fiscal Year 2013-2014	Determine whether the City has effective processes to ensure reliable revenue estimates are included in the City Manager's proposed operating budget

#	Department	Key Focus Area**	Description	Objectives
19	STS	Public Safety	Traffic Signal Systems	Assess the adequacy of internal controls over traffic signal systems which may include whether the software / hardware which supports the traffic signal systems are current and comply with Federal, State, and City requirements
20	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
21	Multiple	Multiple	Council Assistance	Provide audit and non-audit support services, as requested by individual Council members
22	Multiple	Multiple	Fraud, Waste and Abuse Investigations	Evaluate allegations of fraud, waste and abuse, conduct investigations, and educate employees
23	Multiple	Multiple	Management Assistance	Provide audit and non-audit assistance as requested by Management
24	Multiple	Multiple	Prior Audit Recommendations Follow-Up	Evaluate management implementation of prior audit recommendations

\*\* The Fiscal Year 2013 Audit Plan (Audit Plan) is based on a risk assessment updated for City Services approved in the Fiscal Year 2012 City of Dallas Adopted Budget. While this year's Audit Plan does not directly address Educational Enhancements, one of the City Council's Fiscal Year 2013 Key Focus Areas, to the extent possible the Office will include this Key Focus Area in projects identified as "Multiple".