

Memorandum



DATE: October 13, 2008

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

SUBJECT: Council Agenda Item for October 22, 2008 –
The Office of the City Auditor's Fiscal Year 2009 Audit Plan

The Council Agenda for October 22, 2008 includes an item to authorize adoption of the Office of the City Auditor's Fiscal Year 2009 Audit Plan.

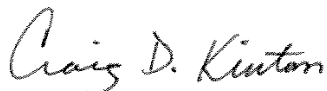
The Office of the City Auditor performs work for and under the direction of the Dallas City Council. The Proposed Fiscal Year 2009 Audit Plan is designed to satisfy responsibilities established by the Dallas City Charter, meet the needs of the City Council, and outline the services that the Office of the City Auditor plans to initiate during Fiscal Year 2009.

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
- E³ Government

We respectfully present the Fiscal Year 2009 Audit Plan to you for your recommendation for full City Council approval.

Sincerely,



Craig D. Kinton
City Auditor

Attachment



CITY OF DALLAS

OFFICE OF THE CITY AUDITOR

**AUDIT PLAN
FISCAL YEAR 2009**

**CRAIG D. KINTON
CITY AUDITOR**



AUDIT PLAN FOR FISCAL YEAR 2009

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 2009 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 2009.

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
- E³ 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

Conducted upon the death, resignation, removal, or expiration of the term of any officer of the City, other than the City Auditor. The City Auditor is required to 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 Finance, Audit & Accountability 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

The City Auditor is responsible for operating the City's Fraud, Waste and Abuse Hotline. Investigations are conducted in accordance with the President's Council on Integrity and Efficiency Standards and are designed to either 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

The City Auditor's Grants Compliance Group (GCG) is assigned the responsibility of monitoring the Housing and Urban Development's (HUD) Consolidated Plan Grants (CDBG, HOME, ESG, and HOPWA) for compliance with federal, state, and local regulations. GCG provides monitoring reports on internal controls / policies and procedures, compliance with laws and regulations and contract provisions. In addition, GCG provides 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 (ERF) Board of Trustees. As a result, the Office lacks independence in relation to any audit work that might be conducted at the ERF.

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

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

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#	Department	Key Focus Area **	Description	Objectives
1	ATT	E ³ Government	Litigation Support	Provide support services as requested by the City Attorney
2	BDPS	E ³ Government	Purchasing and Contract Services	Evaluate the financial controls over procurements.
3	CCS	Clean, Healthy Environment	Code Compliance Strategies – Neighborhood Services / Mow Clean	Review the management controls of the Mow Clean operations
4	CIS	E ³ Government	Information Technology – Application Review AMS (Accounting System)	Evaluate application controls (input, processing, output) for vendor payments
5	CTS	Public Safety	Municipal Court Services – Jail Contract between the City and Dallas County	Validate the accuracy of the City Jail contract cost allocation and evaluate the adequacy of the City Jail contract cost calculation methodology
6	CTS	Public Safety	Court Docket Process	Evaluate the Municipal Courts docket management processes. Potential areas could include: <ul style="list-style-type: none"> • Review of policies and procedures • Evaluation of coordination between the courts, court administration and police • Review of performance measures
7	DFR / DPD	Public Safety	Uniform Overtime Analysis	Identify and evaluate the policies and procedures for the use of overtime
8	DPD	Public Safety	Drugs / Weapons Destruction Observations	Ensure that confiscated drugs and weapons are destroyed in accordance with State law and City policy
9	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
10	OFS	E ³ Government	Accounts Receivable Controls	Evaluate controls over accounts receivable and effectiveness of collections processes
11	OFS	E ³ Government	Bond Statement Reviews	Review Preliminary and Final Official Statements and provide an Attestation-Agreed Upon Procedures report to City management and to City Council

#	Department	Key Focus Area**	Description	Objectives
12	OFS	E ³ Government	Revenue Estimates – Budgeted Revenues for FY 2009-2010	Determine whether the City has effective processes to ensure reliable revenue estimates are included in the City Manager's proposed operating budget
13	OFS	E ³ Government	Sole Source / Single Bid Procurement Reviews	Determine whether applicable purchasing rules have been followed for sole source or single bid procurements exceeding \$25,000 as required by Administrative Directive 4-5
14	Multiple	E ³ Government	Fund Balance Audit	(1) Verify the accuracy of beginning budget fund balances; and, (2) Test support for reservations and designations of fund balances
15	Multiple	E ³ Government	Revenue Reviews	Evaluate the adequacy of internal controls over various revenue sources, potential sources could include: <ul style="list-style-type: none"> • Hotel Occupancy Tax • Emergency Ambulance Fees • Franchise Fees (AT&T and Sanitation) • Validation of Property Tax Exemptions • Vendor / Contractor search for delinquent property taxes • Compliance with the Interlocal Revenue Agreement with the City of Grapevine • PAY 1
16	Multiple	Public Safety	Public Safety	Conduct evaluations related to efficiency / effectiveness and compliance with laws / regulations / contracts; potential areas could include: <ul style="list-style-type: none"> • CIS / 9-1-1 Services / Police Communication and Dispatch • Office of Emergency Management • Police Property / Evidence Services • Police Crime Information Statistics and Studies

#	Department	Key Focus Area **	Description	Objectives
17	Multiple	Multiple	Automated Systems	Conduct evaluations related to information technology, systems and processes; potential areas could include: <ul style="list-style-type: none"> AMS, PAY1, CAD, HRIS, CapPro, POSSEE Systems Development Life Cycle (SDLC)
18	Multiple	Multiple	Council Requests	Conduct reviews or provide information to individual Council Members
19	Multiple	Multiple	Fraud Detection and Prevention	Evaluate allegations, conduct investigations, and educate employees
20	Multiple	Multiple	Internal Control Documentation and Testing	(1) Prepare a risk assessment of internal control issues within the City; and, (2) Document and test the selected internal controls for selected controls or departments
21	Multiple	Multiple	Internal Services – Cost Allocation Audits CIS / EBS	Evaluate the reasonableness of the cost allocation methodologies for these internal service fund activities
22	Multiple	Multiple	Maintenance of City Assets	Conduct evaluations related to the adequacy of maintenance of City assets; potential areas could include: <ul style="list-style-type: none"> 2010 Street Plan City Facilities EBS Fleet Services DWU Water Distribution Systems
23	Multiple	Multiple	Management Assistance Requests	Provide audit and / or non-audit assistance as requested by Management
24	Multiple	Multiple	Performance Measures Certification	Review the controls and documentation that support the reported performance data for selected services
25	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 2009 Audit Plan (Audit Plan) is based on a risk assessment of City Services approved in the Fiscal Year 2007-2008 City of Dallas Budget. Because the risk assessment is based upon prior year budget information, the Audit Plan projects do not directly address Culture, Arts and Recreation, and Education, two of the City Council's 2009 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".