

Memorandum



DATE: November 26, 2007

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

SUBJECT: Council Agenda Item for December 12, 2007:
The Office of the City Auditor's Fiscal Year 2008 Audit Plan

The Council Agenda for December 12, 2007 includes an item to authorize adoption of the Office of the City Auditor's Fiscal Year 2008 Audit Plan.

The Office of the City Auditor (Office) performs work for and under the direction of the Dallas City Council. The Proposed Fiscal Year 2008 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 during Fiscal Year 2008.

The Office's mission is to preserve the public trust by independently and objectively reviewing and reporting on the efficient and effective use of the City of Dallas resources. The 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

We respectfully present the Fiscal Year 2008 Audit Plan to you for your recommendation for full Council approval.

Sincerely,

Craig D. Kinton
City Auditor



CITY OF DALLAS

OFFICE OF THE CITY AUDITOR

**PROPOSED AUDIT PLAN
FISCAL YEAR 2008**

**Presented to
Finance, Audit & Accountability Committee**

**CRAIG D. KINTON
CITY AUDITOR**



**PROPOSED
FISCAL YEAR 2008 AUDIT PLAN
Presented to
Finance, Audit & Accountability Committee**

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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.

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 of 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.

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.

Fraud Detection and Prevention

Conducted 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.

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.

AUDIT PLAN AMENDMENTS

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.

#	Department	Key Focus Area**	Description	Objectives
1	ATT	E ³ Government	Litigation Support	Provide support services as requested by the City Attorney
2	AVI	Public Safety	Aviation Contract Controls (security contracts / construction awards)	Evaluate monitoring controls for contracts
3	AVI	Public Safety	Follow-up Certification / Inspection Reports	Identify audit / inspection issues identified by other governmental entities and determine the timely resolution of those issues
4	CCS	Clean, Healthy Environment	Code Compliance Strategies – Neighborhood Services / Mow Clean	Review the management controls of the Mow Clean operations
5	CIS	Public Safety	Information Technology Application Review – Courts Case Management System	Evaluate application controls (input, processing, output) and the use of the Technology Fund
6	CIS	E ³ Government	Information Technology General Controls – Client Servers	Evaluate general controls over client server processing
7	CIS	E ³ Government	Information Technology – Application Review AMS (Accounting System)	Evaluate application controls (input, processing, output) for vendor payments
8	CIS	Public Safety	Information Technology – General / Application Controls DPD / DFR	Evaluate general and application controls in use by the departments and compare the controls to the standards set forth by the City
9	DFR/DPD	Public Safety	Uniform Overtime Analysis	Identify and evaluate the policies and procedures for the use of overtime
10	DPD	Public Safety	Drugs / Weapons Destruction Observations	Ensure that confiscated drugs and weapons are destroyed in accordance with State law and City policy
11	DPD	Public Safety	Police Property / Evidence Controls	Determine the adequacy of controls for the Police Property Room
12	DWU	E ³ Government	Cash Receipts Controls – Selected locations	Evaluate controls at cash collection points
13	DWU	E ³ Government	PAY1	Provide audit and / or non-audit services to assist management with the development and implementation of the PAY1 billing system
14	ECO	Economic Vibrancy	South Dallas Fair Park Trust Fund	Provide annual audit of the Trust Funds and its operations as required by CR 06-1833

#	Department	Key Focus Area**	Description	Objectives
15	OFS	E ³ Government	Energy Franchise Fee Payments	Determine whether (1) The City timely received the correct amount of franchise fees from TXU and ATMOS for the calendar years 2004 through 2002; and, (2) Evaluate OFS contract monitoring controls
16	OFS	E ³ Government	Comcast Franchise Fee Payments	(1) Determine whether the City received the correct amount of franchise fees during calendar year 2006; and, (2) Evaluate contract monitoring controls
17	OFS	E ³ Government	Cash in Bank Controls	Determine whether bank reconciliation processes are being conducted accurately and timely
18	OFS	E ³ Government	Revenue Estimates – Budgeted Revenues for FY 2008-2009	Determine whether the City has effective processes to ensure reliable revenue estimates are included in the operating budget
19	OFS	E ³ Government	Bond Statement Reviews	Review Preliminary and Official Statements and provide the necessary certifications for bond issuance
20	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
21	OFS	E ³ Government	Sales Tax Reports – Border Analysis	(1) Identify businesses within the City limits that may be remitting sales taxes to another municipality; and, (2) Identify the businesses that appear to be remitting taxes to another municipality to the State Comptroller in order that a sales tax audit can be conducted
22	OFS	E ³ Government	Accounts Receivable Controls	Evaluate controls over accounts receivable and effectiveness of collections processes
23	OFS	E ³ Government	Accounts Payable Internal Controls	Evaluate controls for Accounts Payable
24	OFS	E ³ Government	Construction-in-Progress	Evaluate financial reporting controls over construction-in-progress

#	Department	Key Focus Area**	Description	Objectives
25	OFS	E ³ Government	Compliance with Interlocal Agreements	Determine compliance with Interlocal Revenue Sharing Agreements with the cities of Euless, Irving, and Grapevine
26	PKR	Culture, Arts and Recreation	Fair Park Administration – Smirnoff Music Center Contract	To determine whether (1) House of Blues / Live Nation's payments to the City are accurate and calculated in accordance with the agreement; and, (2) Contract monitoring is sufficient and effective
27	Multiple	Multiple	Capital Budget-Contracting Controls	Evaluate controls for the capital project contract process
28	Multiple	Multiple	Contract Monitoring – Service Contracts	Evaluate monitoring controls for service contracts
29	Multiple	Multiple	Fraud, Waste, and Abuse	Maintain and monitor the City's Fraud, Waste, and Abuse Hotline and conduct investigations in accordance with Administrative Directive 2-14
30	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
31	Multiple	Multiple	Council Requests	Conduct reviews or provide information to individual Council Members
32	Multiple	Multiple	Management Assistance Requests	Provide audit and / or non-audit assistance as requested by Management
33	Multiple	Multiple	Internal Control Documentation and Testing	(1) Prepare risk assessment of internal control issues within the City; and, (2) Document and test the selected internal controls
34	Multiple	Multiple	Fund Balance Audit	(1) Verify the accuracy of Beginning Budget Fund Balances; and, (2) Test support for reservations and designations of fund balances
35	Multiple	Multiple	4 th Quarter Expenditures Analysis	Review year-end expenditures for unusual spending patterns by departments

#	Department	Key Focus Area**	Description	Objectives
36	Multiple	Multiple	Performance Measures Certification	Review the controls and documentation that support the reported performance data of selected services
37	Multiple	Multiple	Petty Cash Audits	Perform unannounced cash counts of petty cash funds to ensure that they are accounted for, adequately safeguarded, and used for their intended purpose
38	Multiple	Multiple	Internal Services – Cost Allocation Audits CIS / EBS	Evaluate accuracy of the cost allocation methodologies for these internal service fund activities
39	Multiple	Multiple	Cash Receipts Controls	Evaluate controls at selected cash collection points
40	Multiple	Multiple	Contract Monitoring – Construction Contracts	Evaluate monitoring controls for construction contracts
41	Multiple	Multiple	Construction-in-Progress	Evaluate the process used to ensure capital improvement project funds are timely and properly allocated

**The Fiscal Year 2008 Audit Plan (Audit Plan) is based on a risk assessment of City Services approved in the Fiscal Year 2006-2007 City of Dallas Budget. Because the risk assessment is based upon prior year budget information, the Audit Plan projects do not directly address Education, one of the City Council's 2008 Key Focus Areas. To the extent possible, however, the City Auditor's Office will include Education in projects identified as "Multiple".