

Memorandum



CITY OF DALLAS

DATE: August 7, 2018

TO: Honorable Mayor and Members of the City Council

SUBJECT: Office of the City Auditor – Audit, Attestation and Investigative Services Update:
Fiscal Year 2018 – Fourth Quarter

The *Audit, Attestation and Investigative Services Update: Fiscal Year 2018 – Fourth Quarter* (Update) is presented to provide current information about the results and status of audit, attestation, and investigative service projects of the City of Dallas' (City) Office of the City Auditor.

Three audit reports were issued in the third quarter of Fiscal Year (FY) 2018, including:

- Continuity of Operations Audit Follow-Up – Multiple Departments
- Records Management System – Dallas Police Department
- Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations – Multiple Departments

The key points from these reports are included in Section II of the Update. The project objectives for reports scheduled to be released, and for projects currently in progress or expected to be started in the fourth quarter of FY 2018, are included in Sections III through V of the Update.

In addition, Investigative Services opened 34 new cases during the third quarter resulting from complaints received through the Fraud, Waste and Abuse Hotline. Examples of allegations received include conflicts of interest, discrimination, theft of time and misuse of City services. Twenty-six cases were closed during the period resulting in five substantiated complaints related to employee relations, employee pay and improper notification of a vehicle accident. The substantiated complaints led to accountability actions including an employee resignation as well as employee counseling, training and an approved salary adjustment.

Approved Audit Plans allow the City Auditor to make additions to, deletions from, or other changes to the plan(s) when deemed necessary upon written notification to the City Council. The Dallas Fire-Rescue (DFR) Occupational Safety and Health Program audit is hereby deleted from the FY 2018 plan. This change is necessary given the

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recent reorganization within DFR impacting this program. The project will be included in the FY 2019 proposed audit plan presented to the City Council. Moving this project to next year's audit plan will allow time for DFR to achieve a steady state of operation before the audit is conducted.

Should you have questions or if we can be of assistance, please also contact Carol A. Smith, First Assistant City Auditor at 214-670-4517 and by e-mail at carol.smith@dallascityhall.com.

Sincerely,

 for

Craig D. Kinton
City Auditor

Attachment

C: T.C. Broadnax, City Manager
Larry Casto, City Attorney
Biliera Johnson, City Secretary



City of Dallas
Office of the City Auditor

Audit, Attestation, and Investigative
Services Update

Fiscal Year 2018 – Fourth Quarter

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SECTION I

Summary of Audit and Attestation Services *

Audit – Reports that 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

Attestation – Reports that cover a broad range of financial or non-financial objectives; 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 – Reports providing evaluations and results of substantiated allegations of fraud, waste and abuse

Fiscal Year 2018

Reports Issued – Third Quarter | April 1 to June 30

Note: See Section II for details

Audit Services

- Continuity of Operations Audit Follow-Up – Multiple Departments
- Records Management System – Dallas Police Department
- Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations – Multiple Departments

Attestation Services

- *No Attestation Services reports issued in the Third Quarter*

Investigative Services**

- *No Investigative Services reports issued in the Third Quarter*

* All audit and attestation services are conducted under authority of the City Charter, Chapter IX, Section 3, and in accordance with the Annual Audit Plan approved by the City Council. We conduct our work in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective(s). Fraud investigations are conducted in accordance with Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

** Note: No Investigative reports have been issued to date in Fiscal Year 2018. A brief update pertaining to the work completed in the third quarter by Investigative Services is provided in the memorandum.

Anticipated Report Releases – Fourth Quarter | July 1 to September 30

Note: See Section III for details

Audit Services

- Business Partner Oversight – Park and Recreation
- Miscellaneous Permit Fee Revenues – Dallas Water Utilities
- Off-Duty Employment Administration – Dallas Police Department

Attestation Services

- Agreed-Upon Procedures for Petition Processing by the City Secretary's Office

Projects in Progress | Fourth Quarter – July 1 to September 30

Note: See Section IV for details

Audit Services

- Dallas Convention & Visitors Bureau (VisitDallas) – Convention and Event Services
- Open Records Request Process – City Secretary's Office
- Performance Measurement Process – Multiple Departments
- Surveillance Camera Oversight – Multiple Departments
- Water Quality and Safety, Testing, and Monitoring – Dallas Water Utilities
- Security and Safety Protocols for Large Public Venues Owned or Managed by the City – Multiple Departments
- Franchise Fees Review through Third-Party Vendor (*Ongoing*)
- Sales/Use Tax Compliance Review through Third-Party Vendor (*Ongoing*)

Anticipated Project Starts – Fourth Quarter | July 1 to September 30

Note: See Section V for details

Audit Services

- Dallas Police Department's Complaint Process
- Economic Development Programs and Incentives – Office of Economic Development
- Management of the City's Surplus Real Properties – Department of Sustainable Development and Construction
- Revenue Estimates – Office of Budget

Reports Issued – Third Quarter April 1 to June 30

Audit Services

Audit Follow-Up of Prior Audit Recommendations - Audit of the Design of the City of Dallas' Pandemic Influenza Continuity of Operations Basic Plan (June 15, 2018)

- Between Fiscal Year (FY) 2013 and FY 2017, the Office of Emergency Management (OEM), with the assistance of a consulting firm and certain department directors, identified and prioritized City of Dallas' (City) mission essential functions and updated the City's Continuity of Operations (COOP) Basic Plan and department specific annexes
 - This updated information was used by the Department of Communication and Information Services (CIS) to develop a framework for a comprehensive Disaster Recovery Plan (DRP)
 - Although annual updates are required, in FY 2017 most of the departments' annexes were not updated
- Despite measurable progress by OEM and CIS, the following three recommendations which were included in the original audit, *Audit of the Design of the City of Dallas' Pandemic Influenza Continuity of Operations Basic Plan*, Report No. A13-009, September 13, 2013, were not fully implemented:
 - The City Manager and/or designated continuity personnel develop and implement the ten Continuity Management Functions of the COOP Plan
 - The City Manager and/or designated continuity personnel provide periodic updates to the City Council on the project to ensure transparency
 - The City Manager and the Director of CIS develop a DRP using the information from the ten Continuity Management Functions of the COOP Plan
- Full recommendation implementation required City management to:
 - Address 50 critical characteristics identified in the original audit as missing components from the ten Continuity Management Functions
 - Communicate with City Council
 - Develop a comprehensive DRP

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
<p>We recommend the City Manager in coordination with the Directors of OEM and CIS:</p>			
<ul style="list-style-type: none"> Develop an administrative directive that establishes the City's policy regarding business continuity planning and the COOP Basic Plan at both a citywide and departmental level 			
<ul style="list-style-type: none"> Establish an organizational structure that clearly defines roles, responsibilities, and accountability related to business continuity planning and the COOP Basic Plan 			
<ul style="list-style-type: none"> Dedicate continuity of operations personnel with the appropriate authority and resources 	OEM	Agree	October 1, 2019
<ul style="list-style-type: none"> Obtain departmental commitment to ensure: (1) the City's COOP Basic Plan and the departments' annexes are complete, including adequate information technology (IT) resources and other supplies necessary to restore and maintain essential functions for 30 days; (2) regularly updated (at least annually); and, (3) properly tested 			
<ul style="list-style-type: none"> Develop or obtain IT systems to document the departments' annexes and monitor annual updates 			
<ul style="list-style-type: none"> Reach a consensus among departments regarding which IT systems must be restored 			

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager in coordination with the Director of CIS:			October 1, 2018 ¹
<ul style="list-style-type: none"> Develop a comprehensive DRP by establishing a formal plan that includes measurable milestones to demonstrate progress 	CIS	Agree	December 31, 2018 ² Ongoing ³

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the City Manager periodically briefs the City Council on the City's business continuity			
Note: Per management's response, OEM and CIS will provide periodic updates to City Council	City Manager	Agree	Ongoing ⁴

Audit of the Dallas Police Department's Records Management System (June 22, 2018)

- For the audit period, (June 1, 2014 through June 30, 2017), the Dallas Police Department (DPD) had adequate internal controls to ensure that all crime related data were processed efficiently and effectively. The DPD reported complete, correctly classified, and accurate counts of serious crime incidents and arrests to the Texas Department of Public Safety (TX DPS). As a result, the citizens of Dallas, the TX DPS, and the United States Federal Bureau of Investigation (FBI) can rely on the crime statistics reported by DPD.
- The DPD's internal controls related to the Records Management System (RMS), however, are not sufficient to:
 - Prevent and detect unauthorized deletions or alterations of RMS data
 - Ensure only users who need access to RMS to perform their job responsibilities have access

¹ Refine Requirements

² Update formal plan

³ Demonstrate progress – provide annual updates to Internal Audit

⁴ Upon completion of each milestone

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Chief of Police:			
<ul style="list-style-type: none"> • Implements formal policies and procedures to ensure: <ul style="list-style-type: none"> ○ Any legitimate alteration and expungement of data from RMS is formally requested, authorized, and documented by DPD management ○ Crime data audit logs are preserved, and regularly reviewed for indications of inappropriate or unusual activity 	DPD	Agree	November 30, 2018
<ul style="list-style-type: none"> • Develops a matrix of user access privileges in RMS that would ensure segregation of incompatible duties and the assignment of least privileges to each user that are essential to perform the user's assigned duties 	DPD	Agree	November 30, 2018
<ul style="list-style-type: none"> • Uses the matrix of user access privileges in RMS to reassign user access based on the principles of segregation of incompatible duties and the assignment of least privileges to each user that are essential to perform the user's intended duties 	DPD	Agree	November 30, 2018
<ul style="list-style-type: none"> • Implements formal policies and procedures to perform an annual comparison of user access privileges in RMS to the matrix of user access privileges 	DPD	Agree	November 30, 2018
<ul style="list-style-type: none"> • Deactivates RMS user accounts of users who are no longer employed by the City 	DPD	Agree	November 30, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
(continued...)			
<ul style="list-style-type: none"> • Ensures DPD complies with the City's Enterprise Information Security Standard (EISS), specifically: <ul style="list-style-type: none"> ○ Assigns a unique personal user account to every RMS user ○ Limits temporary access to an elevated privilege, such as an administrator, to seven days ○ Disables and locks RMS users' accounts when the individual has not accessed RMS for any consecutive 90-day period ○ Deactivates/disables vendor accounts if the accounts have not been used in any consecutive 90-day period ○ Revokes user access to RMS immediately upon termination of employment ○ Logs the activities of all elevated accounts and reviews the logs regularly to ensure that inappropriate activities are identified early and resolved 	DPD	Agree	November 30, 2018

Audit Recommendation	Responsible Department	Agreement Status	Implementation Date
We recommend the Director of CIS:			October 31, 2018 ⁵
<ul style="list-style-type: none"> • Performs security reviews and security assessments of RMS in accordance with the EISS 	CIS	Agree	December 31, 2018 ⁶ January 1 2019 – December 31, 2020 ⁷

Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations (June 22, 2018)

- The Fiscal Year 2018 Audit Follow-Up of Prior Audit Recommendations covered 43 recommendations that were included in five audit reports issued in Fiscal Year (FY) 2016 and FY 2017. The Office of the City Auditor's verification results showed City management implemented 19 of the 43 recommendations, or 44 percent.

⁵ Develop requirements

⁶ Refine schedule

⁷ Demonstration of sustainability

- While City management made concerted efforts, recommendations were not considered fully implemented if the underlying risks identified in the prior audits were not sufficiently mitigated. The Office of the City Auditor identified opportunities to improve the following:
 - Policies and procedures necessary to establish an internal control framework
 - Monitoring of the timeliness, effectiveness, and consistency of the established internal controls
 - Proper and consistent documentation of transactions, internal controls, and organizational events
 - Appropriate design and implementation of information systems
- *No recommendations associated with this report.*

Attestation Services

No Attestation Services reports issued in the Third Quarter.

Investigative Services

No Investigative Services reports issued in the Third Quarter.

**Anticipated Report Releases – Fourth Quarter
July 1 to September 30**

Audit Services

Business Partner Oversight – Park and Recreation

- Anticipated Report Date: August 2018
- Project Objective(s): Evaluate the financial, operational, and other risks for major business partners operating City owned facilities under the oversight of the Department of Park and Recreation and the City's oversight and monitoring controls (may include the Dallas Zoo, the Dallas Arboretum, and/or Bahama Beach; will exclude Fair Park facilities which were audited in Fiscal Year 2016)

Miscellaneous Permit Fee Revenues – Dallas Water Utilities

- Anticipated Report Date: August 2018
- Project Objective(s): To determine whether controls are adequate/effective to ensure permit fee revenues are collected from business entities required to obtain a permit to operate a business in the City

Off-Duty Employment Administration – Dallas Police Department

- Anticipated Report Date: August 2018
- Project Objective(s): To evaluate (1) the Dallas Police Department's (DPD) internal controls over off-duty employment; and, (2) whether DPD officers adhere to DPD policies related to off-duty employment

Attestation Services

Agreed-Upon Procedures for Petition Processing by the City Secretary's Office

- Anticipated Report Date: July 2018
- Project Objective(s): Assist the City Council in evaluating the City Secretary's Office's compliance with the Texas Election Code, the Texas Local Government Code, and the Charter of the City of Dallas, Texas as specified in *"City Secretary's Office Procedures Process for Checking Petition(s) for an Initiative, Referendum, Local Option, Charter Amendment, Council Recall"*

**Projects in Progress – Fourth Quarter
July 1 to September 30**

Audit Services

Dallas Convention & Visitors Bureau (VisitDallas) – Convention and Event Services

- Anticipated Report Date: First Quarter Fiscal Year 2019
- Project Objective(s): To evaluate the effectiveness of services provided by the Dallas Convention and Visitors Bureau (VisitDallas), which may include: (1) assessing the reliability and reporting of performance measures; and, (2) determining whether Tourism Public Improvement District Incentive funds were used properly

Open Records Request Process – City Secretary’s Office

- Anticipated Report Date: First Quarter Fiscal Year 2019
- Project Objective(s): To evaluate the effectiveness of the City Secretary’s Office compliance with State law and whether there are cost-saving opportunities

Performance Measurement Process – Multiple Departments

- Anticipated Report Date: First Quarter Fiscal Year 2019
- Project Objective(s): To conduct an audit of the performance measures included in the City’s 365 website to evaluate whether performance data are meaningful, accurate, supportable, reliable and valid

Surveillance Camera Oversight – Multiple Departments

- Anticipated Report Date: First Quarter Fiscal Year 2019
- Project Objective(s): To determine whether the City adequately/effectively manages and maintains its network of surveillance cameras

Water Quality and Safety, Testing, and Monitoring – Dallas Water Utilities

- Anticipated Report Date: First Quarter Fiscal Year 2019
- Project Objective(s): To determine whether the Department of Dallas Water Utilities has: (1) adequate policies and procedures in place for ongoing accuracy testing and monitoring of City water quality and safety; and, (2) effective means of communicating with City residents regular testing and monitoring results

Security and Safety Protocols for Large Public Venues Owned or Managed by the City – Multiple Departments

- Anticipated Report Date: Second Quarter Fiscal Year 2019
- Project Objective(s): To evaluate the adequacy of the security and safety protocols in place for large public venues owned or managed by the City

Franchise Fees Review through Third-Party Vendor (*Ongoing*)

- Anticipated Report Date: Periodic, as warranted
- Project Objective(s): To verify that franchise fees (which may include utilities, cable, and telephone) identified by a third-party vendor are received by the City

Sales/Use Tax Compliance Review through Third-Party Vendor (*Ongoing*)

- Anticipated Report Date: Periodic, as warranted
- Project Objective(s): To identify and collect new and misreported tax revenue identified through a third-party vendor which will conduct Sales and Use Tax Compliance Review and Recovery Services

Anticipated Project Starts – Fourth Quarter July 1 to September 30

Audit Services

Dallas Police Department's Complaint Process

- Project Objective(s): To determine if: (1) the Dallas Police Department's complaint process is accessible; (2) internal and external complaints are processed consistently; and, (3) appropriate and consistent corrective actions are taken

Economic Development Programs and Incentives – Office of Economic Development

- Project Objective(s): To evaluate whether selected economic development programs are producing expected results and whether monitoring controls are effective

Management of the City's Surplus Real Properties – Department of Sustainable Development and Construction

- Project Objective(s): To evaluate the City's processes for identifying, managing, and disposing of surplus real property

Revenue Estimates – Office of Budget

- Project Objective(s): To determine whether the City has effective processes to ensure reasonable revenue estimates are included in the Manager's proposed operating budget.