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# OFFICE OF THE CITY AUDITOR

## PERFORMANCE AUDIT OF THE ADMINISTRATIVE DIRECTIVE PROCESS



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**August 6, 2004**

## Memorandum



CITY OF DALLAS

August 6, 2004

Honorable Mayor and Members of the City Council  
City of Dallas

We have conducted a performance audit of the Administrative Directive Process.

In our opinion, the AD process is not managed effectively. Department Directors do not always update ADs in response to changes in City policy and procedures.

ADs are not approved and published in a timely manner. ADs are not updated based on new technology or organization structures. There is no proper review and approval for deleting ADs.

These concerns are discussed in the Opportunities for Improvement section of this report.

We appreciate the cooperation of City staff during our examination.

Thomas M. Taylor

Thomas M. Taylor, CPA  
City Auditor

c: Mary K. Suhm, Interim City Manager

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# PERFORMANCE AUDIT OF THE ADMINISTRATIVE DIRECTIVE PROCESS

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## EXECUTIVE SUMMARY

We have conducted a performance audit of the administrative directive process, as managed by the Office of Financial Services (OFS). Our audit period was January 1, 2001 through December 31, 2003. An exit conference was held on March 15, 2004.

Our scope was all Administrative Directives (AD) in effect, pending revision or draft, or deleted. Our audit objectives were to determine whether:

- ADs are approved and published in a timely manner.
- ADs are periodically reviewed and updated as necessary based on new technology or organizational restructures.
- There is a review and approval process to delete ADs.

Review of Adopted Annual Budgets for fiscal years 99-00 through 03-04 identified significant events (e.g. staff reductions, re-organizations, and changes in technology) potentially having a bearing on City processes and procedures.

In our opinion, the AD Process is not managed effectively. Department directors do not update ADs on a timely basis in response to change in City policy and procedures. OFS does not have written procedures for implementing its specified responsibilities stated in AD 2-1. Additionally, ADs migrated to the electronic environment in 1999, but OFS did not develop policy and procedures for this transition or for the management and control of ADs in the electronic environment.

ADs are not approved and published in a timely manner. ADs are sometimes reviewed by some of the issuing Departments, and they have developed their own procedures. ADs are not updated based on new technology or organizational restructures. There is no review and approval process for deleting ADs.

Management responded very positively and, if the proposed corrective actions are implemented, they will improve the administrative directive process.

Our concerns are discussed in the Opportunities for Improvement section of this report.

## INTRODUCTION

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### Authorization

We have conducted an audit of the administrative directive process, as managed by the Office of Financial Services (OFS). We conducted this audit under the authority of Chapter IX, Section 2 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by the City Council.

### Scope and Methodology

Our audit was conducted in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Accordingly, our audit included inquiries, tests of the records, and other procedures we considered necessary to meet the scope and objectives. Our audit period was January 1, 2001 through December 31, 2003.

Our scope was all administrative directives (ADs) in effect, pending revision or draft, or deleted. Our audit objectives were to determine whether:

- ADs are approved and published in a timely manner.
- ADs are periodically reviewed and updated as necessary based on new technology or organizational restructures.
- There is a review and approval process to delete ADs.

To achieve our objectives, we:

- Reviewed AD 2-1, *Administrative Directives*, dated November 21, 1997.
- Reviewed prior audit reports to identify ADs that management stated were to be revised to correct audit findings.
- Interviewed OFS staff and City staff from those departments whose ADs were selected for testing.
- Interviewed staff of the City Secretary's Office and the City Attorney's Office.
- Requested OFS to provide its written procedures for managing the AD process.
- Sent questionnaires to Department Directors whose ADs were selected for testing.
- Reviewed Adopted Annual Budgets for FY00, 01, 02, 03 and 04 to identify significant events potentially having a bearing on City processes and procedures resulting from the following:
  - Staff reductions
  - Re-organization
  - Technology

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## INTRODUCTION

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Our methodology for the above scope and objectives was:

- To determine publication timeliness<sup>1</sup>.
  - We selected a judgment sample of ADs drafted/revise and issued during our audit period.
  - Reviewed all interim ADs.
  - Reviewed 14 ADs that were to be revised based on management responses to audit recommendations for Fiscal Years 2001 – 2003.
  - Ascertained whether AD review and approval is efficient.
- To determine whether the issuing departments performed periodic reviews and updates, we:
  - Selected a judgment sample of 23 ADs that comprised eight City departments. The sample was selected from 76 ADs with an effective or revision date of 1999 or earlier.
  - Reviewed the sample of 23 ADs to assess whether revisions/updates would be deemed necessary based on the following factors:
    - Staff reductions
    - Re-organization
    - Technology
  - Sent questionnaires to the eight Department Directors to identify their review process of ADs.
- To determine whether there was a basis and process for deleting ADs, we interviewed OFS staff and reviewed their files.

### Overall Conclusion

In our opinion, the AD process is not managed effectively. Department Directors do not always update ADs in response to changes in City policy and procedures. OFS does not have written procedures for implementing its specified responsibilities stated in AD 2-1. Additionally, ADs migrated to the electronic environment in 1999, but OFS did not develop policy and procedures for this transition or for the management and control of ADs in the electronic environment.

ADs are not approved and published in a timely manner. ADs are sometimes reviewed by some of the issuing departments, and they have developed their own procedures. ADs are not updated based on new technology or organizational restructures. There is no proper review and approval process for deleting ADs.

Our concerns are discussed in the Opportunities for Improvement section of this report.

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<sup>1</sup> We deemed a twelve-month period for review, approval and publication as timely.

## INTRODUCTION

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### Background

ADs establish written policies to ensure the proper administration of City affairs. ADs are issued by the authority and by signature of the City Manager, in accordance with responsibilities assigned to the City Manager by State law, the City Code, the City Charter, and the City Council. ADs are also issued under the authority and by signature of other City Council appointed officers, in accordance with responsibilities assigned to those officials by State law, the City Charter, the City Code, and the City Council.

ADs are issued:

- To improve service to the public through efficient management.
- To establish policy and procedure for the uniform administration and effective and efficient coordination of the functions of the City.

AD 2-1 specifies the responsibilities and procedures applicable to all City officers and employees for the issuance and compliance of ADs. It states that all ADs shall remain in full force until officially revised, superseded, or canceled in writing by the official authorized to issue the AD.

The Director of Budget & Management Services (a.k.a. Office of Financial Services) is assigned, by the City Manager, responsibility as the legal custodian of the ADs and is responsible for authentication, publication, indexing, maintenance, distribution to Department Directors, revisions, change notice documentation, preparation of current page checklist of approved and draft ADs, and record retention of historical, current approved, and interim ADs.

Review of Adopted Annual Budgets for FY00, 01, 02, 03 and 04, identified significant events (e.g., staff reductions, re-organization, and changes in technology) potentially having a bearing on City processes and procedures.

### Highlights from Adopted Budget for FY99-00

- Staff Reductions
  - Net reduction of 72 positions Citywide
- Re-organization
  - Reduced the City Controller's Office budget by \$829,083 and eliminated 15.2 FTEs in anticipation of transferring property tax collection to Dallas County
  - Eliminated tax on autos and light trucks creating a net revenue decrease of \$14.4M

## INTRODUCTION

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- Technology
  - \$1.0M to upgrade 911 system software and workstations
  - \$1.6M to upgrade City's existing Local Area Network and Wide Area Network infrastructure

### **Highlights from Adopted Budget for FY00-01**

- Staff reductions
  - Reduction in City personnel by over 550 funded civilian positions
- Re-organization
  - Outsourced (i.e., privatization) health benefits administration, which was projected to save \$1.2M
  - Consolidated Budget and Management and two divisions of the City Controller's Office into the OFS
  - Created the Office of Purchasing/Business Diversity Development by transferring Purchasing and the Office of Minority Business Opportunity from the City Controller's Office
  - Public Information Office is transferred to OFS
  - Transferred 76 FTEs from various departments to Communication and Information Services for Information Technology consolidation
- Technology
  - Invested over \$12M in technology infrastructure
    - \$6M to replace and enhance existing 311, service request, and code compliance systems
    - \$3M to rebuild Citywide Local Area Network and establish a centralized network operating command center
    - \$3M to upgrade communications infrastructure to include software/hardware updates for 911

### **Highlights from Adopted Budget for FY01-02**

- Staff reductions
  - Net reduction in City personnel of 105 funded civilian positions
- Re-organization
  - Consolidated the OFS' Special Collections Group (24.6 FTEs and \$1.7M) with DWU collection activities

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## INTRODUCTION

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- Technology
  - \$13.2M in technology infrastructure
  - Implemented Human Resources Information System (HRIS)
  - Implemented Citizen Request Management System

### Highlights from Adopted Budget for FY02-03

- Staff reductions
  - Elimination of 433 funded civilian positions
  - Continuation of the hiring freeze begun in FY01-02
  - Elimination of temporary help services
- Re-organization
  - Consolidated Accounts Payables under the City Controller's Office
  - Eliminated tuition reimbursements for civilians and uniform personnel
  - Created the Office of Development Services by combining three primary development-related departments (Economic Development, Planning and Development, Property Management), International Affairs, and portions of other departments that provided private development functions
  - Consolidated Citywide payroll and personnel functions
- Technology
  - Additional funding for Voice Over Internet Protocol
  - Additional funding for HRIS

### Highlights from Adopted Budget for FY03-04

- Staff reductions
  - Reduction of 69 positions in fleet maintenance
- Re-organization
  - Created the Express Plan Team, a team of specialists from various disciplines to work with developers to streamline the review process

### Prior Audits

Timely issuance of ADs and updates has been addressed in prior audits. Management responded that relevant ADs would be updated to correct audit findings. However, these updates have not been published. We address this issue in Opportunity for Improvement #1 of this report.

## OPPORTUNITIES FOR IMPROVEMENT

We identified certain policies, practices, and procedures that should be improved. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

### 1. ADs are not approved and published in a timely manner.

The current process is not effective in ensuring that ADs are approved and published in a timely manner<sup>2</sup>. Delayed approval and publishing impede the communication of City policies and procedures necessary to establish effective and efficient coordination and management throughout the City. The current process is not able to: (1) respond to changes in a timely manner and (2) implement managements' responses to audit recommendations. We also found that interim ADs are in effect beyond their authorized temporary timeframe of 120 days. Further, some ADs have been undergoing review and pending issuance for two to three years.

There were 23 ADs, per the AD index listed in the City's intranet, that were issued during the audit period. We judgmentally selected nine of these ADs from four issuing departments to ascertain whether the approval and issuance process was timely. We contacted each of these departments to describe the time required to draft, review, approve, and issue the ADs. Only two departments (Office of Financial Services and Equipment and Building Services) provided anecdotal inputs.

#### A. Interim ADs exceeded their 120-day authorization period.

The AD index identified two interim ADs. They are still listed as interim ADs.

AD	Title	Issuing Dept	Status	Effective Date	Comments
3-72	Family & Medical Leave	HR	Interim	7/8/03	The 120-day period expired on 11/5/03.
4-7	Travel on City Business	OFS	Interim	10/1/02	The 120-day period expired on 1/29/03. The revised AD is being reviewed.

AD 2-1, Section 5.1.4 states, "The City Manager or his designee will: Issue and authorize an 'Interim Administrative Directive' without the delay of a 30-day review when there is pressing and urgent need for an administrative policy change, provided the Interim Administrative Directive includes an expiration date not to exceed 120 days from the date of issuance."

<sup>2</sup> There were no benchmarks established by OFS or AD 2-1 to assess timeliness. Auditors used 12 months as a reasonable timetable to draft, review, approve and issue an AD.

## OPPORTUNITIES FOR IMPROVEMENT

- B. ADs are pending changes and issuance for periods ranging from two to three years.

As stated, departments did not respond to our survey on the time required to draft, review, approve, and issue the ADs in our sample. However, based on our observation from prior audits, we identified ADs that have been pending changes and issuance for nineteen months to over three years.

AD & Issuing Dept	Title	Latest Revision Date	Associated Audit & Date of Audit	How long has AD been pending issuance?	Comments
2-1 OFS	Administrative Directives	11/21/97	Process and Procedures for Accounts Receivable and NSF Checks, 3/15/02	1 year & 9 months  Currently being updated	Audit recommended that AD 2-1 include a time period for performing the annual review. Management responded that it included the time period in an updated AD 4-9. However, AD 4-9 has not been updated since its latest revision date of 12/8/97.
4-03 CIS	Telecommunications Services <sup>3</sup>	10/2/95	City's Use of Communications Devices, 5/10/02	1 year & 7 months	Management agreed to update the AD.
4-05 BDPS	Contracting for Goods and Services	5/10/99	Administrative Actions, 8/17/01 Insurance Requirements, 7/19/02 Price Agreements, 12/20/02	Approx. 2.5 years	Management responses have indicated that the revised AD will correct audit findings.
4-15 BDPS	Purchasing Card Policy & Procedures	5/5/03	P-Card Program, 8/8/03	Approx. 2 years	Originally drafted in March 2001.
6-02 EBS	Rental of Fleet Type Equipment	10/2/95		Over 3 years, since Oct 2000	Pending merger with AD 6-03.
6-03 EBS	Storage of City Vehicles	10/2/95	DPD Home Storage Vehicle Program, 8/1/03	Over 3 years, since Oct 2000	AD 6-03 is to be replaced with the pending revision of AD 6-2.

The above ADs have not been issued in a timely manner and our observations from prior audits were that departments were using draft versions of ADs as official policy.

<sup>3</sup> Subsequent index shows latest revision date of May 2000; however, this revision is still prior to the audit performed in May 2002.

## **OPPORTUNITIES FOR IMPROVEMENT**

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AD 2-1 states that the Director of Budget & Management Services (a.k.a. Office of Financial Services) will request an annual review and update of ADs by Department Directors and, if changes are required, the director will ensure they are made in a timely manner.

AD 2-1, Section 6.1.5 states, “ADs shall remain in full force until officially revised, superseded or canceled in writing by the official authorized to issue the AD.”

Our inquiries and observations indicated that the untimely issuance of ADs could be attributed to the following:

- There are no benchmarks or milestones identified to monitor or assess status or timely issuance.
- All ADs require legal review and approval, and a timeframe is not specified for accomplishing the review and approval.
- There is no tracking mechanism to readily identify the status of pending ADs.
- OFS has no (written) procedures for managing the AD process and implementing its responsibilities specified in AD 2-1.

**We recommend** the Director of OFS:

- Develop policy and procedures to effectively manage the AD process and carry out its responsibilities as specified in AD 2-1. These department procedures should include, as a minimum, a tracking mechanism with benchmarks/milestones to monitor, assess, and communicate the status of ADs undergoing draft review or issued as interim guidance.
- Coordinate with the City Attorney to confirm the types of ADs that must be routed for legal review and approval and establish an appropriate timeframe.
- Identify and remediate impediments that preclude issuance of ADs.
- Initiate action to ensure that ADs are revised as management stated in response to audit reports.

### **Management’s Response:**

Management partially occurs. Each Administrative Directive is unique and there is no single timeframe or specific development process that should be applied to all. In addition, management is not comfortable establishing guidelines (even in conjunction with the City Attorney) that may allow management to decide which ADs bypass City Attorney review. All ADs should be forwarded to the City Attorneys Office. The City Attorney should decide if a particular AD requires little or no City Attorney review. Management will pursue updates to ADs that have been previously committed to by distributing a memo (by July 16) that sets a timeframe for each update.

## OPPORTUNITIES FOR IMPROVEMENT

### Auditor's Comment:

Timely communications of policy and procedures is an integral component of internal controls. Therefore, we encourage the Chief Financial Officer to develop a tracking system accompanied with benchmarks to ensure that the responsible parties issue ADs on a timely basis.

### 2. ADs are not reviewed annually and updated as may be needed.

The current process does not ensure that ADs are reviewed annually or that ADs are updated based on new technology and/or organizational restructuring. Each fiscal year since FY00-01 has yielded organizational restructuring and substantial investment in the IT infrastructure. These two factors have altered the operating environment. Yet ADs dated 1999 and earlier have not been updated.

There are 76 ADs, from a total of 142 ADs on the index, which have a revision date of 1999 or earlier. We judgmentally selected 23 ADs (of the 76 ADs) from 8 departments. To determine how the issuing department managed its annual AD review, we sent a questionnaire to each of the Department Directors. The results are summarized below.

Annual AD Review Questionnaire Summary				
Dept	Do you annually review ADs You Issued?	Do you review all or some of the ADs you Issued?	Do you document your review?	Can you provide some of your review documents?
ATT	No	No	NA	NA
CES	Yes	All	No	NA
CIS	Yes	Some	Yes	No Response
EBS	DNR	DNR	DNR	DNR
HR	Yes	Some*	Yes	No Response
OFS	Yes	All	No	NA
DDS	No	No	NA	NA
PWT**	Yes	Some	No	NA

DNR = Did Not Respond

\* Every three years, based on departmental priorities.

\*\* The four ADs selected showed PWT as the issuing department. However, it was determined that responsibility for these ADs had been transferred to EBS since about 1998.

AD 2-1, Section 5.3.5 requires the Director of Budget & Management Services (currently OFS) to request an annual review and update of ADs by Department Directors.

We reviewed the sample of 23 ADs to assess whether revisions/updates would be deemed necessary based on staff reductions, re-organizations, and changes in technology and determined that 13 of the 23 ADs should be updated. The reasons for the perceived need to revise and update ADs are shown in the comments portion of the table.

## OPPORTUNITIES FOR IMPROVEMENT

AD	Title	Issuing Dept	Last Revision	Comments
2-04	Restricted Area	EBS	10/2/95	Restricted areas were changed based on the events of the 9/11 tragedy, but the AD was not updated.
2-05	Emergency Evacuation	EBS	10/2/95	The Police Chief cannot be designated as the Sr. Responsible Individual at 2014 Main since DPD has relocated to a new location.
2-11	Printing, Updating, Distribution of City Code	ATT	10/2/95	Has not been updated to incorporate use of the City's Intranet and Internet.
2-16	Street Name & Address Assignment Coordination	PLN	10/2/95	Implementation of GIS impacted procedures.  (DDS is revising the AD in response to the audit.)
3-08	HR Records Processing	HR	10/2/95	All forms changed with the implementation of HRIS (in August 2002).
3-15	Position Classification Assignment Report	HR	10/2/95	PCAs no longer provided since HRIS was implemented.  Departments were not briefed about any replacements for PCA report.
3-22	Education Benefit Reimbursement Procedures	HR	10/2/95	Educational Benefit Reimbursement ceased in FY 2002.
3-27	Temporary Help Services	HR	10/2/95	Temporary Help Services section was deleted in the FY02-03 budget that was adopted in September 2002.
3-70	Catastrophic Leave Program	HR	3/13/97	The program is no longer available.
4-10	Delinquent & Uncollectible Accounts Receivable	OFS	8/1/97	Special Collection Group (SCG) is not addressed in the AD. SCG was transferred from OFS to DWU in Oct 2001.
4-13	Cash & Debt Management Policies & Procedures	OFS	10/2/95	References to grant revenue and grant cash management should be updated since the City has been on a reimbursement basis when requesting grant funds.
6-10	Dallas City Hall Parking Garage	EBS	10/2/95	Garage parking fees are no longer as stated on this AD.  Our follow-up revealed that the garage is no longer open to the public at night and on weekends, except for special events.
6-11	Radio/CATV Communication Services	CIS	10/2/95	"Monthly billing to City departments" needs update.

The causes for untimely review and updates of ADs are attributed to the following:

- AD 2-1 is not enforced.

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## OPPORTUNITIES FOR IMPROVEMENT

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- AD 2-1 does not specify when the annual review is to be performed or what methodology is allowable to perform the annual review. The methodology components could include:
  - Are all ADs to be reviewed on the same month? If so, when?
  - Are ADs to be reviewed on their anniversary date?
  - Can ADs be reviewed on a sample basis if issuing department has numerous ADs (i.e., Human Resources)?
- Change Notices ceased to be used to communicate updates, deletions, or changes in departments responsible for the AD. The last one issued was Change Notice #180, dated February 1998. OFS did not indicate whether Change Notices were issued beyond February 1998.
- Departments were not aware of the annual review requirement.

AD 2-1, Section 5.4.6 requires a department director to conduct an annual review of ADs issued by the department and report to the Director of Budget & Management Service (currently OFS) whether changes are required. If changes are required, the director will ensure they are made in a timely basis.

Non-compliance and lack of enforcement are indicators that:

- Management is not effectively controlling change.
- Outdated guidance will lead to confusion and inefficiency.
- Departments will implement their own policy and procedures without regard for ADs.

**We recommend** the Director of OFS:

- Ensure that the current revision of AD 2-1 adequately addresses what is required and allowable for the annual review process.
- Ensure that updates are communicated promptly to all City departments.
- Develop procedures to facilitate the timely review and update of ADs.
- Require that ADs, as a minimum, be reviewed upon:
  - Assignment of a new department director.
  - Reorganization.
  - Acquisition planning for new systems and technology.
- Require departments to re-issue ADs prior to their fifth year anniversary dates to ensure that ADs are current.

## OPPORTUNITIES FOR IMPROVEMENT

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### Management Response:

Management concurs. Revisions to AD 2-1 have been drafted and distributed to departments for comment. A revised final AD 2-1 will be issued following incorporation of changes resulting from departmental review and approval from the City Managers and City Attorney.

### 3. OFS deleted ADs without proper review and approval.

The current process for deleting ADs does not require review and approval from the City Manager and City Attorney. The practice has been to delete ADs based on the request of the issuing department. The requirement for the review and approval prior to the issuance of ADs is not applied to the deletion of ADs.

There were 20 ADs listed on the index as deleted. OFS did not require, nor did it have, documentation to support or justify all the deletions.

There were 16 ADs listed on the index as "Not Available." OFS could not explain this status. CIS stated it meant an electronic copy of the AD was not available. Per our follow up, OFS stated that it did not have a paper copy of these ADs and did not know the subject matter pertaining to these ADs.

The current practice evolved due to the following:

- AD 2-1 does not address how to delete ADs.
- OFS did not require departments to obtain approval, from the City Manager and City Attorney, prior to deletion.
- OFS has not developed (written) procedures to manage and control the deletion of ADs.

ADs migrated to the electronic environment in 1999, but OFS did not develop policy and procedures for this transition or for the management and control of ADs in the electronic environment

AD 2-1, Section 6.1.5 states, "ADs shall remain in full force until officially revised, superseded or canceled in writing by the official authorized to issue the AD."

AD 2-1, Section 5.3 states that the Director of Budget & Management Services (currently OFS) will maintain centralized electronic and hard copy files for current approved and interim ADs, hard copy historical files for approved and interim ADs, and a complete audit log of all changes to the approved ADs.

Deleting ADs without a proper review and approval process could: (a) potentially expose the City to unfavorable conditions since issuance of the AD was based on a

## **OPPORTUNITIES FOR IMPROVEMENT**

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legal review and the City Manager's approval and (b) create conditions where City policies are determined by Department Directors. Additionally, failure to effectively manage the availability of ADs could preclude access to approved City policy and procedures.

**We recommend** the Director of OFS:

- Ensure that the pending revision of AD 2-1 adequately addresses the deletion of ADs by including, as a minimum, a review and approval process.
- Ensure that the AD index is kept current and accurate.

**Management's Response:**

Management concurs. Revisions to AD 2-1 have been drafted and distributed to departments for comment. A revised final AD 2-1 will be issued following incorporation of changes resulting from departmental review and approval from the City Managers and City Attorney.