

**OFFICE OF THE CITY CONTROLLER**



**HOUSTON PUBLIC LIBRARY (HPL)**

**FISCAL YEAR 2013 FOLLOW-UP PROCEDURES**

**Ronald C. Green, City Controller**

**David A. Schroeder, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

RONALD C. GREEN

December 19, 2012

The Honorable Annise D. Parker, Mayor

**SUBJECT: REPORT #2013-06  
HOUSTON PUBLIC LIBRARY (HPL) – FY2013 AUDIT FOLLOW-UP PROCEDURES**

Dear Mayor Parker:

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2012 remediation efforts performed by management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.<sup>1</sup>

During FY2011, the Audit Division changed the Audit Follow-Up Process to utilize a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

Based on the procedures performed, we obtained sufficient and appropriate evidence to render our conclusions related to HPD as follows:

- There were a total of three (3) findings contained in the report issued during the scope period. Our test work determined that one (1) had been **Closed** because the finding was no longer applicable to the department. One of the two applicable findings is **Closed (remediated)** and the remaining finding is **Ongoing (not remediated)** (Objective 1).
- In reviewing the remediation process associated with the two (2) findings that still apply, one (1) was deemed adequate and one (1) inadequate, yielding an overall assessment of **Adequate** (Objective 2)

We appreciate the cooperation and professionalism extended to the Audit Division during the course of the project by personnel from HPL.

Respectfully submitted,

Ronald C. Green  
City Controller

cc: City Council Members  
Chris Brown, Chief Deputy City Controller, Office of the City Controller  
Waynette Chan, Chief of Staff, Mayor's Office  
Dr. Rhea Lawson, Director, Houston Public Library  
David Schroeder, City Auditor, Office of the City Controller

<sup>1</sup> IIA Standard 2500 - requires a process that "...auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."

Office of the City Controller  
Audit Division



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**TABLE OF CONTENTS**

**TRANSMITTAL LETTER.....i**

**EXECUTIVE SUMMARY .....1-3**

    BACKGROUND .....1

    AUDIT SCOPE AND OBJECTIVES.....2

    PROCEDURES PERFORMED .....2

    AUDIT METHODOLOGY .....3

    CONCLUSIONS.....3

    SIGNATURES .....3

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**EXHIBIT 1**

DETAILED REMEDIATION ASSESSMENT .....4



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## **BACKGROUND**

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2012 remediation efforts performed by management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we also perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.<sup>1</sup>

The Audit Division (Division) Audit Follow-Up Process utilizes a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

### **MANAGEMENT STATUS/SELF REPORTING:**

During the 3<sup>rd</sup> quarter of the fiscal year, the current list of findings is reviewed and ranked according to three levels of risk (high, medium, and low). They are organized and identified by department and sent for management's self-reported status as to progress of remediation based on their responses in the Audit Report. This information is then assessed by the audit team considering (1) responsiveness to the original issue and (2) resolution of the issue identified.

### **FIELDWORK/TESTING VERIFICATION PHASE:**

During the first quarter of the subsequent fiscal year, the information obtained through the management status phase is used as a basis to select departments for follow-up testing. Using the results of weighted risk-ranked findings, while also ensuring complete review of all City Departments; four to six are then selected for follow-up. All findings for those departments are then tested for: (1) Accuracy of management self-reporting (Ongoing, Closed, or Disagreed) and (2) assessment of the remediation process (Adequate or Inadequate), with consideration of the accuracy of management's self-reported status. The assessment of the remediation process also considers the risk of the finding (High, Medium, or Low) to the City. A rating of **Adequate** indicates the department has processes in place to sufficiently monitor and address issues identified. This could be demonstrated by having either remediated (if the finding is Closed) or is exhibiting progress in the remediation efforts (if the status is Ongoing).

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<sup>1</sup> IIA Standard 2500 - requires a process that "...auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."

GAGAS 2.10, 4.05, 5.06, 6.36, 7.05, and A3.10c(4)

GAGAS Appendix I Supplemental Guidance A1.08 states "Managers have fundamental responsibilities for carrying out government functions. Management of the audited entity is responsible for...f. addressing the findings and recommendations of auditors, and for establishing and maintaining a process to track the status of such findings and recommendations..."



Office of the City Controller  
Audit Division

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An **Inadequate** rating is assessed when the status of the findings are not as reported by management and/or the issues have not been addressed as originally committed to by the responsible management (consideration is given for changing environment that may require a different approach to solving the issue). If a department's remediation efforts have been assessed as **Inadequate** a rating of magnitude is also attached, based on the risk ranking of the associated finding(s). For example, a rating of **Inadequate/Low Impact** indicates that the remediation efforts are not sufficient; however, the risk to the City is Low.

### **AUDIT SCOPE AND OBJECTIVES**

We identified **all** findings issued in **all** reports through the Office of the City Controller beginning in **FY2009** (this includes reports issued by outside professional services firms as well as those performed and issued exclusively by Audit Division professional staff).

Based on the Process described above the six (6) departments selected were:

- Public Works and Engineering Department (PWE)
- Houston Airport System (HAS)
- Houston Emergency Center (HEC)
- Houston Police Department (HPD)
- Houston Public Library (HPL)
- Mayor's Office

This report provides the results of the follow-up process as it relates to HPL and includes three (3) individual findings issued via one (1) formal audit report during the period July 1, 2008 through March 31, 2012.

The objectives of our Follow-Up Procedures were to determine:

1. The Status for each open item and
2. The adequacy of the department's remediation process in place to resolve its universe of findings.

### **PROCEDURES PERFORMED**

Audit procedures performed to meet the audit objectives and provide a basis for our conclusions were as follows:

- Obtained and reviewed Management's Self-reporting of Findings status;
  - Performed a Risk Assessment considering the number of findings directed to departments and their assigned risk ranking.
  - Selected the departments for testing based on risk ranking, responsiveness to status update requests (department self-reporting), remediation efforts as reported (i.e. completed, non-responsive, responsive/unresolved), and Audit Division efficiency (combining follow-up testing with planned engagements)
  - Determined and requested the documentation necessary to support the status reported by management;
  - Performed Interviews with Management and relevant staff;
  - Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness; and
  - Where appropriate, substantive testing was performed.
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## **AUDIT METHODOLOGY**


We conducted Follow-Up Procedures in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and The International Standards for the Practice of Internal Auditing as promulgated by The Institute of Internal Auditors. 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 audit objectives. We believe that the evidence obtained meets these standards to support our findings and conclusions based on our audit objectives.

## **CONCLUSIONS**


Based on the procedures performed above, we obtained sufficient and appropriate evidence to render our conclusions as follows:<sup>2</sup>

- There were a total of three (3) findings contained in the report issued during the scope period. Our test work determined that one (1) had been **Closed** because the finding was no longer applicable to the department. One of the two applicable findings is **Closed (remediated)** and the remaining finding is **Ongoing (not remediated)** (Objective 1).
- In reviewing the remediation process associated with the two (2) findings that still apply, one (1) was deemed adequate and one (1) inadequate, yielding an overall assessment of **Adequate** (Objective 2)

## **SIGNATURES**

  
\_\_\_\_\_  
Scott Haiflich, CGAP  
Auditor-in-Charge

  
\_\_\_\_\_  
Arnie Adams, CFE, CIA  
Audit Manager

  
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David Schroeder, CPA, CISA  
City Auditor

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<sup>2</sup>

See Exhibit 1 for the Detailed Remediation Assessment - "FY2013 Audit Follow-Up Procedures Matrix" - HPL

Report Number	Title	Finding	Management's Status As Of 5/31/2012	Conclusion	
				Ongoing/Closed	Remediation Process
2009-07	COMPLIANCE WITH DEFENSIVE DRIVING COURSE REQUIREMENTS	Audit testing revealed that one of the three Library employees receiving vehicle allowances had not completed a DDC as required by AP 2-2.	<p>Actions Taken: Library executives were reminded to repeat DDC course every 36 months.</p> <p>Date Completed/To Be Completed: Three employees receive vehicle allowance. One will complete DDC course by 6/30/12.</p> <p>Supporting Documentation:</p>	<p><b>On-Going</b></p> <p>DDC certificates were not provided for six of the 10 employees selected for testing.</p>	<p><b>Inadequate/Low Impact</b></p>
2009-07	COMPLIANCE WITH MOTOR VEHICLE RECORD REQUIREMENTS	Discussion with Department management revealed that MVRs have not been obtained annually. The Department requested MVRs from the Texas Department of Public Safety in preparation for the audit.	<p>Actions Taken: Library department personnel ran MVR checks annually for each employee until 2011 when city of Houston HR took over this responsibility for all departments.</p> <p>Date Completed/To Be Completed: 12/8/2009; 12/16/2010</p> <p>Supporting Documentation:</p>	<p><b>Closed</b></p> <p>We selected 10 employees to test for compliance with MVR requirements. MVRs were current for all of the 10 employees in our sample.</p>	<p><b>Adequate</b></p>
2009-07	PERIODIC AUDITS OF COMPLIANCE WITH AP 2-2	Library files did not contain evidence of periodic auditing for compliance with AP 2-2 related to vehicle allowances.	<p>Actions Taken: Periodic audits are conducted for executive vehicle allowances at least annually.</p> <p>Date Completed/To Be Completed: Last audits 2011.</p> <p>Supporting Documentation:</p>	<p><b>Closed</b></p> <p>At the time of follow up testing, there were no HPL employees receiving vehicle allowances.</p>	<p><b>N/A</b></p>