

**OFFICE OF THE CITY CONTROLLER**



**FISCAL YEAR 2012  
ENTERPRISE RISK ASSESSMENT**

**Ronald C. Green, City Controller**

**David A. Schroeder, City Auditor**



**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

**RONALD C. GREEN**

October 22, 2012

The Honorable Annise D. Parker, Mayor  
City of Houston, Texas

**SUBJECT: REPORT #2013-02  
CITY OF HOUSTON – FISCAL YEAR 2012 ENTERPRISE RISK ASSESSMENT**

Dear Mayor Parker:

I'm pleased to submit to you the Enterprise Risk Assessment (ERA) performed by the Controller's Office Audit Division during Fiscal Year (FY) 2012. As you are aware, this is a process that supports our efforts in developing the Annual Audit Plan (see Report #2013-02) and deploying the necessary resources to execute.

As noted in last year's ERA report (#2012-05) the process going forward is being performed annually by selecting and updating five to seven departments each fiscal year. This approach provides full coverage of all City Departments over a four to five year period rather than re-visit every department annually. Our methodology is consistent with professional standards and considers available resources, cost-benefit, and will allow us to advance the quality of the assessment each cycle.

Seven departments selected and updated for the FY2012 ERA were:

- Houston Police Department (HPD)
- Finance Department (FIN)
- Planning and Development (PD)
- Houston Public Library (HPL)
- Office of Business Opportunity (OBO)
- Solid Waste Management Department (SWM)
- City Secretary (CSC)

As a whole, the Annual ERA Process considers:

- City Departments and functions (based on the rotation identified above);
- Changes to the "Risk Universe"; (creation of LGC's 501(c)3, new departments, etc.)
- Notable Changes within the City (significant items/contracts passed by City Council); and
- Considerations of Information Technology
- Previous Audit results of a potentially systemic nature

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**KEY RISKS IDENTIFIED:**

As a result of this year's process, the key risks that remain within the City *from the perspective of an auditable business process or technology considerations* are:

**Contracts** – Development and structure of language, City oversight, performance metrics, over-reliance on the vendor's self-reporting process

**Information Technology** – Disparate and disconnected systems that require the development of system or manual interfaces, dependence on outside resources, unrealized use of functionality.



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The report contains two sections: *Executive Summary* and *Separate Risk Profiles* of the Departments reviewed, organized by key business processes within each department.

There are two primary perspectives that are graphically presented within the Executive Summary, and shown in detail within each Risk Profile. These perspectives are described as follows:

**KEY BUSINESS PROCESSES** – analyzed by common functions performed across the organization, which can reveal potential efficiencies, overlap, redundancies, synergies, and leverage of resources. This perspective is looking at activities that the City performs without consideration of its organizational structure; and

**DEPARTMENTAL** - analyzed in terms of the impact and likelihood of risk associated with the organizational design in executing the City's overall mission and objectives.

We appreciate the cooperation and professionalism extended to the Audit Division during the course of the project by personnel from HPD, FIN, CSC, OBO, SWM, HPL, and PD.

Respectfully submitted,

Ronald C. Green  
City Controller

xc: City Council Members;  
Department Directors;  
Chris Brown, Chief Deputy City Controller;  
Waynette Chan, Chief of Staff, Mayor's Office;  
Andy Icken, Chief Development Officer, Mayor's Office;  
David Schroeder, City Auditor



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## EXECUTIVE SUMMARY

### PURPOSE AND INTRODUCTION

The Audit Division within the Office of the City Controller adheres to professional standards issued by the Government Accountability Office (GAO's *Yellowbook*) and the International Standards of the Professional Practice of Internal Auditing (*Redbook*) per the Institute of Internal Auditors (IIA). Both sets of standards require a risk-based approach to identify the scope and objectives of the audit planning and to properly design audit procedures. The *Redbook* specifically requires an Enterprise Risk Assessment process be performed annually as a primary driver to support the annual audit plan, while the *Yellowbook* requires that risk be considered at the engagement/process level.

As such, the Audit Division applies risk-based methodology in the following manner:

- Annual ERA on all major processes within five to seven departments, which then provide a basis for input to the Audit Plan (See Report # 2013-01 FY2013 Controller's Audit Plan);
- Risk Assessment procedures at the Engagement/Audit project level; and
- Risk Consideration in rendering conclusions and determining the impact and magnitude of findings and preparing the final audit report.

### BACKGROUND AND METHODOLOGY –

Previous to 2010, the Audit Division outsourced its risk assessment process to external consultants and utilized the results provided in a report to assist in developing the annual audit plan. The previous risk assessments had been performed in 1994, 1999, and 2004 respectively. In FY2010, the Audit Division conducted an ERA internally utilizing approximately three full-time equivalents (FTEs) and assessed all City Departments. Since then, the process is being performed annually by selecting Departments on a rotational basis for efficiency and to ensure full coverage of all City Departments over a four to five year period. The ERA process has also expanded to include additional considerations along with the Department Risk Profiles. The FY2012 ERA began with preliminary planning, a review of FY2010's risk assessment report, consideration of Audit Reports issued during the fiscal year, and the following components as impacted during the fiscal year.

### COMPONENTS OF THE ANNUAL ERA PROCESS:

- Notable Changes
  - Significant Events and
  - Structural and Operational Changes (new departments, creating new entities, changes to processes, consolidation, etc.)
- Consideration of Significant Information Technology and Systems
- Department Risk Profile Updates



## NOTABLE CHANGES

Applying the risk based methodology as noted above in preparation of the FY2013 Annual Audit Plan, the Audit Division considers significant changes of events, operational and/or business processes, as well as changes in departmental leadership that have occurred since the last risk assessment update. These changes, whether individually or collectively, may have an effect on the way the City conducts business operationally and the resources available. The Audit Division considers these factors in preparation of the Annual Audit Plan.

### **SIGNIFICANT EVENTS AND OPERATIONAL CHANGES SINCE THE FY2011 ENTERPRISE RISK ASSESSMENT UPDATE (ERA) – include the following:**

- The Mayor has proposed and Council approved for a \$410 million public improvement bond package to be placed on the November 2012 ballot for voter approval. The bond package would include: \$144 million for public safety needs; \$160 million for parks, including the Bayou Greenways Project; \$63 million for health, sanitation/recycling and general government improvements at city facilities; and \$28 million for libraries.
- In FY2012, City Council approved the Mayor's plan for an independent crime lab. The Forensic Science Local Government Corporation (LGC) was created with a nine-member board of directors to oversee the LGC, in which they will set policy for the forensic science center and help ensure the integrity of operation and sound financial management.
- May 2012, the Mayor and City Council approved Southwest Airlines' (SWA) plans for international service at Hobby Airport. A proposed Memorandum of Agreement (MOA) was created that would require SWA to cover all costs related to the \$100 million expansion. SWA is to design and build five new gates and customs facility to the City's specifications. Construction is planned for the spring of 2013.
- A public/private partnership between the City of Houston and Star of Hope was created and approved by the Mayor and City Council to operate what is known as the Houston Sobering Center. As an alternative to jail for people detained for public intoxication, the center will allow the person(s) the opportunity to regain sobriety in a safe, medically monitored environment. The Houston Police Department's (HPD) Mental Health Unit will be housed in the same building. In addition to HPD, the Department of Health and Human Services and the Houston Fire Department (HFD) will provide services at the site. The City's annual cost to lease, maintain, and staff the new center is estimated to be \$1.5 million, compared to the \$4-6 million currently being spent to process public intoxication cases at the City jail, which will be a savings to the City of approximately \$2 – 4 million. A 501(c) 3 foundation will also be created to aid in future fundraising for operations and future expansion.
- During FY2011, the City experienced one of the most severe droughts in recent history and a major portion of the parks forestry was lost, with Memorial Park being affected the most. A budget of \$4 million was approved and allocated for clean-up and restoration throughout the city. In addition, several organizations and with all private donations, partnered to implement Project RE-Plant Memorial Park Forestry Plan, a multi-year, multi-part campaign to restore the forestry of the park.
- As the City's energy provider, Reliant Energy was selected and awarded a \$500 million, three-year contract to provide electricity to city facilities. The contract, which can be extended two additional years, is expected to save the City approximately \$30 million annually over its current costs. The agreement begins July 2013.
- In FY2012 the City of Houston reached a \$4.78 million settlement of the lawsuit filed by American Traffic Solutions (ATS), ending Houston's Red Light Camera Program.



### STRUCTURAL CHANGES TO THE RISK UNIVERSE -

Changes to the Risk Universe are considered when for example: there are Departmental and/or management structure changes; functions/responsibilities/processes are added, or eliminated; and consolidation or centralization occurs between Departments or on a city-wide basis. In addition, changes to the risk universe in preparation of the Annual Audit Plan, Audit Division must consider the impact of the increasing number of Local Government Corporations (LGC) that are being created on the City's behalf, as well as forms of Component Units (**See description below**).

**AUDITABLE ENTITIES** – Auditable Entities for risk assessment purposes are defined as areas upon which audits or reviews can be conducted by internal or external auditors. These functions or activities may also be considered key business processes or defined organizational structures, as described in more detail below. Changes that occurred, which have affected Auditable Entities in the risk universe included:

- Department of Neighborhoods (DON) was newly created and confirmed in August 2011 and a new director was approved in May 2012. Neighborhood protection functions and programs city-wide were transferred to the new Department;
- In FY2012, new Directors were appointed for the Housing and Community Development Department (HCDD), Information Technology Department (ITD), and the Mayor's Office of Business Opportunity (OBO);
- City-wide consolidation occurred for fleet/fleet maintenance, payroll, and human resources;
- Accounts Receivable/Payable functions were transferred from the Information Technology (ITD) and Fleet Management (FMD) Departments to the Finance Department. Revenue and collection efforts for the Red Light Camera Program (DARLEP) were also transferred to the Finance Department from the Houston Police Department (HPD).

**COMPONENT UNITS** - Component Units are defined by the Governmental Accounting Standards Board (GASB)<sup>1</sup> as a related entity whose leadership/management is controlled and/or appointed by primary government (City of Houston) and who is dependent on the primary government financially or who would not exist if the primary government did not exist. In determining whether a particular legally separate entity is a component unit of a primary government, there are three specific tests that involve:

- Appointment of the unit's governing board;
- Fiscal dependence on the primary government; and
- The potential that exclusion would result in misleading financial reporting.

Component Units are reported in the City's Comprehensive Annual Financial Report (CAFR). Starting with the FY2013 ERA, the Audit Division will include selected Component Units as a part of the risk assessment process going forward.

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<sup>1</sup> GASB 14 and GASB 39



**CONSIDERATION OF SIGNIFICANT INFORMATION SYSTEMS**

Utilizing a risk-based approach as required by the standards, the Audit Division will consider the City’s information technology systems that have been implemented, as well as the technology initiatives that are being developed, which affect operational/business processes. In FY2012, the conversion from an exception pay system to a positive pay system for time and attendance was completed for all City Departments. The system known as Kronos Time and Attendance System (Kronos) is continually being updated. Other information technology initiatives city-wide as well as departmental, the Audit Division is taking into consideration, which are at various phases included:

- Municipal Courts Case Management System (C Smart);
- 700 MHz Radio System;
- Enterprise Resource Planning System (ERP);
- Geographic Information Systems (GIS);
- Library Radio Frequency Identification of 4 million items (L-RFID); and
- Houston Airport System (HAS) Project Management.

**DEPARTMENT RISK PROFILE UPDATES**

The assessment was then structured based on available resources, time constraints, and cost-benefit considerations. The ERA performed during the FY2012 utilized three professional staff from the Audit Division who performed reviews of the selected Department’s responses from prepared questionnaires and any follow-up questions, and interviews with key operational and management personnel from the following seven City Departments:

- City Secretary’s Office
- Finance Department
- Houston Police Department (HPD)
- Houston Public Library Department (HPL)
- Mayor’s Office of Business Opportunity (OBO)
- Planning and Development Department (P & D)
- Solid Waste Management Department (SWMD)

The process was performed using three basic components: Data gathering, Analysis, and Output as shown in Table 1 and further explained the remaining sections

**Table 1 – Department Risk Profile Update - Components**

<b>DATA GATHERING</b>	<b>ANALYSIS</b>	<b>OUTPUT</b>
<i>Previous Risk Assessments</i> <i>Changes to the Dept Structure/Operating Unit Process since Last ERA</i> <i>Mission Statement</i> <i>Organizational Structures</i> <i>Business Objectives</i> <i>Develop Questionnaires</i> Financial Data City and Department Websites <i>Interviews</i>	Analyze Questionnaire responses and follow-up with questions/interviews/discussions Identify Key Business Processes and related changes Identify Potential Risks Identify Risk Management techniques as stated by management Map identified risks to stated risk management techniques Evaluate process significance to the Department and overall City operations Perform Department-level risk assessments and validate with management	<i>Updated City-wide business risk profile</i> <i>Audit Division Planning tool</i>





## KEY BUSINESS PROCESSES –

In context of the ERA, “Key Business Process (KBP)” is defined as a vital business procedure, function or activity on which a Department spends a significant amount of financial or personnel resources to perform, or an activity over which they have primary responsibility within the City. Key Business Processes also represent areas upon which audits or reviews can be conducted by internal auditors or external consultants.

While the City-wide analysis identified 145 total key business processes, it was discovered that 19 of them were *common* throughout most Departments, so they were grouped together for more efficient analysis. Thus Graph 2 provides a perspective to see potential efficiencies, overlap, redundancies, synergies, and leverage of resources when looking at activities that the City performs without consideration of its organizational structure <sup>2</sup>(For a contrasting perspective, see Graph 1).

The common KBPs are identified as follows:

- Administration
- Communications
- Compliance
- Customer Service
- Disaster Recovery
- Facilities Management
- Financial Management
- Fleet Maintenance
- Grant Management
- Human Resources (HR)
- Inventory/Materials Management
- Information Technology (IT)
- Payroll
- Procurement
- Project/Construction Management
- Public Safety
- Records Management
- Revenue Generation (and Collection)
- Security
- **Specific Operational**

**NOTE:** ‘*Specific Operational*’ is made up of processes that are unique to the operations of the various Departments (e.g. “Call-Taking” for the HEC center, “Certification” for MWDBE for OBO, “Collection” for Solid Waste, etc.) For purposes of the report ‘**Security**’ was combined primarily within ‘**Public Safety**’.

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## RISK IDENTIFICATION AND RATINGS –

It is important to clarify the factors in determining the levels of risk as presented in the graphs departmental risk assessments. For audit purposes, risk is evaluated by distinguishing between types of risk. For purposes of the ERA and its support for the Annual Audit Plan, the following definitions are provided:

**INHERENT RISK** – the perceived likelihood and impact associated with an entity or activity that exists simply from the perspective of its current environment. This assumes no significant actions taken by management to mitigate (address) those risks. For example, the City of Houston has *inherent risks* associated with its geographic location, funding sources, population, global economy, structure of federal and state government, etc. This can then begin to be refined to the Departments within the City government.

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<sup>2</sup> The ratings were determined by applying each KBP within each Department to the weighted criteria identified in the ERA Process Section. A “High” rating indicates that conditions and events which prevent the City from achieving its objective(s) within that process could have a significant impact. This is measured in terms of disruption to essential services, financial loss, ability to protect public health and safety, impediments to economic development, or negative perception. In contrast, a “Low” rating indicates that the impact of such an occurrence would be minimal or the likelihood of occurrence is remote.



**CONTROL RISK** – the perceived likelihood and impact of deficiencies in management controls put in place to ensure the achievement of objectives, protection of assets, financial reporting, etc. These are based on managerial decision-making, risk management techniques and strategy, which are generally within the accountability and control of operational management.

For example the design of the organizational chart, structure of reporting lines, and development of major processes to execute the mission and objectives are high-level examples of management controls and risk management techniques.

**RESIDUAL RISK** – the level of impact and likelihood of an adverse event occurring to impede the City, Department, and/or Key Business Processes from achieving success *after identifying and testing of management (internal) control structure*.

**AUDITOR RISK** – this is the probability that the Auditor will render erroneous conclusions to the audit objectives based on; insufficient and/or inappropriate evidence, lack of reasonable auditor judgment, lack of proficiency or competency, lack of sufficient resources or tools to perform substantive procedures.

***The ERA considered primarily inherent risks, with limited identification of control risk as self-reported by management. We did not substantively test specific management controls in detail and therefore, do not render an opinion on the effectiveness of design nor the efficiency in implementation or existence. The ratings do not imply a judgment on how management is addressing risk and thus is not a specific assessment of management performance nor concludes on ‘Residual Risk’. The actual projects<sup>3</sup> performed will allow us to test more comprehensively where necessary. Additionally, as we continue the annual ERA, we will be able to bring the assessment to a deeper level, and thus help us to effectively adjust our course and focus our efforts.***

***The ratings were determined by applying each Key Business Process within each Department to the weighted criteria identified below. For example, a “High” rating indicates that conditions and events which prevent the City from achieving its objective within that process could have a significant impact in terms of disruption to essential services, financial loss, ability to protect public health and safety, impediments to economic development, or negative perception. In contrast, a “Low” rating indicates that the impact of such an occurrence or aggregated occurrences would be minimal.***

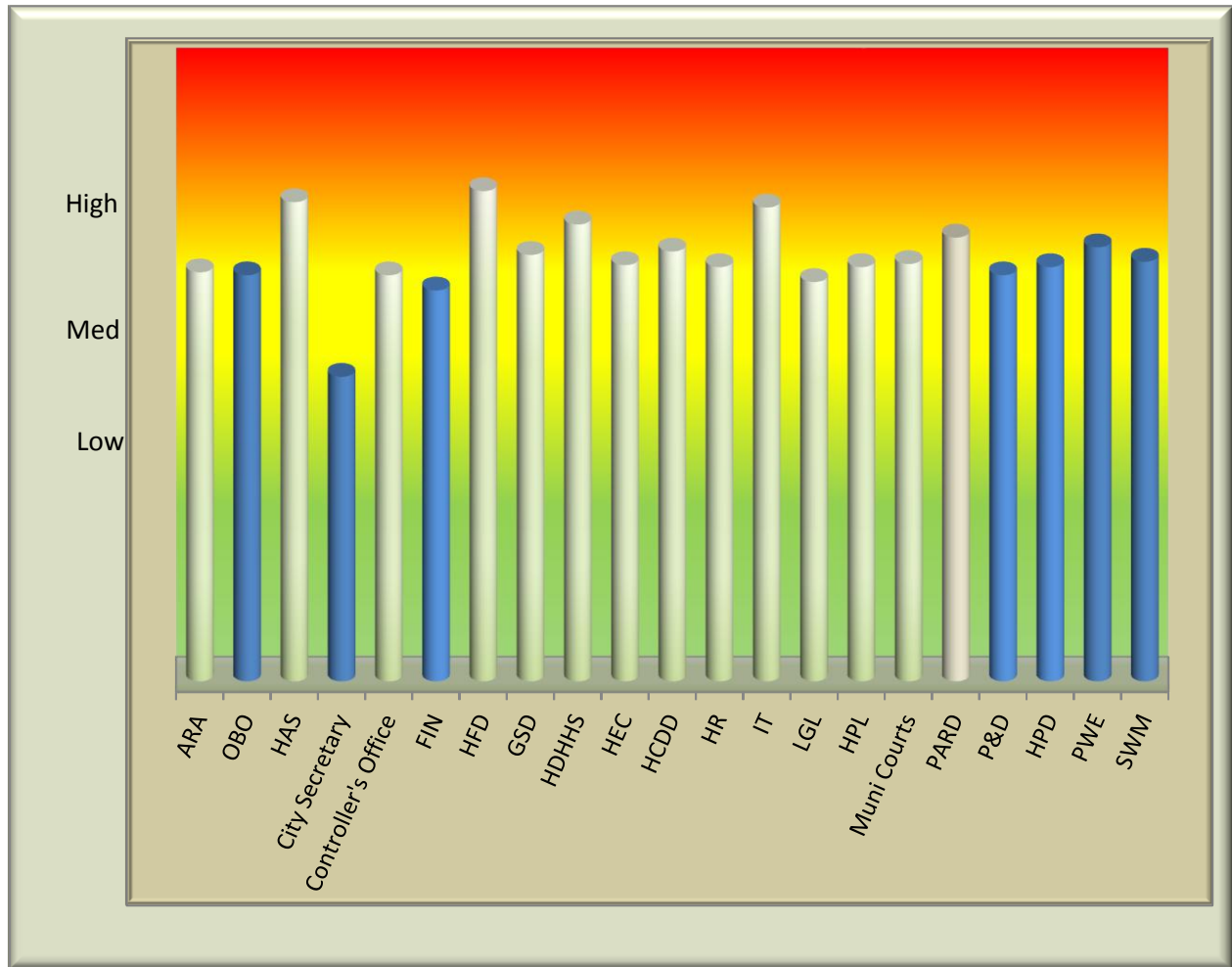
The following graphs summarize the Audit Division’s assessment of risk from two different perspectives: (1) Department and (2) Key Business Process (KBP). Each KBP was evaluated within each department and then rated based on the weighted criteria below:

- Complexity of Operations
- Council & Public Interest
- Financial Impact/Concerns
- Human Resources Concerns
- Regulatory and/or Compliance Risk/Concerns
- Technology Concerns
- Time Since Last Audit
- Mission Criticality
- Internal Control Consideration (as reported by management)
- Legal Claims
- Public and Employee Safety Concerns

<sup>3</sup> NOTE: Where the term ‘projects’ is used in the Audit Plan, this includes audits, reviews, monitoring, and other ongoing procedures, etc.



GRAPH 1 –RISK PROFILE BY DEPARTMENT<sup>4</sup>

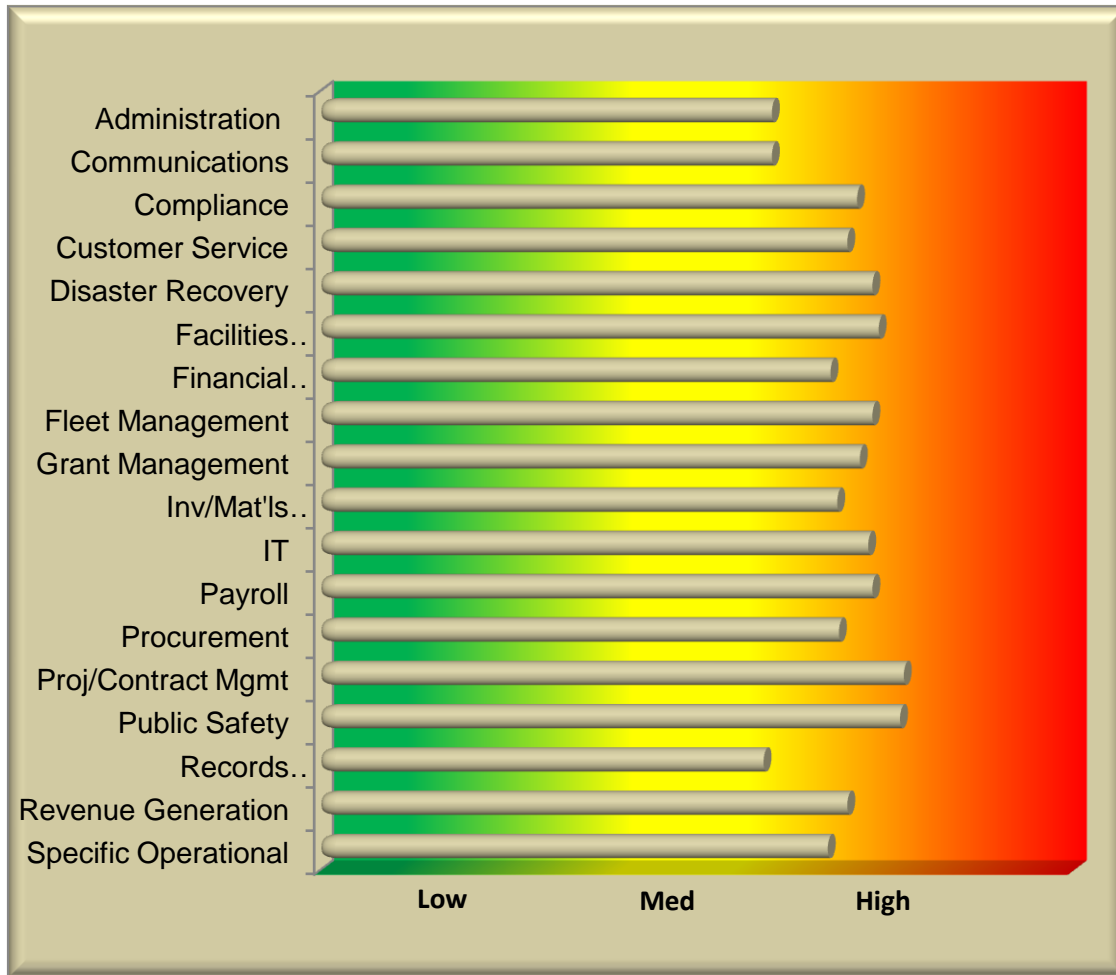


Evaluating all of these various factors provides indicators on prioritizing the potential projects for the upcoming year. In other words, this points us in the direction of “*what*” to audit. We then identify the available resources to determine the volume of activity to include in our plan.

<sup>4</sup> The blue vertical bars represent the 7 departments updated for the FY2012 ERA. “Muni Courts” includes both: Municipal Courts-Judicial and Municipal Courts-Administration. The graph does not include the new Department of Neighborhoods (DON) and the Fleet Management Department (FMD) until they are each assessed.



GRAPH 2 – RISK PROFILE BY KEY BUSINESS PROCESS<sup>5</sup> –



The risk assessment revealed that the areas of Compliance,, Disaster Recovery, Facilities Management, Fleet Management, Grant Management, IT, Payroll, Project/Contract Management, and Public Safety fall within the high risk category (See *Graph 2 above*).

<sup>5</sup> **'Specific Operational'** is comprised of those key business processes that are unique to the operations of the various Departments (e.g. "Call-Taking" for the Houston Emergency Center (HEC), "Certification" for Minority, Women, and Disabled Business Enterprise (MWDDBE) for Mayor's Office of Business Opportunity (OBO), "Collection" for Solid Waste, etc.) <sup>6</sup> See **REPORT 2013-01 FY2013 CONTROLLER'S ANNUAL AUDIT PLAN**, which was released in October 2012.

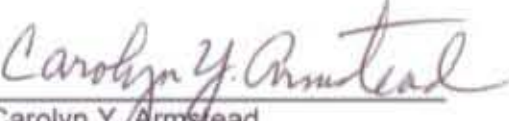


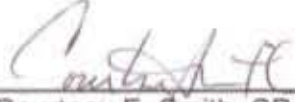
**OUTPUT –**


The primary output of the ERA is to utilize the risk profile as one of the catalysts in designing the Controller's Office Annual Audit Plan (See Report 2013-01 Controller's FY2013 Audit Plan). As the risk profile of the City changes, it is reflected in the selection of some of the Audits to perform for FY2013. Projects that the Audit Division will audit from the Annual Audit Plan include High Risk business processes identified above, for example: Compliance, IT, Inventory Management, HR (benefits), which reside within the following Departments: General Services (GSD); Fleet Management (FMD); Houston Airport System (HAS); Fire (HFD); Police (HPD); Human Resources (HR); Administration & Regulatory Affairs (ARA); Public Works & Engineering (PW&E); and Mayor's Office of Business Opportunity (OBO).<sup>6</sup>

**ACKNOWLEDGEMENT AND SIGNATURES –**

The Project Team would like to express our appreciation to the participating Departments and their representatives who gave their time and efforts. Their input was and is critical to the success of this project by actively responding to questionnaires, interviews, discussions, and review of data presented in this report. It was evident throughout the process that the City of Houston continues to have a significant number of qualified professionals who strive to serve the constituency by providing quality services in an economically challenged environment and who are proud of the work that they do.

  
Carolyn Y. Armistead  
Lead Auditor

  
Courtney E. Smith, CPA, CFE, CIA  
Audit Manager

  
David A. Schroeder, CPA, CISA  
City Auditor

<sup>6</sup> Where the term "Projects" is used in the Audit Plan, this includes audits, reviews, and other ongoing procedures, etc.



# UPDATED DEPARTMENT RISK PROFILES

# City Secretary's Office

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## Mission and Objectives

The City Secretary keeps, records, and preserves the minutes and proceedings of the City Council, which is the governing body of the City.

## Notable Changes since the Previous Risk Assessment

A previous risk assessment of the Office of the City Secretary took place in fiscal year 2010. Since that assessment, while no operational or process changes have happened within this department, the election of council members to two newly formed Districts, J and K increased the workload and expenditure level needed to effectively carry out the duties of this office.

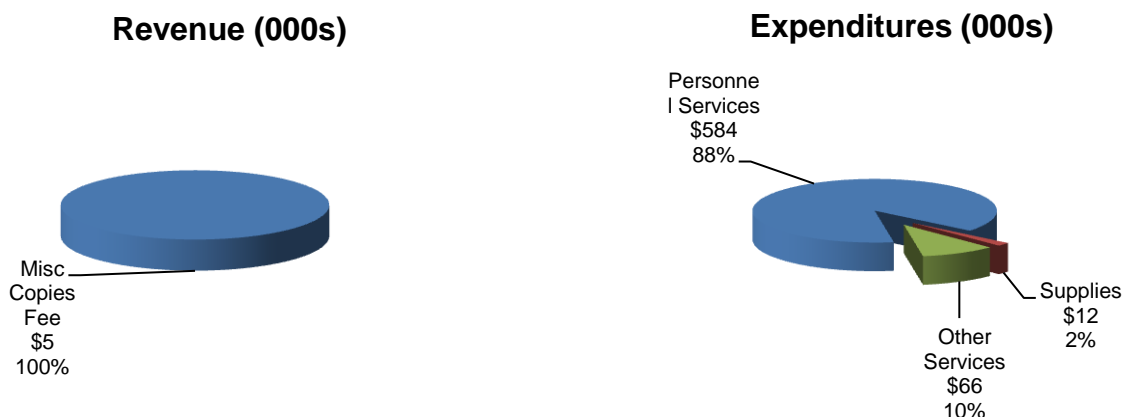
## Significant Activities

This department acts as reading and recording clerk to City Council and is subject to regulations and guidelines as stated in the City Charter, Code of Ordinances, Texas State Law and the Texas Election code. Activities include:

- Preparing City Council meeting agendas;
- Recording and preserving the minutes of City Council proceedings;
- Administering City elections;
- Processing City Council motions, resolutions, and ordinances;
- Processing all authorized documents such as deeds, easements, contracts, etc.;
- Receiving and compiling campaign filings and campaign contribution reports.

## FISCAL YEAR 2011 Financial Data

During FY2011, the City Secretary's Office managed a budget of \$755 thousand and had expenditures totaling \$744 thousand, of which 99% is funded through the General Fund. Graphical representations of the revenues and expenditures depict the amount and source of each.



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Elections</b>	<ul style="list-style-type: none"> <li>▪ Non-compliance with local, state, or federal election regulations</li> <li>▪ Lack of resources</li> </ul>	<ul style="list-style-type: none"> <li>▪ Election administration is co-sourced</li> <li>▪ Staff trained on election administration requirements</li> </ul>	Medium
<b>Communication</b>	<ul style="list-style-type: none"> <li>▪ Insufficient resources</li> <li>▪ Untimely / inaccurate communication</li> <li>▪ Computing system / server failure</li> <li>▪ Non-compliance with City Charter or City Ordinances</li> </ul>	<ul style="list-style-type: none"> <li>▪ Meeting dates and deadlines are communicated</li> <li>▪ Meetings are recorded</li> <li>▪ Two personnel attend meetings</li> <li>▪ In-house training for staff</li> </ul>	Medium
<b>Records Management</b>	<ul style="list-style-type: none"> <li>▪ Non-compliance with City Ordinances</li> <li>▪ Inability to safeguard records</li> <li>▪ Inability to access archived records</li> <li>▪ Loss of data</li> <li>▪ Natural disaster or other catastrophic event</li> </ul>	<ul style="list-style-type: none"> <li>▪ Records stored in secure facilities</li> <li>▪ IT backup</li> <li>▪ Manual typewriters maintained as backup to computers</li> </ul>	Medium



# Finance Department

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## Mission and Objectives

The mission of the Finance Department is to safeguard the fiscal integrity of the City, its component units, and other dependent entities and enable other City stakeholders to do the same. We will do this growing an adaptable, responsive organization filled with engaged staff that use rigorous policies, processes and systems. The Finance Department's strategic objectives in support of the mission are as follows:

- Promote fiscal responsibility;
- Serve the Administration, City Council, and Citizens;
- Improve process execution internally and city-wide; and
- Engage staff and provide needed tools and resources.

## Notable Changes since the Previous Risk Assessment

A previous risk assessment of the Finance Department took place in fiscal year 2010. Since that assessment, there have been major changes in the Department's organizational structure that include:

- A reduction in workforce of 21%;
- Consolidation of finance and accounts payable functions for the Fleet Management Department (FMD) and the Information Technology Department (ITD);
- Functions in the Finance Department that were eliminated as a result of city-wide centralization initiatives: payroll administration, which has been centralized into the Administration & Regulatory Affairs Department (ARA) and human resource administrative functions, which were transferred into the Human Resources Department (HR); and
- The responsibility for accounting, cash management, and collecting the outstanding Digital Automated Red Light Enforcement Program fees (DARLEP), which previously was the responsibility of the Houston Police Department (HPD). The management of the program was transferred to Finance in February 2012.

Our ratings for key processes were modified based on information gathered as a result of the risk assessment updating process.

## Significant Activities

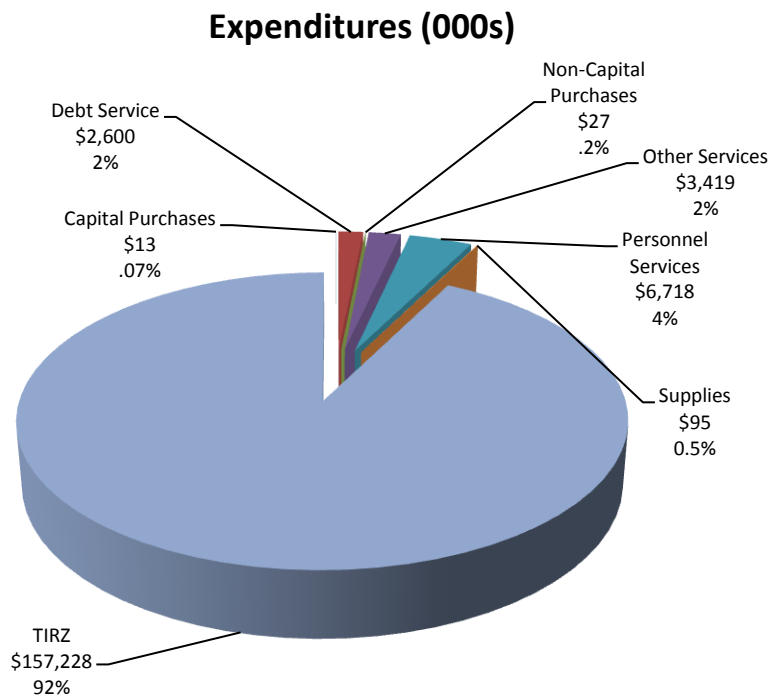
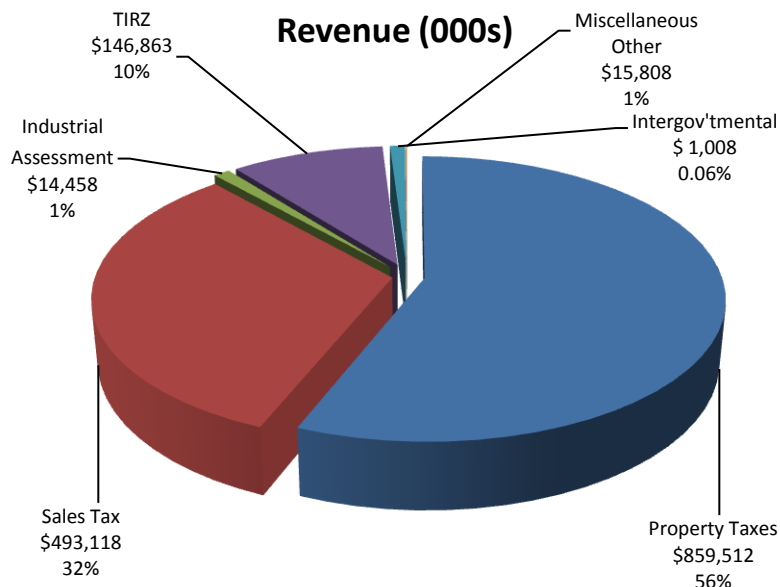
Finance provides financial management for the City of Houston through centralized coordination and reporting of accounting, cost analysis, budgeting as well as forecasting for Capital Improvement Projects (CIP) and the consolidation of accounts payable functions. Specific activities include:

- Managing the City's debt portfolio;
- Monitoring citywide revenue collections;
- Monitoring the citywide operating budget;
- Developing and implementing the annual indirect cost plan;
- Providing grant management oversight and support for other city departments;
- Maintaining fixed assets ledger accounts;
- Providing audit services for selected revenue streams and special projects;
- Performing financial analysis and complex modeling activities as a tool to develop forecasts and to provide oversight to the CIP process;
- Coordinating the citywide budgeting process; and
- Providing accounts receivable/payable services for the Information Technology (IT) and Fleet Management Departments.

# Finance Department

## Fiscal Year 2011 Financial Data

During FY 2011, Finance monitored the collection of property and sales taxes, and miscellaneous other revenue, which included Tax Increment Reinvestment Zone fees (TIRZ). Other revenue included charges for various fees and assessments with revenue totaling \$1.5 billion. Total expenditures for the period were \$170 million, of which approximately 92% were related to TIRZ.



# Finance Department

# Risk Profile

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>▪ Projects and forecasts based on faulty data</li> <li>▪ Untimely or inaccurate financial/operational reporting</li> <li>▪ Outdated systems hardware and software applications</li> <li>▪ Liquidity issues</li> <li>▪ Higher interest rates due to bond downgrades</li> <li>▪ Ineffective monitoring of collection contracts</li> <li>▪ Ineffective pursuit of collections</li> <li>▪ Financial mismanagement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Staff trained on current financial system</li> <li>▪ F &amp; O reports analyzed by Finance and monitored by public officials</li> <li>▪ Close coordination with rating agencies</li> <li>▪ Active monitoring of liquidity expiration dates, capacity needs, and market developments</li> <li>▪ Written cash collection policies</li> <li>▪ Agencies provide daily collection receipts</li> <li>▪ Monthly reconciliation of reports to collections</li> <li>▪ Utilization of direct deposit for revenue collections</li> <li>▪ New fleet management system installed</li> </ul>	High
<b>Fixed Assets</b>	<ul style="list-style-type: none"> <li>▪ Incorrect decisions made based on inaccurate data</li> <li>▪ Inaccurate data included in financial reporting</li> <li>▪ Inappropriate access and/or changes made to data or programs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Data reviewed and analyzed by Finance</li> <li>▪ Assist city departments as needed to correct data</li> </ul>	Medium
<b>Compliance</b>	<ul style="list-style-type: none"> <li>▪ Non-compliance with laws, regulations or City policies</li> <li>▪ Non-compliance with IRS guidelines and reporting requirements</li> <li>▪ Non-compliance with debt covenants</li> <li>▪ Untimely or inaccurate financial/operational reporting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Comply with Single Audit reporting requirements</li> <li>▪ Comply with IRS arbitrage guidelines</li> <li>▪ Monitor financial data to ensure compliance with debt covenants</li> <li>▪ Coordinate with lobbying team</li> <li>▪ Assist Controllers Office as needed to issue the CAFR</li> <li>▪ Comply with IRS guidelines</li> </ul>	Medium
<b>Grant Management</b>	<ul style="list-style-type: none"> <li>▪ Increase in City's dependence on grant funding</li> <li>▪ Loss of grant funding</li> <li>▪ Penalties or fines resulting non-compliance with grant requirements</li> <li>▪ Inefficiencies due to ineffective technology system</li> <li>▪ Increasing reporting requirements</li> <li>▪ Increased oversight by funding agencies</li> </ul>	<ul style="list-style-type: none"> <li>▪ Review and monitor collection contracts</li> <li>▪ Assist city departments as needed with grant set up in the financial system</li> </ul>	Medium

# Houston Police Department (HPD)

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## Mission and Objectives

The mission of the Houston Police Department (HPD) is to enhance the quality of life in the City of Houston by working cooperatively with the public to prevent crime, enforce the law, preserve the peace, and provide a safe environment.

## Notable Changes since the Previous Risk Assessment

A previous risk assessment of HPD took place in fiscal year 2010. Since that assessment, several changes have occurred in the organizational structure and some functional areas of the Department as listed below:

- Fleet operations were transferred to the Fleet Management Department as part of a citywide consolidation effort;
- All responsibilities under the Neighborhood Protection Corps were transferred to the Department of Neighborhoods;
- The Office of Inspector General was transferred to the City's Legal Department;
- Radio communications responsibility was transferred to the Information Technology Department; and
- Anti-Gang activities are now housed under the Mayor's Anti-Gang Office.

A November 2010 ballot initiative ended the Digital Automated Red Light Enforcement Program (DARLEP) which provided approximately \$7.5M in net revenue to HPD in FY 2009, which required a reduction in overtime and a freeze on civilian hiring combined with attrition to close the gap.

As a result of consolidations and budgetary pressures, HPD's civilian staff was reduced by 456 employees (27%) through transfers (226 staff), layoffs (154 staff), and attrition (76 staff). The Department has continued to perform core services at a consistent level by utilizing officers to perform functions that were previously performed by civilians. Other services were reduced, which occurred in air support operations, mounted patrol, investigations, store front operations, and response to minor traffic accidents.

Other events which will be a catalyst for change in HPD operations are the scheduled development of a Sobering Center and recent City Council approval to establish the Houston Regional Forensic Science Center.

## Significant Activities

The police department's primary activities include:

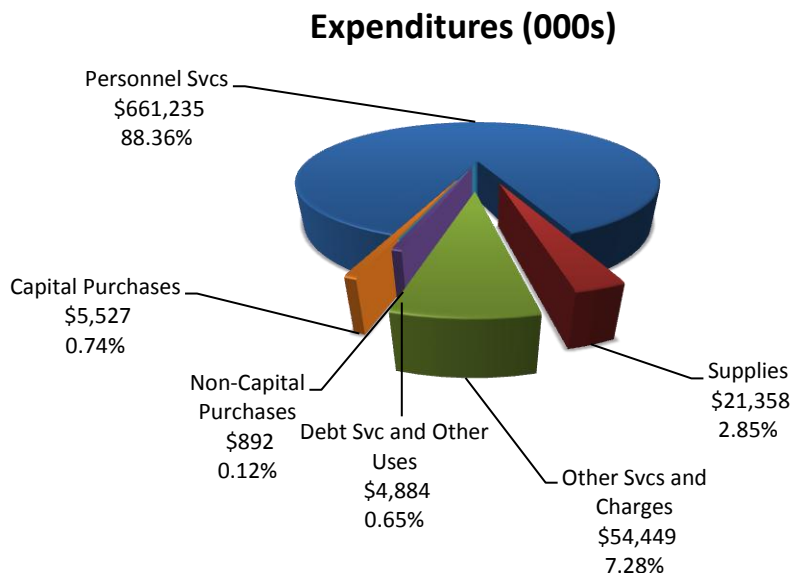
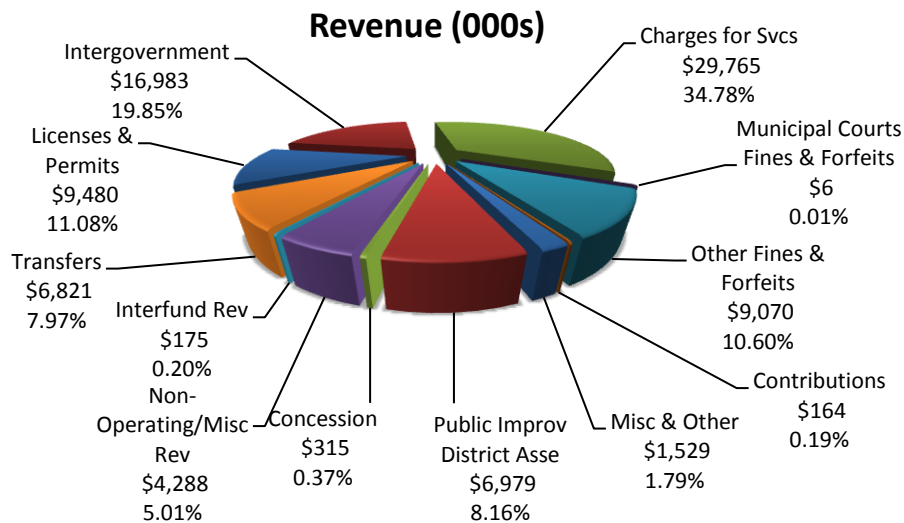
- Responding to more than 1.2 million calls for service each year;
- Investigating criminal activities including auto theft, burglaries, homicide, robberies, vice, narcotics, gangs, and major offenders;
- Providing specialized services such as SWAT, canine patrol, air support, vehicular crime, and bomb squad units;
- Enforcing traffic laws;
- Analyzing, preserving, and securing physical evidence;
- Managing the hiring, testing, and training process for Police Cadet applicants and civilian employees;
- Maintaining IT capabilities and services; providing 24x7 operational support for critical information processing applications;

# Houston Police Department (HPD)

- Supporting patrol and investigative operations through real-time analysis of crime information;
- Ensuring the safety and security of prisoners and the health and safety of employees who may come in contact with prisoners;
- Managing the grant funding process, which includes preparing applications, monitoring and reporting grant related activities;
- Working with other law enforcement agencies on joint initiatives and task forces to combat criminal activity across jurisdictions;
- Responding to over 4,000 open records requests and coordinating media relations activity; and
- Processing over 400,000 reports annually.

## Fiscal Year 2011 Financial Data

In FY 2011, HPD generated revenue totaling \$85 million and recorded operating expenditures totaling \$748 million, of which more than 90% is funding derived from the City's General Fund. Graphical representations of the revenues and expenditures depict the amount and source of each.



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Compliance</b>	<ul style="list-style-type: none"> <li>▪ Employees violate legal rights of suspects and/or citizens</li> <li>▪ Inability to monitor litigation deadlines</li> <li>▪ Failure to properly collect, test, and store evidence</li> <li>▪ Open records and public information requests not handled in a timely manner</li> <li>▪ Jail operations found to be unsatisfactory to court monitor</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide training, supervision of employees, document policies and procedures and provide department resources (e.g. legal)</li> <li>▪ Accreditation of Crime Lab and other technical divisions</li> <li>▪ Established a comprehensive quality assurance program to ensure adherence to with General Orders/City policies</li> <li>▪ Databases, tracking systems and reports are used to monitor status and meet deadlines in a timely manner</li> <li>▪ Ongoing negotiations to merge City and County jail facilities</li> </ul>	High
<b>Enforcement and Public Safety</b>	<ul style="list-style-type: none"> <li>▪ Insufficient resources</li> <li>▪ Insufficient number of officers or inefficient allocation/scheduling of officers to adequately respond to calls for service</li> <li>▪ Lack of officers or civilian personnel to perform other enforcement duties (investigation, traffic enforcement, jail)</li> <li>▪ Lack of citizen participation / involvement in crime prevention</li> <li>▪ Public mistrust of neighborhood police activities</li> <li>▪ Fearful citizenry</li> <li>▪ Lack of coordinated interagency efforts to gather and share information</li> <li>▪ Increased criminal activity and/or concentrated activity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use technology as a force multiplier</li> <li>▪ Use of one officer per car to increase availability</li> <li>▪ Officer productivity is tracked and monitored</li> <li>▪ Actively engaging citizens through the internet, monthly meetings, and other interactive activities</li> <li>▪ Use of crime analysis data and discretionary overtime to mitigate problems</li> <li>▪ Use of fusion centers to gather and evaluate intelligence</li> <li>▪ Use of specialized units or discretionary overtime</li> </ul>	High

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Emergency Response</b></p>	<ul style="list-style-type: none"> <li>▪ Lack of resources to maintain adequate staffing levels</li> <li>▪ Calls for service (911) dispatched untimely or inappropriately</li> <li>▪ First responder lacks sufficient/timely data for problem resolution</li> <li>▪ System failures</li> <li>▪ Power outages or grid failures</li> <li>▪ Natural disaster</li> <li>▪ Terrorist / man-made incident</li> <li>▪ Insufficient disaster recovery plan</li> <li>▪ Weather related issues impact mobility goals / objectives</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use technology as a force multiplier</li> <li>▪ Monthly tracking of staffing, dispatch call activity, call management and training</li> <li>▪ Use of trained dispatch police officers</li> <li>▪ Provide input to call for service protocols to improve response</li> <li>▪ Back-up for all primary systems and back-up generators managed by the Houston Emergency Center</li> <li>▪ Use real time crime analysis data to better equip first responders</li> <li>▪ Technology Services Division provides 24x7 systems support for critical applications</li> <li>▪ Prepositioned resources</li> <li>▪ Contingency plans developed and revised as needed</li> </ul>	<p>High</p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Training</b>	<ul style="list-style-type: none"> <li>▪ Lack of funding for training</li> <li>▪ Inadequately trained officers and civilian personnel</li> <li>▪ Inadequate number of new cadet training classes to keep pace with attrition</li> <li>▪ Insufficient weapons training</li> <li>▪ Inadequate training on command specific applications needed to perform job responsibilities</li> <li>▪ Inadequate succession planning (over 30% of non-phase down classified personnel are eligible to retire)</li> <li>▪ Inability to thoroughly train staff on major systems applications</li> </ul>	<ul style="list-style-type: none"> <li>▪ Officers are required to have 40 hours of training.</li> <li>▪ Two Cadet classes per year to partially mitigate officer attrition</li> <li>▪ Experienced officers conduct training and equipment evaluation</li> <li>▪ Actively review practices of other agencies for best practices</li> <li>▪ Developed in-house training programs</li> <li>▪ Mandatory training required on new major applications</li> </ul>	High
<b>Administration</b>	<ul style="list-style-type: none"> <li>▪ Adverse relationship between employees / unions and management</li> <li>▪ Compensation packages not competitive</li> <li>▪ Hiring freezes / loss of funding for positions</li> <li>▪ Employee safety</li> <li>▪ Non-compliance with procurement laws</li> </ul>	<ul style="list-style-type: none"> <li>▪ Regular meetings with employee groups</li> <li>▪ Mediation process</li> <li>▪ Meet &amp; Confer process</li> <li>▪ Priority placed on retention</li> <li>▪ Develop and distribute safety surveys</li> <li>▪ Safety issues stressed in all training</li> <li>▪ Comply with all purchasing rules and regulations</li> </ul>	Medium
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>▪ Overspending budgets as a result of large cuts</li> <li>▪ Inappropriate use of restricted funds</li> <li>▪ Inadequate or untimely account reconciliations</li> <li>▪ Data on actual fixed assets does not agree to SAP</li> </ul>	<ul style="list-style-type: none"> <li>▪ Spending of all funds are closely monitored and detailed reports provided monthly</li> <li>▪ Reconciliations are performed monthly</li> <li>▪ Inventory is physically counted annually</li> </ul>	Medium



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Grants Management</b>	<ul style="list-style-type: none"> <li>▪ Grant dollars not spent according to grant requirements</li> <li>▪ Grant spending not tracked accurately or timely</li> <li>▪ Grant activities not adequately managed or reported</li> </ul>	<ul style="list-style-type: none"> <li>▪ Status of grants and grant applications tracked monthly</li> <li>▪ Grant spending is monitored monthly and track in SAP</li> <li>▪ Grants are audited annually by outside agencies, no exceptions in past 3 years</li> <li>▪ Grant activity is reported to funding agencies as required</li> </ul>	Medium
<b>IT</b>	<ul style="list-style-type: none"> <li>▪ Radio or PC failure hinders communication</li> <li>▪ System obsolescence</li> <li>▪ Inadequate backup power capability</li> <li>▪ System security breaches</li> <li>▪ Loss of internet connectivity</li> <li>▪ Budget cuts</li> </ul>	<ul style="list-style-type: none"> <li>▪ On-call Tech support for hardware/software applications</li> <li>▪ Radio and patrol car system upgrades in process</li> <li>▪ Auxiliary power and alternative modes of communications</li> <li>▪ System redundancy and back-up systems for applications</li> </ul>	Medium
<b>Communications</b>	<ul style="list-style-type: none"> <li>▪ Inability to improve poor public image</li> <li>▪ Lack of communication with various community groups</li> <li>▪ Staff does not operate programs or follow-up on request from media and communities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Conduct outreach to enhance relationships with Houston communities</li> <li>▪ Use of citizen surveys and community meetings to get citizen feedback and build trust</li> <li>▪ Use of social media outlets to reach wider audiences</li> <li>▪ Employee training on communication skills</li> </ul>	Medium
<b>Records Management</b>	<ul style="list-style-type: none"> <li>▪ Case data is lost or miscoded resulting in misstated crime statistics</li> <li>▪ Inability to locate records hard and soft copy data</li> <li>▪ Increasing backlog</li> </ul>	<ul style="list-style-type: none"> <li>▪ Quality check all reports</li> <li>▪ Outsourced crash reports to reduce backlog</li> <li>▪ Undergoing ISO certification to improve process</li> </ul>	Medium

# Houston Public Library Department (HPL)

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## Mission and Objectives

The mission of the Houston Public Library (HPL) is to deliver quality customer service by offering a broadly defined program of education, research, multi-cultural and multi-generational enrichment to meet the needs of Houston's diverse population.

HPL's short term goals include continuing to provide the resources, services and programs that their customers need, focused on four primary service priorities:

- Support for Student Success
- Literacy Advancement
- Technology Access and Instruction
- Workforce Development

## Notable Changes since the Previous Risk Assessment

A previous risk assessment of HPL took place in fiscal year 2010. Since that assessment their Human Resource (HR) function were transferred to the HR Department, while still maintaining responsibility and control over their Worker's Compensation function.

In addition, budget reductions for FY2012 had a significant impact on (1) hours of operations, which were reduced by 14%; (2) IT networking; (3) building security, and (4) building maintenance. NOTE: All departments that rely on General Service Department's (GSD) building services, which include HPL's building security and maintenance, was impacted by the GSD reduction in staff for FY2012.

## Significant Activities

The Houston Public Library system includes the Central Library, Houston Metropolitan Research Center, Clayton Center for Genealogical Research, the African American Library at the Gregory School, the Mobile Express and 38 neighborhood branch locations. Some significant activities that are provided at these locations are:

- Developing and managing the circulation of library collections
- Operating 38 neighborhood branches
- Providing safe and secure facilities
- Implementing literacy and reading programs that include but, are not limited to digital (computer and internet) literacy and Adult Based Education (ABE)/GED preparation.
- Provide *Open Job Skills Labs* to jobs seekers needing assistance
- Obtaining and administering grants
- Managing IT access and back-up for 7 regional library systems (HALAN)
- Coordinating and recruiting volunteers
- Providing *Afterschool Zones* utilizing structured programming for 25,000 teens/pre-teens in a school year
- Officially-designated passport application acceptance facility
- Serving over 4.7 million visitors each fiscal year (2011), an increase of 200,000 from 2008
- 7.3 million items checked out (2011), an increase of 1.5 million items from 2008

# Houston Public Library Department (HPL)

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## Component Units

Component Units are defined by GASB as a related entity that whose leadership/management is controlled/appointed by primary government (City of Houston) and who is dependent on the primary government financially or who would not exist if the primary government did not exist.

HPL is associated with two governmental Component Units (CU):

1. The Houston Public Library Foundation (HPLF) -

In FY2011 HPL received \$720,000 from HPLF, which is not reflected in the financial information shown below. In FY2012, the Controller's Audit Division performed a review of HPLF from its inception in 2006 through FY2011. The review noted a number of significant deficiencies in their internal controls.

2. Houston Area Library Automated Network (HALAN) -

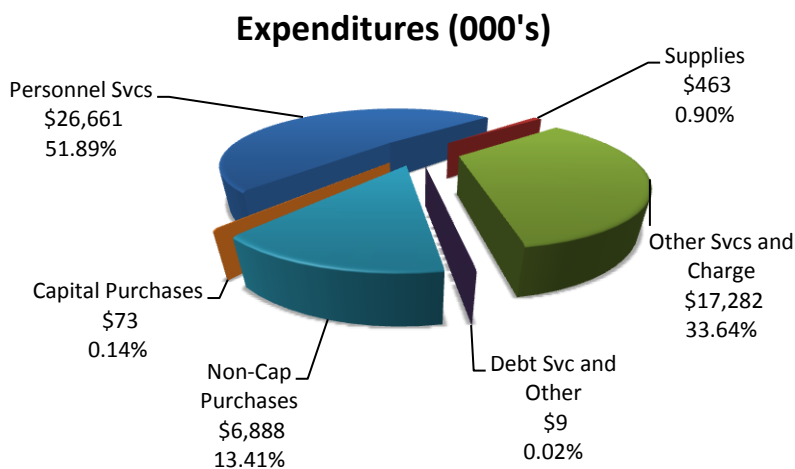
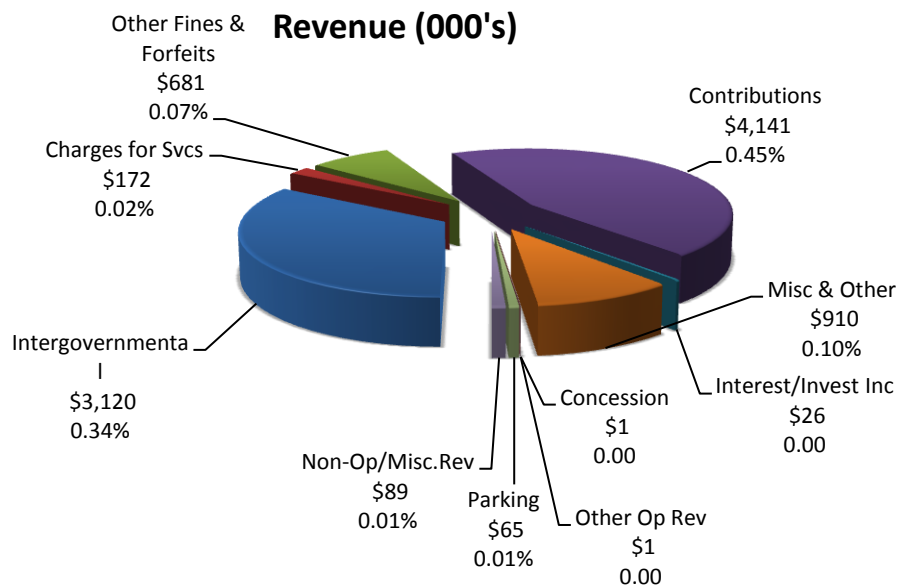
HALAN is classified as a Component Unit in the City's Comprehensive Annual Financial Report (CAFR), but their revenue is included in the financial system (SAP) and thus shown on the chart below.

# Houston Public Library Department (HPL)

## Financial Data

The fiscal year 2011 financial data shown below indicates (1) the external Revenues that HPL provides from two major sources, (2) the Operational spending authority of HPL, and (4) the Capital base that HPL maintains in relationship to the City's total.

HPL collected more than \$9,205 million in operating revenues largely due to Contributions (for the Julia Ideson renovations) and Intergovernmental revenue (HALAN and grants). Principal expenditures are for personnel related items.



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Customer Service</b></p>	<ul style="list-style-type: none"> <li>▪ Failure to identify customer needs</li> <li>▪ Inability to respond promptly to patrons</li> <li>▪ Community unaware of program offerings</li> <li>▪ Programs not relevant to community needs</li> <li>▪ Insufficient hours of operation</li> <li>▪ Inadequate staffing levels</li> <li>▪ Lack of funding</li> </ul>	<ul style="list-style-type: none"> <li>▪ Customer satisfaction and complaint tracking</li> <li>▪ Active marketing efforts</li> <li>▪ Staff cross trained</li> <li>▪ Unified Service Model (USM) - a single service point to provide assistance for a variety of library needs</li> <li>▪ HPL website</li> <li>▪ Programs developed for and provided to customers</li> <li>▪ Hours based on customer usage &amp; feedback; branches located near each other rotate evening hours they are open</li> <li>▪ HPL has 24/7 online access that has helped minimize any negative effects of reduced hours</li> <li>▪ Grants/donations are received annually to help fund some programs</li> </ul>	<p>Medium</p>
<p><b>Facilities Management</b></p>	<ul style="list-style-type: none"> <li>▪ Inadequate planning for facility needs</li> <li>▪ Lack of funding for building renovation</li> <li>▪ Ineffective preventative maintenance</li> <li>▪ Non-compliance with code requirements</li> <li>▪ Inadequate building security</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Communications Division tracks data on customer usage for planning purposes.</li> <li>▪ Project specific funding from outside sources sometimes surface which initiate construction/renovation.</li> <li>▪ Comprehensive records of preventive maintenance are maintained and used for scheduling.</li> </ul>	<p>Medium</p>
<p><b>Financial Management</b></p>	<ul style="list-style-type: none"> <li>▪ Reduced funding</li> <li>▪ Non-compliance with grant agreements</li> <li>▪ Inadequately controlled cash management</li> <li>▪ Inadequate accounts receivable collection process</li> </ul>	<ul style="list-style-type: none"> <li>▪ Actively pursue grant funds</li> <li>▪ Used books are donated to and sold by HPL as an additional source of funding</li> <li>▪ Significantly overdue fines for materials are turned over to a contracted collection agency.</li> <li>▪ Point of Sale Systems (POS) are installed at each branch to enhance controls over cash management.</li> <li>▪ POS accepts credit and debit cards as payments</li> </ul>	<p>Medium</p>
<p><b>Information Technology</b></p>	<ul style="list-style-type: none"> <li>▪ Theft of laptop computers for use by customers in library facilities</li> <li>▪ Non-compliance with the</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use of LoJack software in laptops</li> <li>▪ Website filters are set in accordance with CIPA</li> </ul>	<p>Medium</p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<p>Children’s Internet Protection Act (CIPA) resulting in potential loss of “E-Rate” funds</p> <ul style="list-style-type: none"> <li>▪ Customer service lag time generated by IT requirements</li> <li>▪ Outdated technology (hardware/software)</li> <li>▪ Unreliable connectivity</li> <li>▪ Lack of funding</li> </ul>	<p>requirements.</p> <ul style="list-style-type: none"> <li>▪ Actively pursue innovative technology solutions</li> <li>▪ Actively pursue grants/private funds to replace old computers</li> <li>▪ Working with ITD to improve response time</li> <li>▪ Use of BTOP grant to update networks</li> <li>▪ Microsoft license grant used for public facing computers</li> <li>▪ As libraries are remodeled they are converted to the RFID system for inventory tracking</li> </ul>	
<p><b>Procurement</b></p>	<ul style="list-style-type: none"> <li>▪ Insufficient administration and monitoring of major vendor contracts (approximately \$5 to \$6 million annually)</li> <li>▪ Controlling purchasing activity related to the approximate 10 P-cards assigned to department employees.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Contracts are processed through SPD</li> <li>▪ Weekly monitoring of printer usage to ensure HPL stays within Contract boundaries</li> <li>▪ Acquisitions staff work with vendors on new coding to ensure materials are correctly invoiced</li> <li>▪ The Purchasing Manager serves as the P-card coordinator for the department.</li> </ul>	<p>Medium</p>

# **Mayor's Office of Business Opportunity (OBO)**

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## **Mission and Objectives**

The Mayor's Office of Business Opportunity (OBO) is committed to creating a competitive and diverse business environment in the City of Houston by promoting the growth and success of small businesses, with special emphasis on historically underutilized groups by ensuring their meaningful participation in the government procurement process. OBO is committed to administering a reputable, accessible certification process that attracts qualified certification candidates who, once certified, will successfully participate on City contracts. In addition, OBO strives to ensure, with the assistance of all Departments, that prime contractors consistently meet and exceed utilization goals on contracts.

## **Notable Changes since the Previous Risk Assessment**

A risk assessment of OBO, the Division formerly known as Affirmative Action & Contract Compliance (AACC) took place previously in fiscal year 2010. In April 2011, the Mayor appointed a new Director of the Division and the Division name was amended by City Ordinance in May 2011. Since the 2010 assessment, there have been major changes in the Division's organizational structure and operations. A major change included the initiation of a new program, Hire Houston First, which was approved by the Mayor and City Council through City Ordinance, Chapter 15, Article XI. The program was established to grant the City the ability to give preference to local companies and local workers, as long as their pricing is competitive.

Other changes include: 1) staffing level reductions of 35% due to layoffs; 2) training and human resource administrative functions were transferred into the Human Resources Department (HR) as a result of a city-wide centralization initiative ; 3) the information technology (IT) function was transferred into the IT Department to centralize city-wide IT operations; 4) a new section, External Affairs was created within OBO to provide various outreach opportunities for vendors wanting to do business with the City and to address requests from City Council Members; and 5) a procurement specialist function was added to assist City Departments with developing contract specific goals and spearhead the creation of the OBO Procurement Training Institute for City Departments. Ratings for key processes were updated based on information gathered as a result of the risk assessment updating process.

## **Significant Activities**

OBO has the responsibility for and provides activities as described and mandated in Chapter 15, Article V of the City of Houston Code of Ordinances. Mandated activities include but are not limited to:

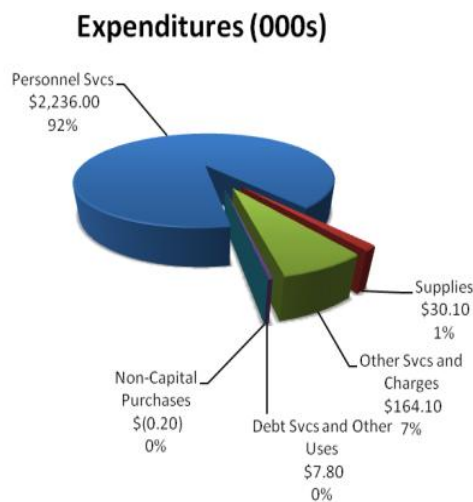
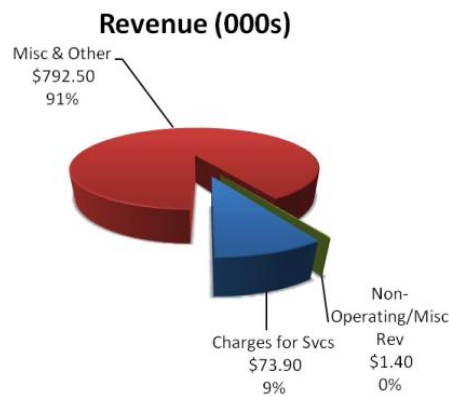
- Stimulating growth of local minority, women and small business enterprises by encouraging the full participation of these business enterprises in various phases of city contracting;
- Increasing the utilization of such local firms in providing certain goods and services;
- Providing opportunities to broaden and enhance their range of capacities;
- Certifying businesses as minority, woman, or small business enterprises;
- Maintaining an electronic register of certified businesses;
- Monitoring utilization and payments to small, minority, women, persons with disabilities and disadvantage business enterprise utilization on each City contract;
- Monitoring City construction contracts to ensure full compliance with equal employment opportunity, discrimination, prevailing wage and fair labor standards laws;

# Mayor's Office of Business Opportunity (OBO)

- Developing educational programs for and otherwise assisting (without offering favoritism in relation to the competitive bidding system) minority, small and women business enterprises to compete effectively for city contracts;
- Compiling a bimonthly report of the progress of city departments, by department, in attaining the city-wide goals set by City Council; and
- Performing procedures for counting participation as prime contractors, subcontractors, suppliers, etc on city contracts.

## FISCAL YEAR 2011 Financial Data

During FY 2011, the department collected total revenue of \$868,000 from sources of Pay or Play and other Miscellaneous Charges from services. By legislative statute, that revenue must be used to support program activities. Expenditures for the same time period were \$2.4 million. Graphical representations of the revenues and expenditures depict the amount and source of each.





# OBO

# Risk Profile

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Certification</b>	<ul style="list-style-type: none"> <li>▪ Improper certification or denial of certification</li> <li>▪ Program graduation candidates not detected</li> <li>▪ Certification process not timely or consistent</li> <li>▪ Non-compliance with city and federal guidelines</li> <li>▪ Businesses receive incorrect / misleading information</li> <li>▪ Loss of confidential / proprietary information</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide ongoing staff training.</li> <li>▪ Ongoing implementation of administrative and technological best practices</li> <li>▪ Implemented program efficiency Initiatives</li> <li>▪ Set up to provide start-up business information, workshops, referrals, and licensing / permitting information</li> <li>▪ Provide on-line and file room security of confidential / proprietary information</li> </ul>	Medium
<b>Compliance</b>	<ul style="list-style-type: none"> <li>▪ Non-compliance with city, state, federal regulations</li> <li>▪ Non-compliance with privacy regulations</li> <li>▪ Compliance monitoring not timely or accurate</li> <li>▪ Loss of federal funding</li> <li>▪ Compliance measured against outdated data</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reviewing and updating procedures, policies and processes</li> <li>▪ Moving toward electronic contractor payroll submissions</li> <li>▪ Quarterly staff meetings</li> <li>▪ Cross-training</li> </ul>	High
<b>Records Management</b>	<ul style="list-style-type: none"> <li>▪ Loss of confidential / proprietary information (contractor payroll data)</li> <li>▪ Loss of training records</li> <li>▪ Natural disaster or other catastrophic event</li> </ul>	<ul style="list-style-type: none"> <li>▪ Information is in hard copy and electronic form</li> <li>▪ New training database implemented</li> </ul>	Medium

# Planning and Development Department (P & D)

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## Mission and Objectives

The Planning and Development Department (P & D) strives to ensure a vibrant and sustainable Houston by addressing the dynamics of growth in a rapidly changing social, cultural and economic environment. It includes:

- Providing research, data, mapping and analysis to residents, businesses, organizations, neighborhoods and decision-makers;
- Providing tools and resources to strengthen and increase the long-term viability of neighborhoods and preserve historical attributes of our community; and
- Enforcing land development standards in Houston and the extra territorial jurisdiction.

## Notable Changes since the Previous Risk Assessment

A previous risk assessment of the P & D Department took place in fiscal year 2010. Since that assessment, there have been major changes in the Department's organizational structure including a reduction in workforce of 26%; elimination of functions that include: street naming, neighborhood matching grants and the Super Neighborhood Program, which was transferred to the Department of Neighborhoods (a newly formed department). Other functions that were eliminated included payroll administration, which has been centralized city-wide into the Administration & Regulatory Affairs Department (ARA).

Another major change was the increased usage of services and projects from the departments that utilize the Geographic Information Systems (GIS) Division's technology, while the Division continually improves the technology being used. For example, components of a new technology, the Enterprise Development Review Coordination (eDRC) program (developed in-house) are being rolled out for plat applicant use. It will modernize and standardize the plat submittal process from initial submittal → review → planning commission. In addition, the new technology will allow: 1) integration of AutoCAD data into GIS; 2) more effective data storage; 3) enhanced security; 4) more efficient reporting capabilities; and 5) more transparency on platting activities.

As functions and responsibilities were combined due to a reduction in staff, a new Division was created, the Community Sustainability Division, which includes tools and programs that assist with the long-term viability and character of communities such as historic preservation; prohibited yard parking program; demographic data analysis; and reviews of requests to consent to create Management Districts. Our ratings for key processes were modified based on information gathered as a result of the risk assessment updating process.

## Significant Activities

P & D performs a variety of activities related to managing growth and development in Houston. Activities include:

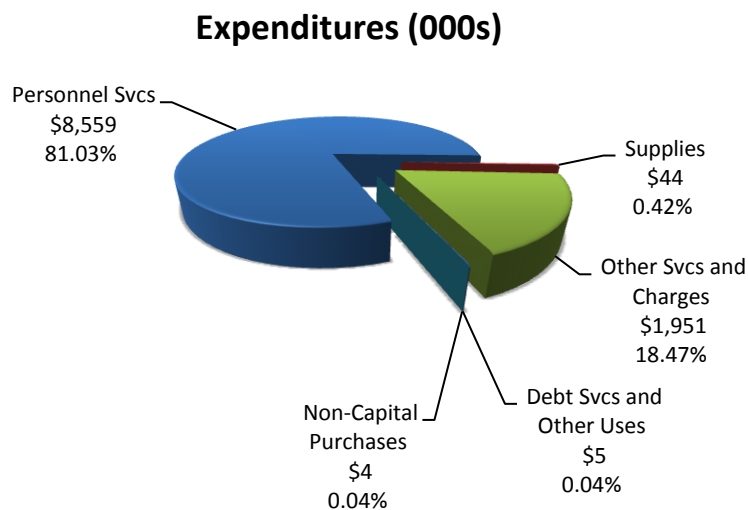
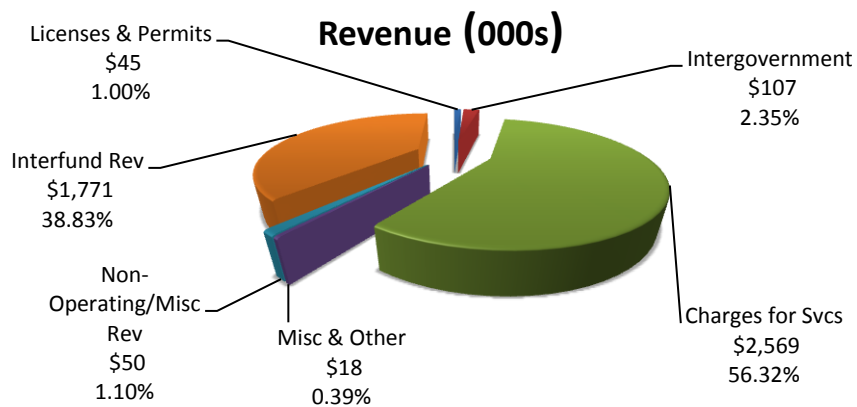
- Reviewing land development through subdivision and development plats and construction plans;
- Providing educational programs that assist in revitalizing neighborhoods
- Analyzing data and providing recommendations on jurisdictional boundaries;
- Developing and maintaining database for the Geographic Information System (GIS);
- Providing accurate geographical data to department and city leaders;
- Reviewing development specific applications for compliance with hotel/motel, tower and hazardous material ordinances and ensuring construction is in compliance with appropriate ordinances;

# Planning and Development Department (P & D)

- Developing GIS applications for efficiencies, communicating key data with citizens and departments; and
- Implementing neighborhood preservation tools, minimum building line, minimum lot size, historic preservation and prohibited yard parking.

## FISCAL YEAR 2011 Financial Data

During FY 2011, the department generated revenue from services of \$4.5 million, of which \$4.4 million went into the General Fund and \$107 thousand went into the Grant Fund. Total expenditures were \$10.5 million. Graphical representations of the revenues and expenditures depict the amount and source of each.



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Information Technology</b>	<ul style="list-style-type: none"> <li>▪ Loss of electronic data</li> <li>▪ Catastrophic event</li> <li>▪ Hardware / Software incompatibilities with customers</li> <li>▪ Equipment failure</li> <li>▪ Non-integrated solutions and disconnect with ITD</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use of web based platforms to facilitate plat fee payments</li> <li>▪ Servers are backed up nightly and stored on tape drives</li> <li>▪ Use Citrix operating environment to ensure consistent and timely application roll-outs and version control</li> </ul>	High
<b>Compliance</b>	<ul style="list-style-type: none"> <li>▪ Changes in ordinances and state law</li> <li>▪ Insufficient staff resources</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monitor developing legislation</li> <li>▪ Developed Department procedure manual</li> <li>▪ Management reporting and oversight</li> <li>▪ Cross training</li> </ul>	Medium
<b>Customer Service</b>	<ul style="list-style-type: none"> <li>▪ Facility failure/Inability to access information</li> <li>▪ Communication breakdown with customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Go back to a manual system to meet mandated deadlines or defer projects as allowed within rules</li> <li>▪ Conduct internal and external surveys to evaluate quality of customer service (on a limited basis since a reduction in staff)</li> <li>▪ Review survey results and take corrective action</li> <li>▪ Monitor turnaround time for customer requests</li> </ul>	Medium
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>▪ Economic conditions</li> <li>▪ Budget constraints</li> <li>▪ Insufficient staff</li> <li>▪ Unauthorized P-Card purchases</li> <li>▪ Loss of critical documents</li> </ul>	<ul style="list-style-type: none"> <li>▪ Foster and maintain relationships with development community to track development trends and impact on budget/staffing</li> <li>▪ P-Card purchases monitored and approved</li> <li>▪ Scan and save documents on City's network</li> </ul>	Medium

# **Solid Waste Management Department (SWMD)**

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## **Mission and Objectives**

The Solid Waste Management Department (SWMD) is tasked with providing the collection, transportation, and disposal of solid waste in an efficient, cost effective, safe, and environmentally sound manner. The department manages the overall planning effort to develop a reliable and efficient method for solid waste disposal and promotes efforts to reduce waste.

## **Notable Changes since the Previous Risk Assessment**

A previous risk assessment of the Solid Waste Management Department took place in fiscal year 2010. Since that assessment, there have been major changes that included:

- All SWMD fleet operations were transferred into the Fleet Management Department (FMD) as part of city-wide centralization initiative;
- Payroll administration responsibilities were transferred into the Administration & Regulatory Affairs Department (ARA);
- HR administration was transferred into the Human Resources Department (HR); and
- Staff reductions which reduced the number of days per week (from 7 to 5 days) the Neighborhood Depositories Sites are open.

## **Significant Activities**

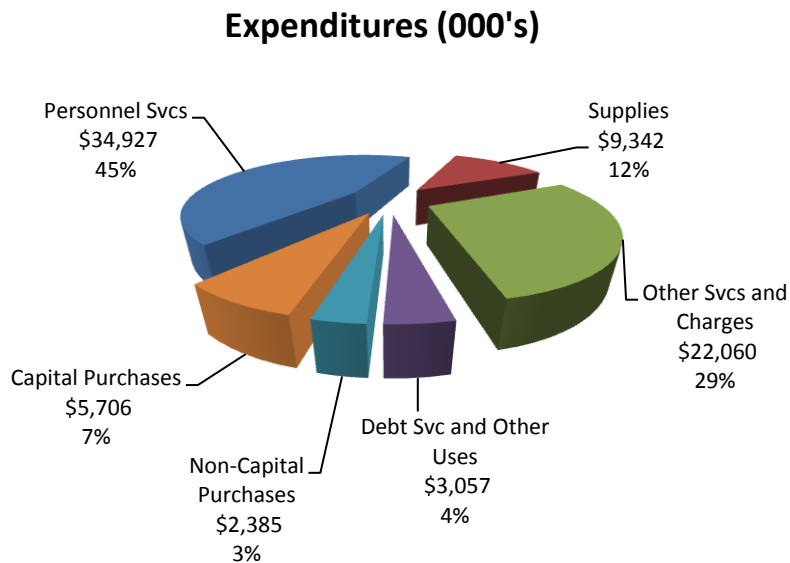
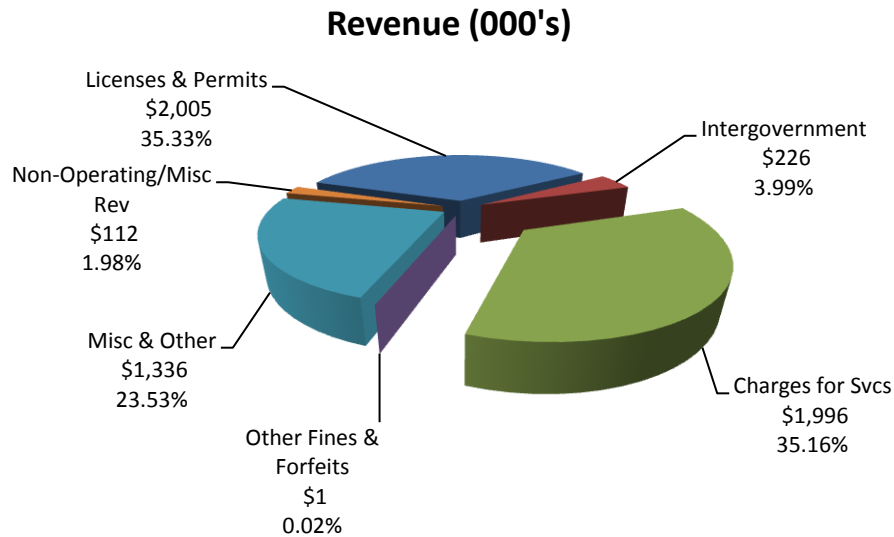
SWMD provides solid waste services to residential customers in the City of Houston which represents approximately 35% of the total waste stream. The department collects garbage, yard trimmings, heavy trash, dead animals, and recyclables. Activities include:

- Providing garbage, junk waste, and tree waste collection to more than 380,000 residential units;
- Negotiating and monitoring contracts for municipal solid waste disposal and management of the City's 3 transfer stations;
- Managing the transportation and disposal of over 700,000 tons of waste annually;
- Providing bi-weekly curbside collection of recycling to approximately 205,000 residential units;
- Operating 6 neighborhood depositories and recycling centers to allow all residents to discard tree waste, junk waste, and recyclables;
- Managing the collection of more than 113,000 tons of recyclables annually;
- Accepting household hazardous waste and electronic scrap at two Environmental Service Centers to ensure safe and environmentally friendly disposal of these items;
- Administering the issuance and enforcement of Combustible Waste Storage Permits for commercial establishments;
- Providing dead animal removal services (fee assessed for large animals – horses and cattle); and
- Maintaining oversight of Debris Management operations following natural disasters.

# Solid Waste Management Department (SWMD)

## Fiscal Year 2011 Financial Data

SWMD services are funded through the City's General Fund. During fiscal year 2011 the department generated revenues totaling \$5.7 million and had total expenditures of \$77.4 million. Graphical representations of the revenues and expenditures depict the amount and source of each.



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Collection</b>	<ul style="list-style-type: none"> <li>▪ Lack of funding</li> <li>▪ Inadequate number of drivers available to cover routes due to illness</li> <li>▪ Insufficient number of collection sites or collection vehicles</li> <li>▪ Uneven distribution of collection routes</li> <li>▪ Lack of public awareness of recycling opportunities</li> <li>▪ Trash or junk commingled with recyclables</li> </ul>	<ul style="list-style-type: none"> <li>▪ Utilization of licensed drivers from other departments</li> <li>▪ Hire temporary drivers</li> <li>▪ Use Planning Department software to track new residential developments</li> <li>▪ Design routes based on standardized number of lifts per minute</li> <li>▪ Develop and distribute marketing and awareness messages</li> </ul>	High
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>▪ Reduced Funding</li> <li>▪ Late payment of invoices</li> <li>▪ Inadequate accounting</li> <li>▪ Inability to track revenues for other services</li> <li>▪ Incentive pay calculated incorrectly</li> </ul>	<ul style="list-style-type: none"> <li>▪ One day turn-around for accounts payable items</li> <li>▪ Integrated Land Management System (ILMS) manages dumpster permit accounting</li> <li>▪ Utility billing system is used for non-residential and extra capacity container billing and account maintenance</li> <li>▪ Incentive pay calculations verified and approved</li> </ul>	Medium
<b>Procurement</b>	<ul style="list-style-type: none"> <li>▪ Storage areas are not secured from theft</li> </ul>	<ul style="list-style-type: none"> <li>▪ Storage areas/locations are secured with guards, cameras and controlled key access</li> </ul>	Medium
<b>Compliance</b>	<ul style="list-style-type: none"> <li>▪ Non-compliance to procurement ordinances and laws</li> <li>▪ Non-performance of contract stipulations</li> <li>▪ Non-compliance to federal and statutory laws (TCEQ, EPA, DOT, OSHA)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provision of reports to SPD to ensure compliance to state and local laws</li> <li>▪ Landfill Audit System is used to monitor and manage landfill contract</li> <li>▪ Daily briefings ensure that safety issues and regulations are discussed</li> </ul>	Medium
<b>Training</b>	<ul style="list-style-type: none"> <li>▪ Lack of technical trades training for staff</li> </ul>	<ul style="list-style-type: none"> <li>▪ In-house technical trainer</li> <li>▪ Cross training</li> </ul>	Medium