



**OFFICE OF THE CITY CONTROLLER  
FISCAL YEAR 2007 AUDIT PLAN  
JULY 1, 2006 THROUGH JUNE 30, 2007**

**City of Houston  
Office of the City Controller**

**Annise D. Parker, City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

ANNISE D. PARKER

August 10, 2006

The Honorable Bill White, Mayor  
City Council Members  
City of Houston, Texas

SUBJECT: Office of the City Controller  
Fiscal Year 2007 Audit Plan

Dear Mayor White and Council Members:

I am pleased to submit to you the Fiscal Year 2007 Audit Plan. Previously, I had requested your input as to possible areas of audit resource concentration. This document will serve as the primary work plan to carry out the audit responsibilities in an efficient manner consistent with the priorities established by my Office. To enhance the Audit Division's effectiveness, the audit approach is balanced by conducting some of the audits using in-house staff and by outsourcing audits requiring certain technical or specialized skills.

This audit plan includes performance, compliance, revenue enhancement, and unannounced audits. Additionally, the plan provides for follow-up audits and special projects.

I hope you find this information useful and informative.

Respectfully submitted,

Annise D. Parker  
City Controller

Xc: Anthony Hall, Chief Administrative Officer  
Michael Moore, Chief of Staff, Mayor's Office  
Department Directors

# OFFICE OF THE CITY CONTROLLER

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# OFFICE OF THE CITY CONTROLLER

## Audit Plan

### Fiscal Year 2007

The audit plan serves as a working document that incorporates the assessments documented in the comprehensive city-wide business risk assessment, City Council's and department management's input, and results from previous audits. As such, this plan will serve as the primary work plan to carry out the audit responsibilities in an efficient manner consistent with the priorities established by the City Controller.

Due to the continual request for audit services, unknown extent of findings, and the required testing for the planned audits, the plan will be monitored and revised as necessary throughout the year.

#### **Background**

The City Controller's Audit Division is an independent, objective assurance and consulting activity that issues its findings and recommendations to the Honorable Mayor and City Council Members. The mission of the City Controller's Audit Division is to provide the Mayor, City Council and department management with independent analyses, assurances, and recommendations concerning the adequacy and effectiveness of the City's internal control structure, effective safeguarding and utilization of City resources, and management's performance in carrying out assigned responsibilities.

The scope of activities carried out by the Audit Division may relate to any phase of City activities and includes activities such as:

- Evaluating and enhancing the City's accounting policies and procedures that constitute its internal control structure.
- Assessing compliance with appropriate City, State and Federal policies, laws and regulations. Evaluating the accuracy of reported data utilized by departmental and City management in making operational decisions.
- Appraising the economy, efficiency, and effectiveness of the City's organizations, programs, functions and activities.
- Assessing the efficiency of operations and developing recommendations for cost savings.
- Ascertaining all revenue of the City is maximized, safeguarded and controlled.
- Ascertaining all operational data is safeguarded and accurately maintained.
- Ascertaining the extent to which City assets are accounted for and safeguarded from losses.
- Assisting in the development of performance measurement systems throughout all operations.
- Investigating allegations of fraud, waste and abuse received through various sources.

## **Risk Assessment**

In August 2004, the City Controller issued to the Mayor and City Council the updated City-Wide Business Risk Assessment that was prepared by the firm of Jefferson Wells International (JWI). JWI summarized the City's overall risk profile based on management's input and JWI's prior experience with the City, detailed analysis and experience in identifying risk factors. With JWI as the facilitator, the Mayor's Office, the City Controller's Office and management of each department assessed their potential business risks and the current management techniques used to mitigate those risks. Specific departmental risk assessments were developed for each department along with a city-wide risk profile by business process.

The risk assessment measured many different risk factors for each process, however JWI weighted the following key risk factors more heavily and considered them to be more critical to the achievement of the City's strategic objectives:

Personnel Competencies – Is there a risk that personnel do not possess the necessary skills/competencies to ensure effective and efficient achievement of the process' tasks/goals?

Technology – Are there information systems in place that enable management to conduct operations efficiently and effectively?

Performance Measures – Is there a risk that adequate measurement is not occurring for critical objectives?

Public/Media – What is the risk of public exposure for this process?

Dollars – What is the financial risk related to this process?

Department processes or activities with high or moderate residual risk are noted in the City's current Business Risk Assessment.

## **Audit Focus Areas**

The Business Risk Assessment serves as a planning tool to determine the best investment for audit efforts. Annually the audit plan prioritizes the Audit Division's limited resources of people and budget dollars based on the City of Houston's Business Risk Profile and management's need for vital information. This audit plan prioritizes audit focus on either city-wide processes or departments with processes or activities having high or moderate residual risk. As such, the City's audit function serves as a risk management tool through the development of improved control processes as a result of performance improvement and auditing, as well as a detective control with the performance of the revenue enhancement and compliance audits.

## **Audit Programs**

Audit activities will vary as a result of the differences in the nature of operations, organizational structure, management style and by the competence, employee capabilities, and concepts of operating control. To enhance the Audit Division's effectiveness, the audit approach is balanced by conducting some of the audits using in-house staff and by outsourcing audits requiring certain technical or specialized skills.

On the City Controller's approval of the audit plan, specific audit programs will be developed for each activity to be audited within the year ending June 30, 2007. Audit programs will be designed in regards to business services, compliance, requirements, performance considerations, and specialized skills required for each project. All audit programs, workpapers and reports will be conducted in accordance with the AICPA's Professional Standards, Institute of Internal Auditors and Government Auditing Standards, as appropriate.

The Audit Division will also provide any assistance to the City's management or City Council when they request special assignments/projects. These special assignments/projects will normally be performed in addition to the normally scheduled audit work planned. If the assistance requires the use of outside firms, additional funds may need to be provided by the appropriate departments.

# PERFORMANCE AUDITS

## City - Wide Long-Term Contractor Relationships

### SCOPE:

The Audit Division will perform an independent assessment of the use of contractor firms engaged by the City for extended periods of time. The audit will review the specific uses of these firms and reasons for their continued use rather than that of city employees. The audit will also review the cost-benefit of such usage and the appropriateness of their continued selection.

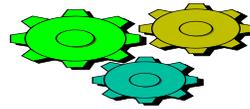
### ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

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## Houston Fire Department Fleet Maintenance Program

### SCOPE:

The Audit Division will perform an independent assessment of the Houston Fire Department's fleet maintenance program.

The Audit Team will review the Program's organizational structure and examine its operational practices, resources, technology tools and internal controls. Testing will also focus on efforts to recover credits, rebates and warranties claims. The Team will also identify efficiencies and provide recommendations for improving the program.

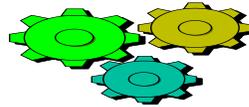
### ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

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## Houston Police Department Taser Acquisition, Distribution & Use

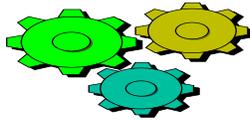
### SCOPE:

The Audit Division will perform an independent assessment of the Houston Police Department's Taser initiative. The audit team will review controls associated with taser purchases, distribution to police personnel, and factory returns. We will also review the number of incidents involving taser use, and compare usage to other police agencies.

### ANTICIPATED BENEFITS:



Improved Accountability



Increase Efficiency



Operational Ideas

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## Public Works & Engineering Department Storm Water Management Program

### SCOPE:

The Audit Division will perform an independent assessment of the Storm Water Management Program (SWMP) and may include the following areas:

- The implementation of storm drainage improvements to the Texas Medical Center and various neighborhood storm drainage improvement projects; and
- The City of Houston Comprehensive Drainage Plan.

The Audit Team will review the Program's organizational structure and examine its operational practices, resources, technology tools, management controls, and related processes as they relate to the implementation of citywide storm water drainage improvements and management practices. The team will review for efficiencies and provide recommendations for improving the coordination and effectiveness of program functions to improve the quality of the processes and the overall cost efficiency and deployment of City resources.

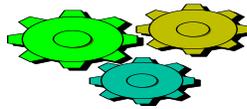
### ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

# COMPLIANCE AUDITS

## Aviation Department Selected Construction Projects

### SCOPE:

The Audit Division will focus on selected construction projects to ensure that payments were appropriate, adequately supported, properly approved and in compliance with contract terms.

### ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk  
Management



Cost Savings

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## City-Wide Audits of Executive Order 1-48 and Administrative Procedure 8-2

### SCOPE:

The Audit Division will determine if the City Departments are in compliance with Executive Order 1-48 (Policy on Information Technology Security) and Administrative Procedure 8-2 (Procedure on Electronic Mail Communications).

### ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk  
Management

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## City-Wide Cash Handling

### SCOPE:

The Audit Division will continue to perform cash handling audits at various departments. The objective will be to assist management with assessment of adequacy and effectiveness of internal controls related to the Department's cash handling process. In addition, the auditor's will evaluate the Department's compliance with Administrative Procedure 2-17.

### ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk  
Management

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## City-Wide Purchasing Card Activity

### SCOPE:

The Audit Division will continue to perform audits to determine if Purchasing Card (P-Card) expenses are supported, computed, approved, recorded, and reported properly in compliance with Administrative Procedure 1-42 which governs procuring goods and services using a P-Card. All Departments that have used P-Cards are subject to audit.

### ANTICIPATED BENEFITS:



Stronger Controls



Cost Savings

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## City-Wide Selected Disbursements Review

### SCOPE:

The Audit Division will review controls and documentation associated with disbursements under \$75,000 that are being processed by the departments.

### ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk  
Management

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## City-Wide Travel Costs

### SCOPE:

The Audit Division will determine if travel and travel related expenses are supported, computed, approved, recorded and reported properly in compliance with Administrative Procedure 2-5, which governs reimbursements for approved out-of-town travel.

### ANTICIPATED BENEFITS:



Stronger Controls



Improved Accountability



Cost Savings

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## City-Wide Vehicle Allowance Audit

### SCOPE:

The Audit Division will determine if vehicle allowances are supported, computed, approved, and reported properly in compliance with Executive Order 1-41 (Executive Vehicle Assignment/Allowance) and Administrative Procedure 2-2 (Motor Vehicle Assignment and Use). All departments that have employees receiving a vehicle allowance are subject to audit.

### ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk  
Management

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## City-Wide Vehicle Scheduled Maintenance Audit

### SCOPE:

The Audit Division will focus on compliance with manufacturer's suggested maintenance schedules for vehicles in selected departments.

### ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk  
Management

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## Health & Human Services and Houston Fire Departments Patient Privacy

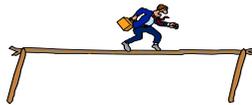
**SCOPE:**

The Audit Division will focus on regulatory compliance with Federal HIPAA privacy and security rules that require health care providers to follow documentation procedures for ensuring that patient's health information is protected from disclosure.

**ANTICIPATED BENEFITS:**



**Stronger Controls**



**Improved Risk  
Management**

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## Public Works & Engineering and Parks & Recreation Departments Roadway Landscaping and Beautification

**SCOPE:**

Council Resolution 90-3 specifies that a maximum of 1% of construction roadway costs should be dedicated towards landscaping and beautification. The Audit Division will focus on selected construction projects to ensure that payments were appropriate, adequately supported, properly approved and in compliance with the resolution, letter agreement, etc.

**ANTICIPATED BENEFITS:**



**Stronger Controls**



**Improved Risk  
Management**

# REVENUE ENHANCEMENT AUDITS

## Aviation Department Parking, Car Rentals and Hotel Concessions

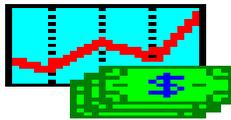
### SCOPE:

The Audit Team will develop an understanding of the appropriate laws and contracts related to parking, car rental, and hotel concessions. The Audit Team will test concessionaire records to ensure the reported revenue was appropriately derived and the revenue remitted was timely and in full compliance with the appropriate ordinance or contract. If warranted, The City will then bill the concessionaires for any additional revenue identified.

### ANTICIPATED BENEFITS:



Stronger Controls



Added Revenue



Improved Accountability

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## Finance & Administration Department Property Disposal Management Division

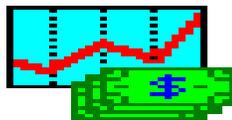
### SCOPE:

The Audit Division will determine if the Division is maximizing the dollars being recovered from the disposal of City of Houston surplus assets, obsolete assets and scrap. For example, several cities have aggressively used the internet to produce higher prices than local auctions.

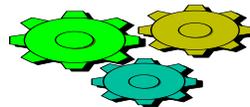
### ANTICIPATED BENEFITS:



Improved Accountability



Added Revenue



Increase Efficiency



Policy Alternatives

# SPECIAL PROJECTS

## SCOPE:

The Audit Division will address special projects throughout the year as requested by the Mayor, City Controller, City Council, and Department Directors. Also, projects will be initiated as a result of information received from taxpayers, vendors, and City employees. Projects planned include:

- Auditing Services Requested By The Office Of Inspector General
- City Controller's Office External Audit Assistance
- Computer Assisted Auditing Tools & Techniques
- Develop Audit Universe for Future Audit Planning
- SAP Security
- Houston Police Department – Truck Enforcement Program

## ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk Management



Policy Alternatives

# UNANNOUNCED AUDITS

## SCOPE:

The Audit Division may perform audits on an unannounced basis during the year. These may include:

- Petty Cash Counts
- Payroll Verification (Employee Existence Verification)
- Inventory Audits (Test Counts/Control)

## ANTICIPATED BENEFITS:



Stronger Controls



Cost Savings



Improve Reporting

# FOLLOW-UP AUDITS

## SCOPE:

During various audits performed in prior fiscal years, recommendations were identified that should result in improvement to the internal controls, procedures and processes in the various areas. The Audit Team will determine what actions have been taken in response to recommendations presented in the report. The team will also report on any new significant findings and recommendations observed during the follow-up process. These will include:

- Houston Emergency Center – Performance Audit
- Fire Department Life Safety Bureau – Performance Audit
- Mayor's Office 3-1-1 Houston Service Helpline – Performance Audit

## ANTICIPATED BENEFITS:



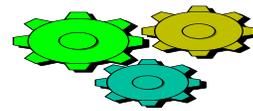
Stronger Controls



Cost Savings



Improve Reporting



Increase Efficiency