

# **OFFICE OF THE CITY CONTROLLER**



**CITY OF HOUSTON**

## **2016 ENTERPRISE RISK ASSESSMENT**

**Chris B. Brown, City Controller**

**Courtney E. Smith, City Auditor**



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

**CHRIS B. BROWN**

July 19, 2016

The Honorable Sylvester Turner, Mayor  
City of Houston, Texas

**SUBJECT: REPORT #2017-02  
CITY OF HOUSTON – 2016 ENTERPRISE RISK ASSESSMENT**

Mayor Turner:

I'm pleased to submit to you the Enterprise Risk Assessment (ERA) performed by the Controller's Office Audit Division during Fiscal Year (FY) 2016. This is a process that supports our efforts in developing the Annual Audit Plan (see Report #2017-01) and deploying the necessary resources to execute.

As noted in last year's ERA report (#2016-04) 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-perform the entire process every year. 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.

In selecting the departments to update, we identified and considered several factors, including "Notable Changes since the Previous Risk Assessment" (See Executive Summary, p.2). Based on this, the five departments selected and updated for the FY2016 ERA were:

- Finance Department (FIN)
- Houston Police Department (HPD)
- Planning and Development Department (PD)
- Public Works and Engineering Department (PWE)
- Solid Waste Management Department (SWMD)

The ERA Report contains two sections: Executive Summary and Separate Risk Profiles 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.



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We appreciate the cooperation and professionalism extended to the Audit Division during the course of the project by personnel from FIN, PD, HPD, PWE, and SWMD.

Respectfully submitted,

Chris B. Brown  
City Controller

xc: City Council Members  
Alison Brock, Chief of Staff, Mayor's Office  
Kelly Dowe, Chief Business Officer, Mayor's Office  
Harry Hayes, Chief Operating Officer, Mayor's Office  
Shannan Nobles, Chief Deputy City Controller  
Courtney Smith, City Auditor, Office of the City Controller



## TABLE OF CONTENTS

LETTER OF TRANSMITTAL .....	i
EXECUTIVE SUMMARY .....	1
• PURPOSE AND INTRODUCTION .....	1
• BACKGROUND AND METHODOLOGY .....	1
• COMPONENTS OF THE ANNUAL ERA PROCESS .....	1
1. NOTABLE CHANGES .....	1-4
- SIGNIFICANT EVENTS AND OPERATIONAL CHANGES SINCE THE FY2015 ENTERPRISE RISK ASSESSMENT UPDATE (ERA) .....	2
- STRUCTURAL CHANGES TO THE RISK UNIVERSE .....	2-4
2. CONSIDERATION OF SIGNIFICANT INFORMATION SYSTEMS .....	4
3. DEPARTMENT RISK PROFILE UPDATES .....	4-9
- KEY BUSINESS PROCESSES .....	5
- RISK IDENTIFICATION AND RATINGS .....	6-7
- GRAPH 1 (OPERATIONAL RISK PROFILE BY DEPARTMENT) .....	8
- GRAPH 2 (OPERATIONAL RISK PROFILE BY KEY BUSINESS PROCESS) .....	9
• OUTPUT .....	9
• ACKNOWLEDGEMENT AND SIGNATURES .....	10
UPDATED DEPARTMENT RISK PROFILES .....	11-39
• FINANCE DEPARTMENT .....	12-15
• HOUSTON POLICE DEPARTMENT .....	16-22
• PLANNING AND DEVELOPMENT DEPARTMENT .....	23-25
• PUBLIC WORKS AND ENGINEERING DEPARTMENT .....	26-34
• SOLID WASTE MANAGEMENT DEPARTMENT .....	35-37
DEPARTMENT RISK ASSESSMENT DATES .....	38-39

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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 (ERA) 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 # 2016-01 FY2016 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 –

The Audit Division conducts an annual process to update the ERA. Departments are selected on a rotational basis for efficiency and to ensure full coverage of all City Departments over a four to five year period. The 2016 ERA process includes other considerations along in addition to length of time since the previous assessment. The process began with preliminary planning, a review of prior risk assessment reports, 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

To apply the risk based methodology noted above, 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 FY2015 ENTERPRISE RISK ASSESSMENT UPDATE (ERA) – include the following:**

- On November 18, 2015, the City Council approved Houston Police Department's (HPD) Body Worn Camera (BWC) program.
- In December 2015, city residents elected Sylvester Turner and Chris Brown to the positions of Mayor and City Controller respectively for four (4) year terms beginning on January 1, 2016.
- The Texan Open Carry law, which allows licensed citizens to carry holstered guns in public, became effective January 1, 2016 in the state. However, the law allows individual property owners and companies to ban open carry inside their establishment.
- On January 27, 2016, Mayor Turner signed an Executive Order (EO) requiring a new focus on outcomes, transparency and the elimination of waste and inefficient expenditures in the City budget.
- On April 5, 2016, Mayor Turner announced his selection of Ronald C. Lewis as the new City Attorney. The new attorney assumed duties on May 2, 2016.
- On April 15, 2016, Mayor Turner unveiled a proposed FY2017 General Fund budget that closed a projected \$160 million shortfall. City Council passed the budget unanimously on May 25, 2016.
- On April 18, 2016, Houston experienced heavy rains creating conditions that forced businesses to close, schools to cancel classes, damaged over 1,000 homes, necessitated a similar number of high-water rescues, and left fatalities in its wake. The Governor's request for a federal disaster declaration was approved. The approval paved the way for federal recovery assistance.
- A new Planning and Development Special Revenue Fund (2308) was created by Ordinance 2015-1319. Creation of the Fund included the transfer of personnel, supplies and services, as well as revenue redirection from the General Fund.
- On June 3, 2016, the first phase Allen Parkway/Buffalo Bayou Park Improvement was completed. Completion of this first round of construction coincided with the start of the summer festival season. Final phase will begin after the Freedom Over Texas in the park on July 4.
- The Texas House Committee on Pension held their June 2016 committee meeting in the City of Houston City Council Chamber. The stated agenda was to examine the fiscal and policy impacts of structural reforms that would increase state public pension plans' ability to achieve and maintain actuarial soundness and evaluate the feasibility, costs, and benefits of utilizing one-time funding increases to reduce or eliminate unfunded liabilities. The stated Mayor Turner testified before the Committee on the state of the Houston Pensions Funds.

**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, centralization or decentralization occurs between Departments or on a City-wide basis. In addition, the Audit Division must consider the Risk Universe of the increasing number of Local Government Corporations (LGC) being



created on the City's behalf, as well as other 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 in the risk universe included:

- An interim police chief was appointed on February 18, 2016 following the retirement of former police chief, Charles McClelland
- In February 2016, the Finance Department assumed accounts payable responsibilities for the following Departments:
  - Public Works and Engineering
  - Office of Business Opportunity
  - Planning and Development
  - Houston Emergency Center
- Investigative first responders are being redeployed to Field Operations following the decision to dissolve the division.

**COMPONENT UNITS** – The Governmental Accounting Standards Board (GASB)<sup>1</sup> defines Component Units as a related entity whose leadership/management is controlled and/or appointed by a primary government (e.g. 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.

Most Component Units of the City are responsible for obtaining and issuing audited financial statements, which are submitted to the City for reporting purposes. Component Units are reported in the City's Comprehensive Annual Financial Report (CAFR). Blended component units (although legally separate entities) are, in substance, part of the City's operations and they provide services exclusively or almost exclusively for the City. In addition, both discretely presented component units - governmental and business-type are presented in the CAFR.

The City considers a Component Unit to be major, thus presented discretely, if assets, liabilities, revenues or expenses exceed 10% of that Component Unit's class and exceed 5% of all Component Units combined.

**ADMINISTRATIVE POLICIES AND PROCEDURES, EXECUTIVE ORDERS, AND MAYOR'S POLICIES** – The City Charter, Article VI gives the Mayor power and the duty to exercise administrative control over all departments of the City, which include the authority to sign

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<sup>1</sup> GASB Statement No. 14, *The Financial Reporting Entity*; GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*; and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.



into effect Administrative Policies and Procedures (APs), Executive Orders (EOs), and any Mayor's Policies (MPs). The Code of Ordinances states that Administration & Regulatory Affairs Department (ARA) has been designated by the Mayor as having the responsibility for the development and implementation of City-wide policies, regulations, and procedures.

Using the risk criteria shown below, the Audit Division performed an initial review and risk ranked the APs, EOs, and MPs based on their significance or level of impact of the policy to City-wide operations. Each department was then risk rated based on the level of the department's operational risk exposure. These ratings were combined to determine the overall risk rating for each of the policies and these policies were then categorized by: 1) Administrative, 2) Public Service, 3) Development and Maintenance, 4) Human & Cultural and 5) Other. A total of 117 policies were reviewed:

#### **RISK CRITERIA**

- 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

#### **CONSIDERATION OF SIGNIFICANT INFORMATION SYSTEMS**

Utilizing a risk-based approach as required by the standards, the Audit Division considered 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. The Audit Division took into consideration Information Technology projects and initiatives being developed for City-wide and department(s) use. Projects and initiatives in various stages of development are:

- Data Center Consolidation Phase 2 completed;
- Enterprise Resource Planning System (ERP) - Ongoing;
- Network Telephony & Call Center;
- HEC Nicelog Recording System;
- Infor Enterprise Solution.

#### **DEPARTMENT RISK PROFILE UPDATES**

Departmental assessment update candidates were selected and structured based on available resources, time constraints, and cost-benefit considerations. The departmental portion of the ERA performed during FY2016 utilized two 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 five City Departments:



- Finance Department (FIN)
- Houston Police Department (HPD)
- Planning and Development Department (PD)
- Public Works and Engineering (PWE)
- 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**

DATA GATHERING	ANALYSIS	OUTPUT
<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	Updated City-wide business risk profile Audit Division Planning tool

**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. KBPs also represent areas upon which audits or reviews can be conducted by internal auditors or external consultants.

While the City-wide analysis identified approximately 145 total key business processes, it was determined 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*).

<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.



The common KBPs are identified as follows:

- Administration
- Communications
- Compliance
- Customer Service
- Disaster Recovery
- Facilities Management
- Financial Management
- Fleet Management
- 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 Houston Emergency Center (HEC), "Certification" of Minority, Women, and Disadvantaged Business Enterprise (MWDDBE) for the Office of Business Opportunity (OBO), "Collection" for Solid Waste Management, etc.). For purposes of the report **'Security'** was combined primarily within **'Public Safety'**.

#### **RISK IDENTIFICATION AND RATINGS –**

It is important to clarify the factors used in determining the levels of risk as presented in the 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 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.

**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. This risk category comes into play during audits of Departments, Sections, Divisions, or Key Business Processes.



*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.*

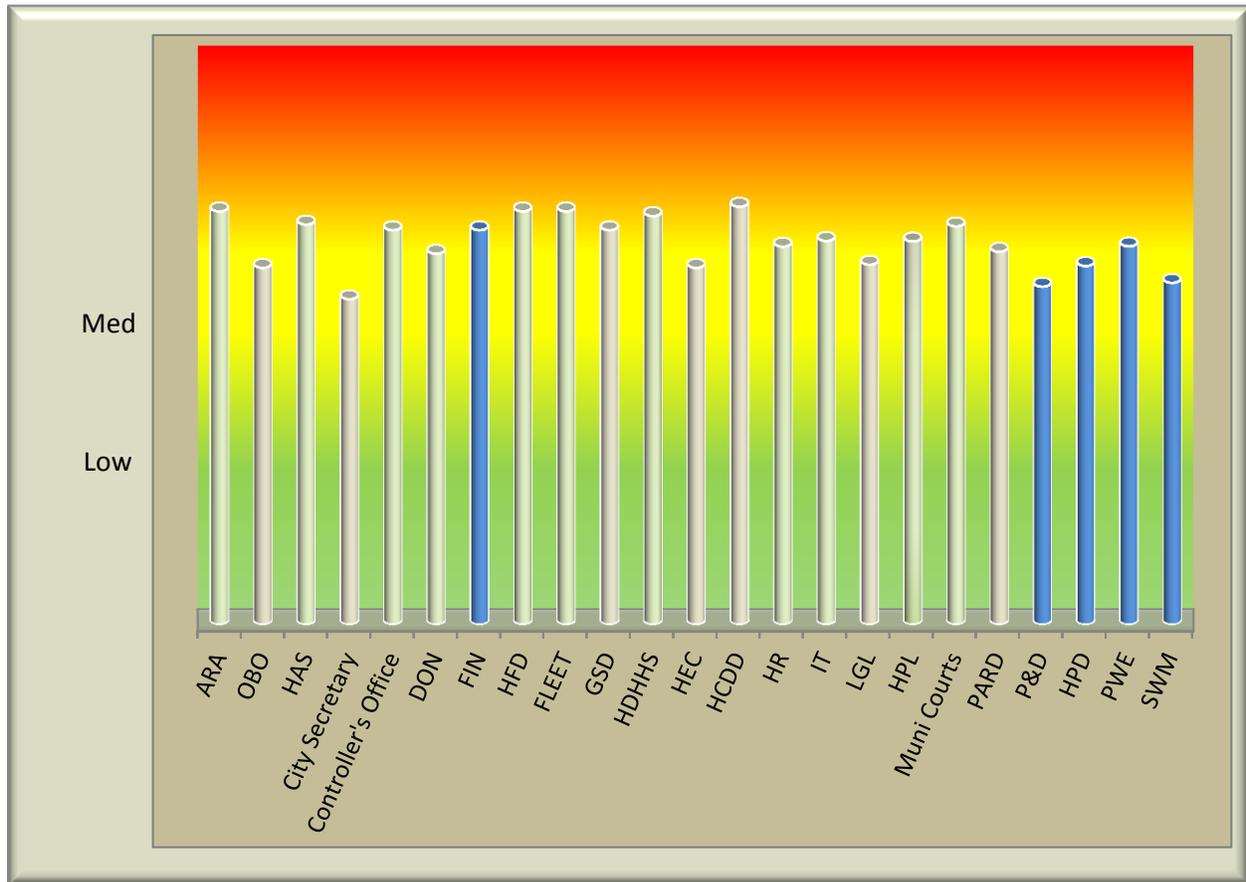
The following graphs summarize the Audit Division's assessment of risk from two different perspectives: (1) Department and (2) Key Business Process (KBP). Each KBP was evaluated within each department and then rated based on the same weighted criteria as shown on page 4.

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<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 –OPERATIONAL RISK PROFILE BY DEPARTMENT<sup>4</sup> –

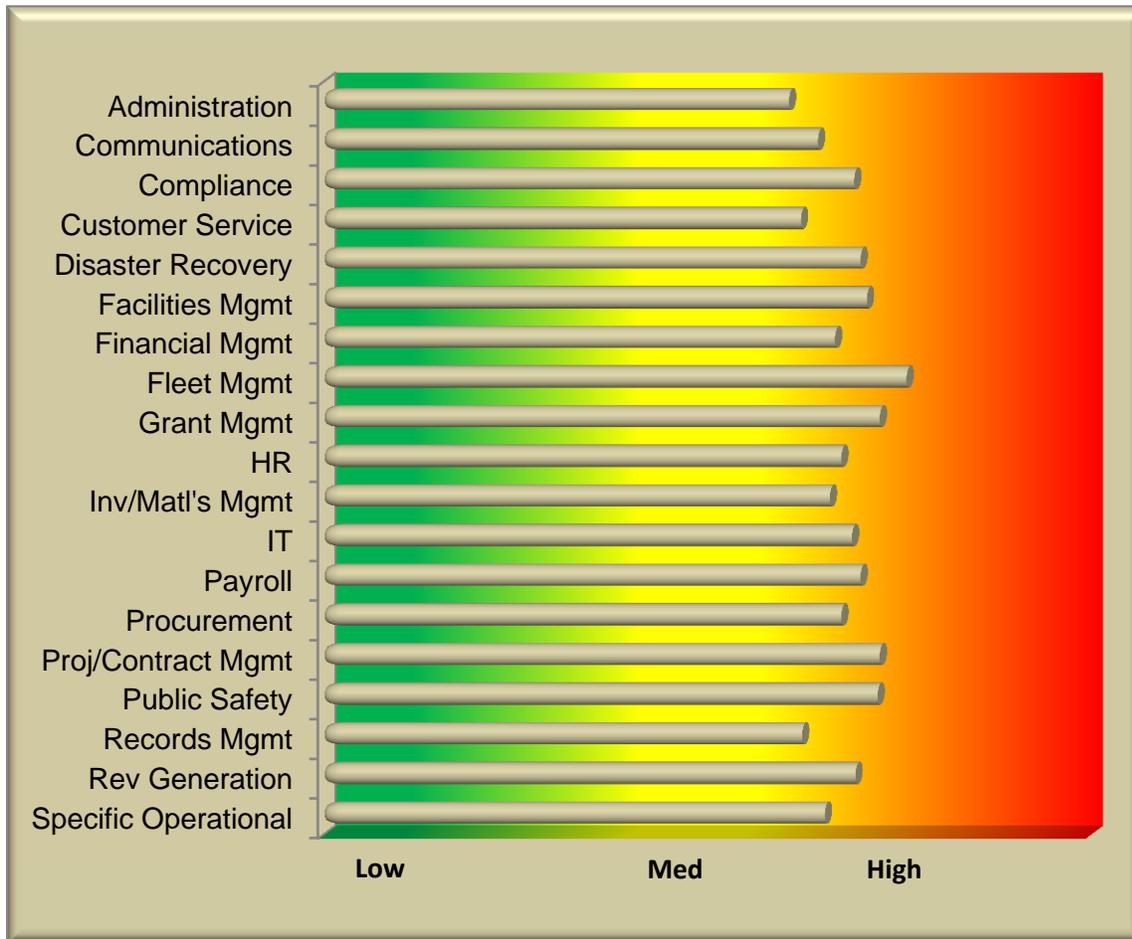


Evaluating all of these various factors provides indicators on prioritizing the potential projects for the upcoming year. In other words, this points us in the direction of “*what*” to audit. We then identify the available resources to determine the volume of activity to include in our plan.

<sup>4</sup> The blue vertical bars represent the 5 departments updated for the FY2016 ERA.



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



The risk assessment revealed that the areas of Compliance, Financial Management and Public Safety fall within the high risk category (See *Graph 2 above*).

**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 2016-01 Controller’s Fiscal Year 2017 Audit Plan). As the risk profile of the City changes, it is reflected in the selection of some of the Audits to perform for FY2017. Projects that the Audit Division will audit from the Annual Audit Plan include High Risk business processes identified above, for example: Compliance, Financial Management, and Public Safety, which reside within the following Departments: Finance Department, Public Works and Engineering; and Houston Police Department.<sup>6</sup>

<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 Disadvantaged Business Enterprise (MWDDBE) for the Office of Business Opportunity (OBO), “Collection” for Solid Waste, etc.).

<sup>6</sup> Where the term “Projects” is used in the Audit Plan, this includes audits, reviews, and other ongoing procedures, etc. See REPORT 2017-01 FY2017 CONTROLLER’S ANNUAL AUDIT PLAN.



**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 annual assessment by actively responding to questionnaires, interviews, discussions, and review of data presented in this report. It was evident throughout the process that the City continues to have a significant number of qualified professionals who serve the constituency by providing quality services in an economically challenged environment and who are proud of the work that they do.

Mark Estrada, CPA  
Lead Auditor

Olaniyi Oyedele, CPA  
Audit Manager

Courtney E. Smith, CPA, CFE, CIA  
City Auditor



# UPDATED DEPARTMENT RISK PROFILES

# Finance Department (FIN)

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## Mission and Objectives

The mission of the Finance Department (FIN) 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. The department objectives are:

- Promote fiscal responsibility;
- Provide high-quality financial services and information to the Mayor's Office, City Council, City departments and citizens;
- Improve process execution internally and city-wide; and
- Engage staff and provide them the resources they need to get the job done.

## Notable Changes since the Previous Risk Assessment

A previous risk assessment of the Finance Department took place in fiscal year 2012. Since that assessment, there have been major changes in the Department's organizational structure and responsibilities that include:

- The Strategic Procurement Division which previously was a division under ARA was moved to FIN.
- A new Performance Improvement Division was created within the Department.
- Assumed contract management functions i.e. negotiation, pricing, and cost projection in connection with citywide energy (electricity and natural gas) for the General Services Department (GSD).
- Assumed responsibility for all finance functions of the following departments:
  - Fleet Management Department (FMD)
  - Houston Fire Department (HFD)
  - Houston Information Technology Services Department (HITS)
- Assumed accounts payable responsibility for the following departments:
  - Public Works and Engineering (PWE)<sup>7</sup>
  - Office of Business Opportunity (OBO)
  - Planning and Development (P&D)
  - Houston's Emergency Center (HEC)

## 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;
- Overseeing citywide revenue collection;
- Leading development and monitoring of the citywide operating and capital budget;
- Developing and implementing the annual indirect cost plan;
- Providing grant management oversight and support for other city departments;
- Maintaining and reconciling fixed assets ledger accounts including capitalization process;
- Providing internal controls review and guidance for various City departments
- Performing financial analysis and complex modeling and forecasting activities;
- Providing accounts receivable/payable services for various City departments; and

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<sup>7</sup> The absorption of the accounts payable responsibility for PWE is being conducted in phases. The first phase has been concluded.

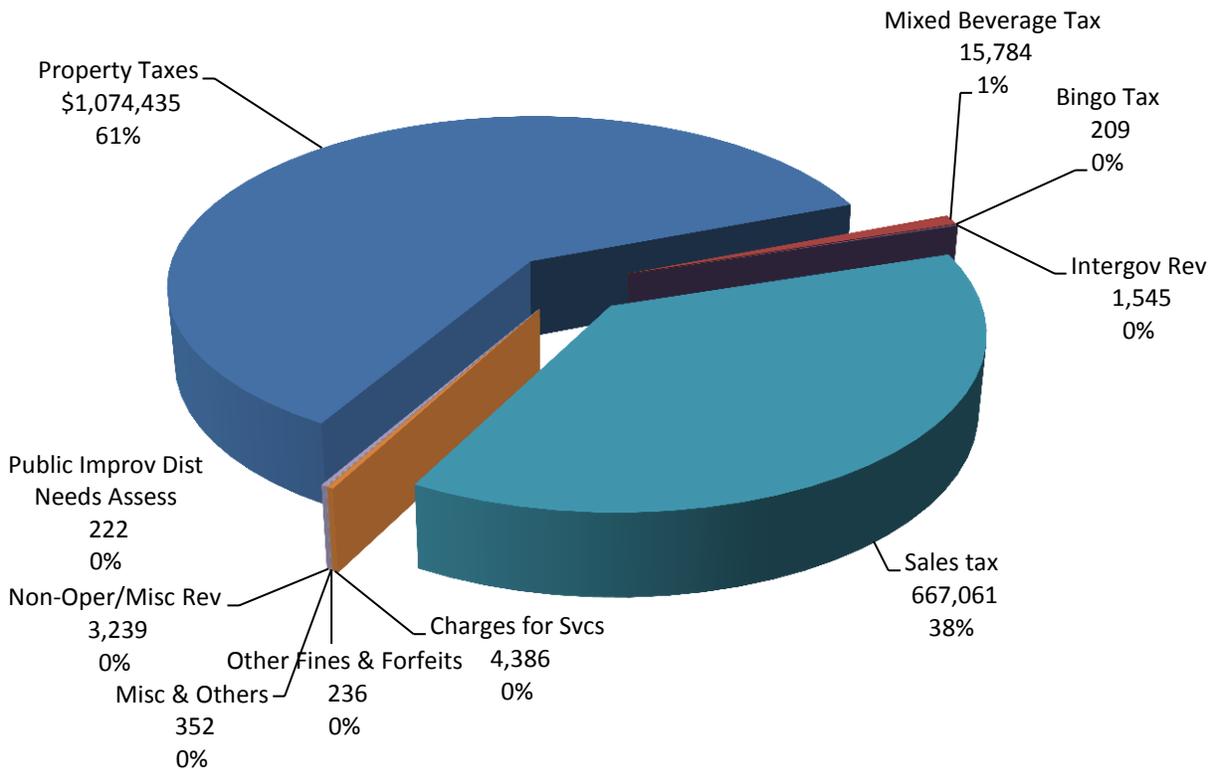
# Finance Department (FIN)

- Guiding the City's long-range financial planning

## Fiscal Year 2015 Financial Data

During FY 2015, 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 totaling \$1.8 billion. Total expenditures for the period were \$24 million.

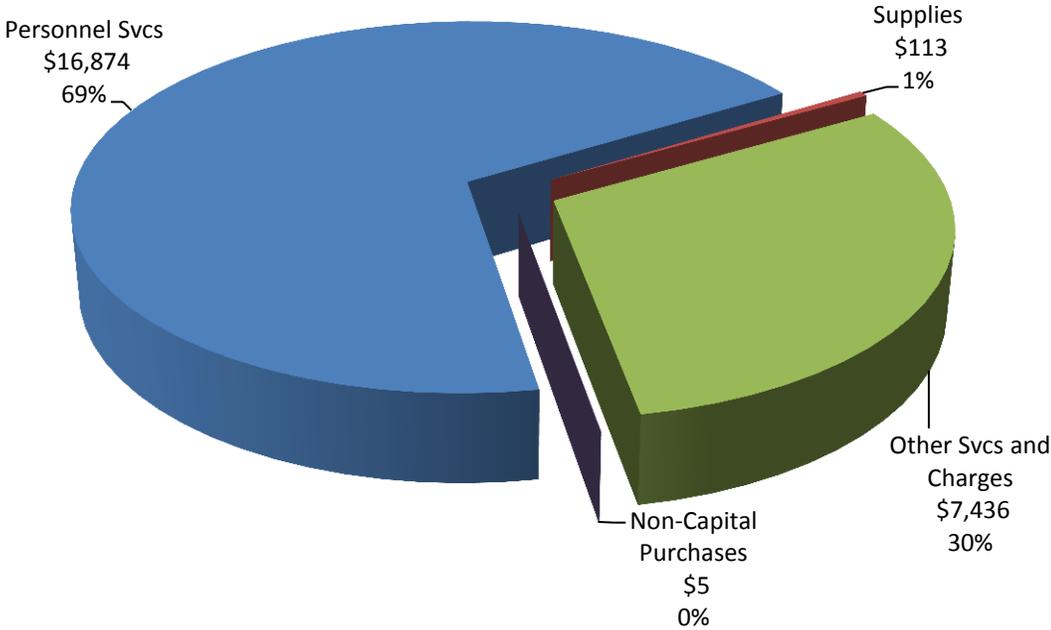
### Revenue (000s)



# Finance Department (FIN)

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Expenditure (000s)



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<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>▪ Procedures in place to comply with Single Audit reporting requirements</li> <li>▪ Procedures in place to 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>	High
<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>▪ Finance and Operations reports analyzed by Finance and monitored by public officials</li> <li>▪ Close coordination with rating agencies</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>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 grant 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 2012. Since that assessment, several changes have occurred in the organizational structure and some functional areas of the Department as listed below:

- The operations of the Crime Laboratory and Identification were transferred to the Houston Forensic Science Center in April 2014;
- On November 18, 2015, the City Council approved HPD's Body Worn Camera (BWC) program;
- An interim police chief was appointed on February 27, 2016 following the retirement of former police chief, Charles McClelland; and
- Investigative first responders are being redeployed to Field Operations (Patrol) following the decision to dissolve the division. The redeployment is still on-going.

During the period, HPD engaged the services of a third party vendor to assess the police officers/community ratio. The report issued by the third party vendor indicated that HPD is understaffed by 1500 police officers. Efforts are currently geared towards addressing this shortfall.

## Significant Activities

The police department's primary activities include:

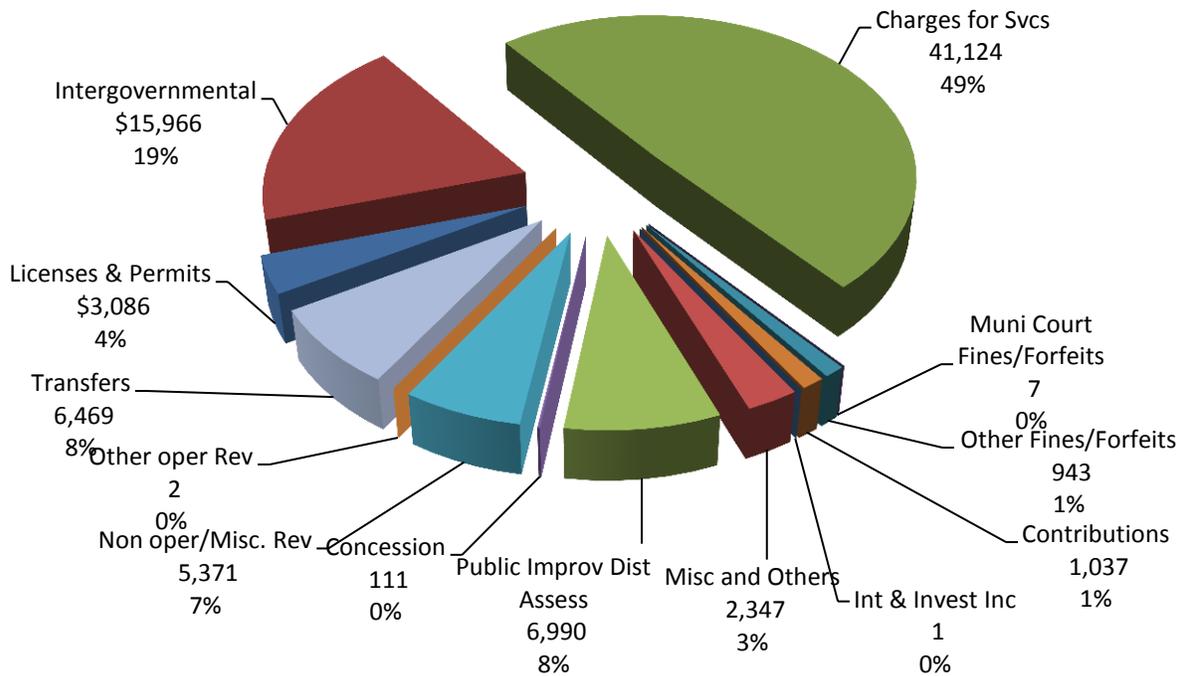
- Responding to more than 1.2 million calls for service each year;
- Investigating criminal activities including auto theft, burglaries, homicide, robberies, vice, narcotics, gangs, and major offenders;
- Providing specialized services such as SWAT, canine patrol, air support, vehicular crime, and bomb 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;
- 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 8,500 open records requests and coordinating media relations activity; and
- Processing over 720,000 original police reports annually.

# Houston Police Department (HPD)

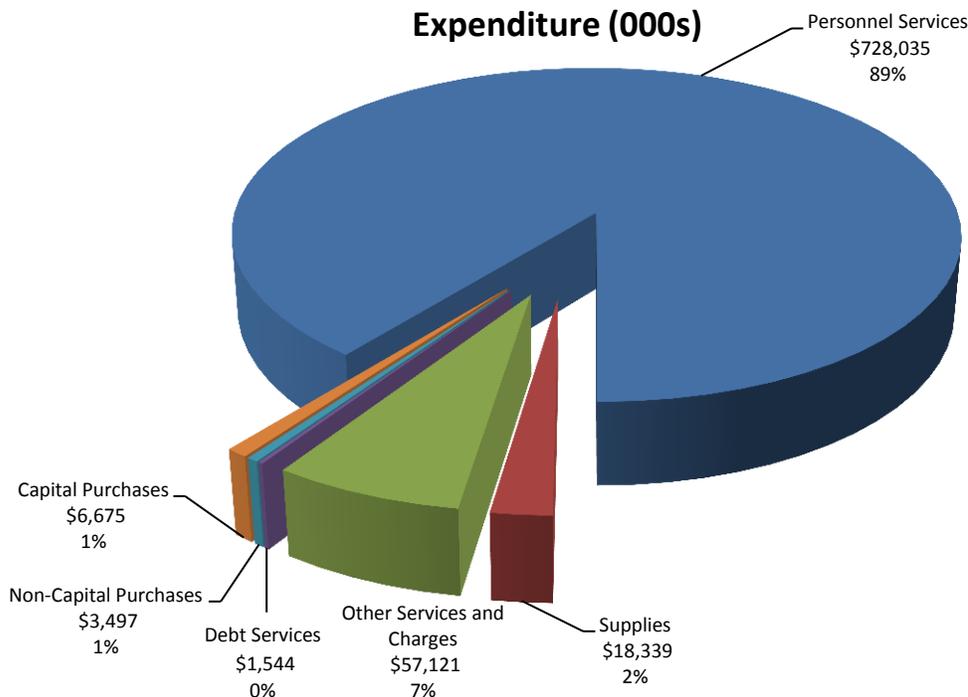
## Fiscal Year 2015 Financial Data

In FY 2015, HPD generated revenue totaling \$83 million of which 52% or \$43m relates to cost recoveries involving reimbursements of costs of police services provided to the Airport System (IAH and Hobby), Houston Forensic Science Center; recovery of indirect costs from the Auto Dealers Fund etc. HPD recorded operating expenditures totaling \$815 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.

### Revenue (000s)



### Expenditure (000s)



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Enforcement and Public Safety</b></p>	<ul style="list-style-type: none"> <li>▪ Insufficient resources</li> <li>▪ Insufficient number of officers or insufficient 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>	<p>High</p>

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Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<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>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 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>▪ Negotiations to merge City and County jail facilities completed.</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

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<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
<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

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<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
<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>	Medium

# Planning and Development Department (PD)

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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.

P&D also conducts a wide range of transportation planning initiatives, has created Plan Houston, and is currently working towards the implementation of several components of Plan Houston.

## Notable Changes since the Previous Risk Assessment

A previous risk assessment of the P&D Department took place in fiscal year 2012. Since that assessment the Planning and Development Special Revenue Fund (2308) was created by Ordinance 2015-1319. Creation of the Fund included the transfer of personnel, supplies and services, as well as revenue redirection from the General Fund.

## Significant Activities

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

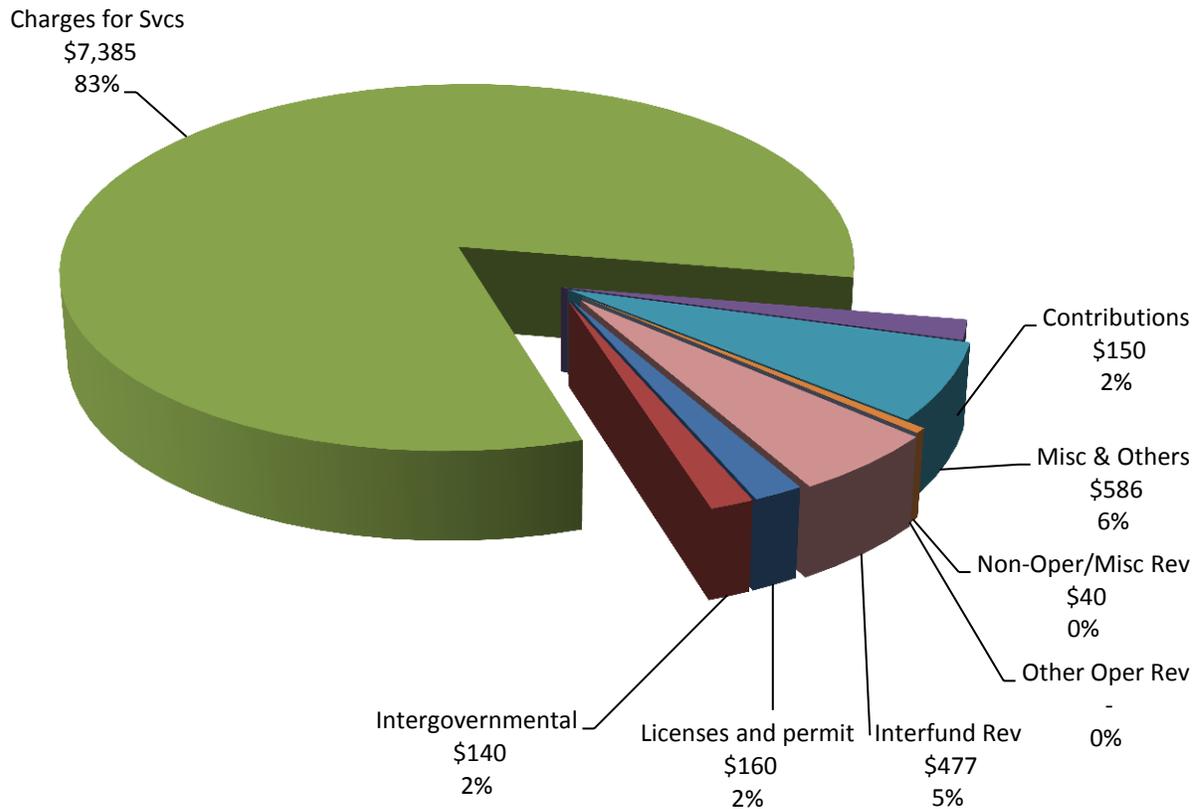
- Reviewing land development through subdivision and development plats and construction plans;
- Providing educational programs that assist in revitalizing neighborhoods
- Analyzing data and providing recommendations on jurisdictional boundaries;
- Developing and maintaining database for the Geographic 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;
- 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 2015 Financial Data

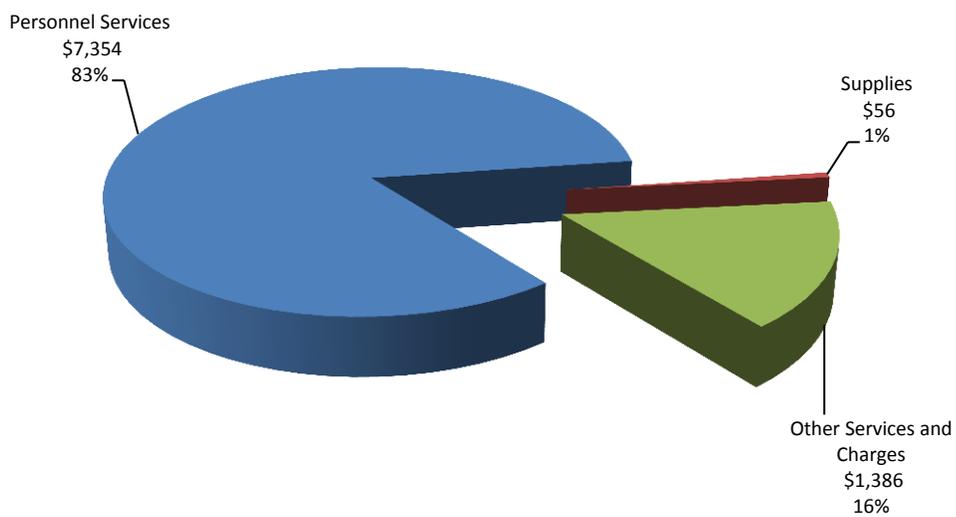
During FY 2015, the department generated revenue from services of \$8.9 million, of which \$8.8 million went into the General Fund and \$140 thousand went into the Grant Fund. Total expenditures were \$8.8 million. Graphical representations of the revenues and expenditures depict the amount and source of each.

# Planning and Development Department (PD)

## Revenue (000s)



## Expenditures (000s)



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<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
<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>	Medium

# Public Works and Engineering Department (PWE)

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## Mission and Objectives

The City of Houston Public Works and Engineering (PWE) Department is responsible for: (1) planning, designing, constructing, operating and maintaining Houston's critical public infrastructure systems, (2) establishing and enforcement of the City's building and development codes, and (3) providing drinking water, wastewater collection and treatment, storm water drainage, and streets in an effective, efficient, and environmentally responsible manner to serve our customers.

## Notable Changes since the Previous Risk Assessment

A previous risk assessment of PWE took place in fiscal year 2011. Since that assessment, there have been no changes in the operations or organizational structure of PWE.

## Significant Activities

The responsibilities of PWE are distributed among six divisions: Engineering and Construction, Planning and Development Services, Public Utilities, Resource Management, Street & Drainage, and Traffic and Transportation. The department's activities include:

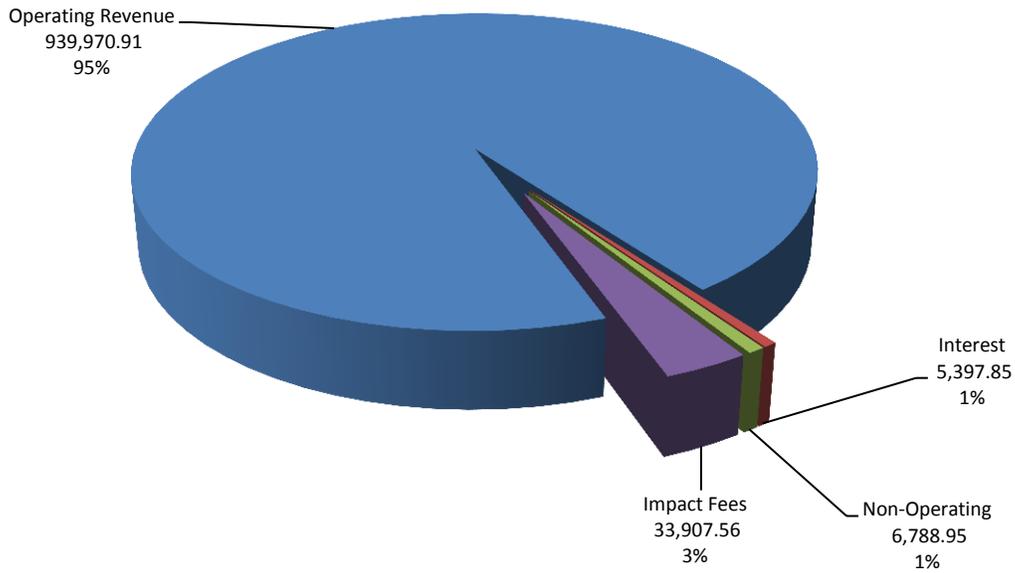
- Producing and distributing of over 160 billion gallons of water per year;
- Maintaining the drinking water system "Superior" rating from the Texas Commission on Environmental Quality (TCEQ);
- Maintaining 40 wastewater treatment plants and providing treatment of 227 million gallons per day generated by residential, commercial and industrial customers;
- Maintaining more than 14,000 miles of water distribution and sanitary sewer collection lines throughout the City;
- Maintaining over 16,000 lane miles of streets, over 1380 bridges, 82,000 storm water manholes, 116,000 storm inlets, 3,900 miles of storm sewer lines, and 3,500 miles of roadside ditches;
- Implementing design and construction infrastructure projects in the City's five year CIP
- Installing and maintaining 1,100,000 traffic signs, 2450 signalized intersections, 1600 school zone flashers, as well as 180,000 streetlights and 1,000 freeway light; and
- Providing utility planning, permitting, and inspection for new residential/commercial developments.

## Fiscal Year 2015 Financial Data

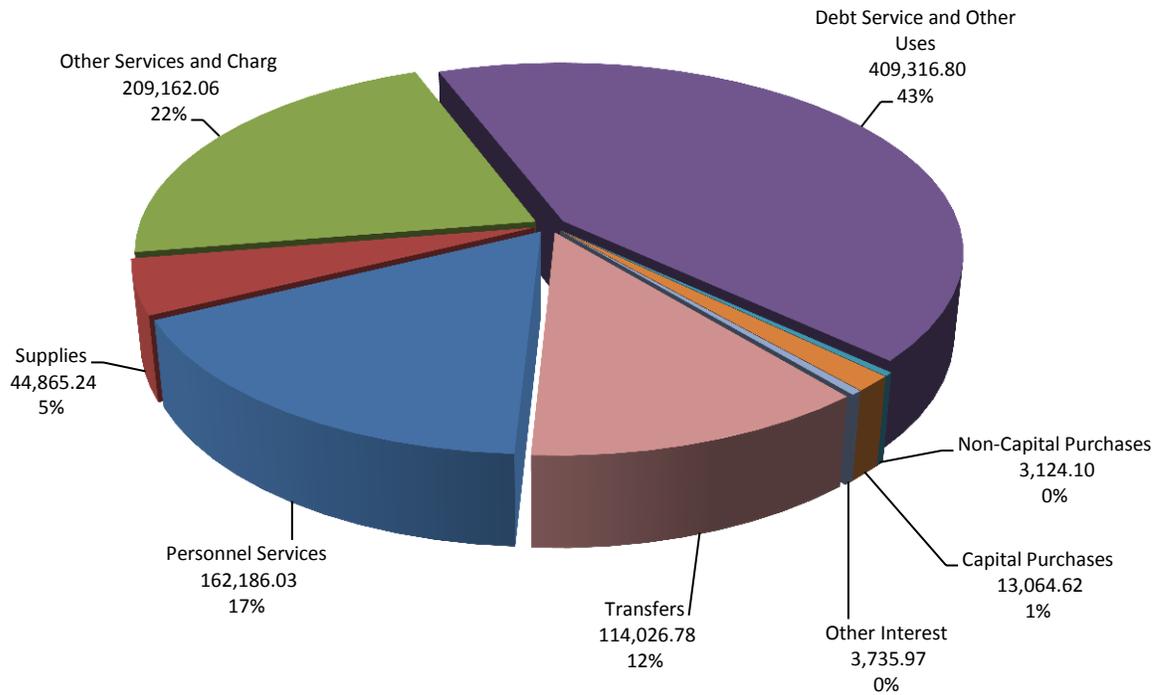
The annual operating budget of the department is approximately \$1.4 billion. Operating funds are derived from a number of sources including user fees, utility charges and General Fund revenue. The graphical representations of the revenues and expenditures depict the amount and source of each for FY 2015.

# Public Works and Engineering Department (PWE)

## Utility Revenues (000s)

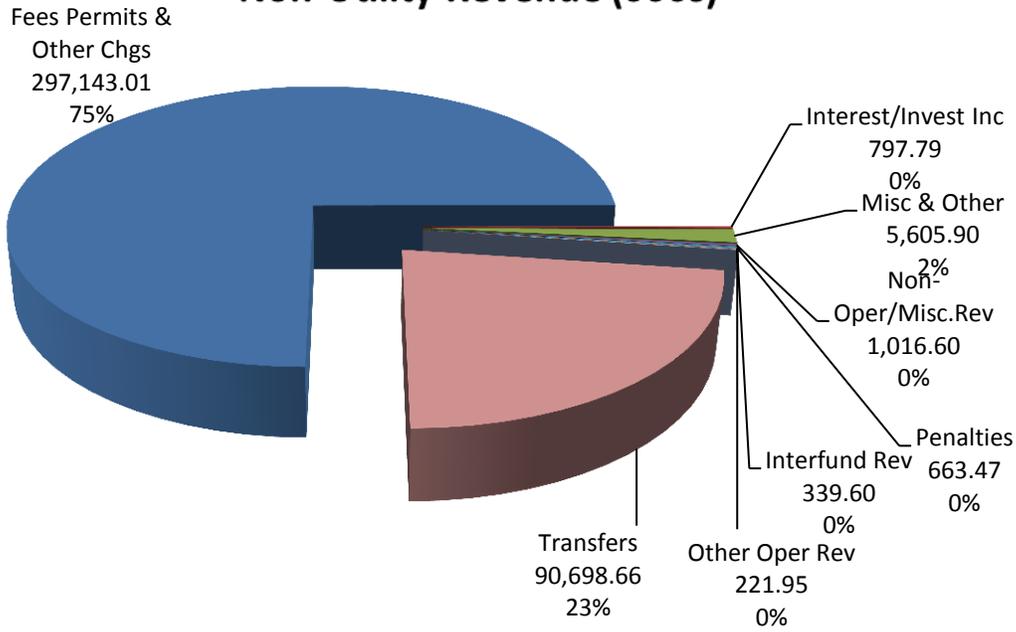


## Utility Expenditure (000s)

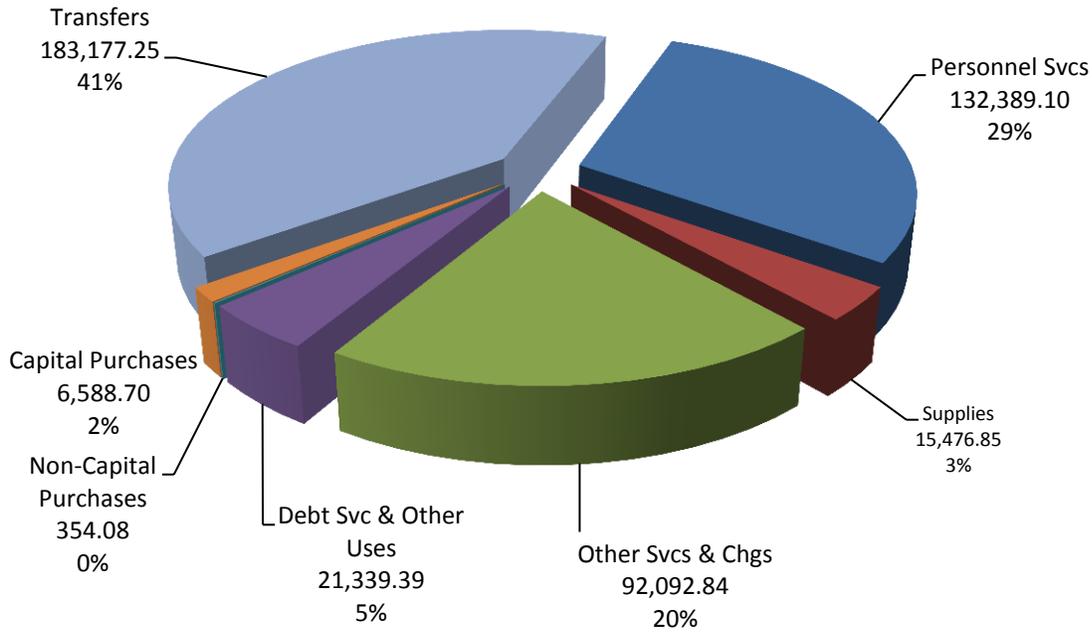


# Public Works and Engineering Department (PWE)

## Non-Utility Revenue (000s)



## Non-Utility Expenditures (000s)



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Compliance</b></p>	<ul style="list-style-type: none"> <li>▪ Unaware of regulations governing various types of construction and engineering projects</li> <li>▪ Non-compliance to federal and statutory laws</li> <li>▪ Inability to perform timely inspections</li> <li>▪ Inspections are not carried out based on current code</li> <li>▪ Lack of coordination in scheduling inspections</li> <li>▪ Ineffective monitoring of grant funded activity</li> <li>▪ Non-compliance with federal grant reporting requirements Lack of safety procedures to protect staff from physical injuries</li> </ul>	<ul style="list-style-type: none"> <li>▪ Establish and maintain relationships with regulators</li> <li>▪ Monitor proposed legislation</li> <li>▪ Inspections are implemented in accordance with National Inspection Standards</li> <li>▪ Flood plain regulations are enforced through field inspections and plan reviews</li> <li>▪ Street &amp; Drainage Ordinances and laws are implemented according to International Design Materials</li> <li>▪ Water quality is tested and measured against TCEQ standards</li> <li>▪ Safety group provides safety training for the entire department</li> </ul>	<p>High</p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Financial Management</b></p>	<ul style="list-style-type: none"> <li>▪ Lack of funding</li> <li>▪ Lack of contractor labor and material costs tracking</li> <li>▪ Inadequate management of City owned real estate properties</li> <li>▪ Overpriced real property purchases for right of way easements</li> <li>▪ Insufficient rate increases to adequately recover water and sewer costs</li> <li>▪ Inaccurate fixed asset accounting</li> </ul>	<ul style="list-style-type: none"> <li>▪ Contract Management System is used to manage public utility contracts</li> <li>▪ City properties are maintained in the CIPMS database and older property paper files are in a secured file room</li> <li>▪ Real estate purchases are based on appraisals</li> <li>▪ Inventory system for all real estate transactions</li> <li>▪ The fixed assets section of this division handles amortization/ capitalization of fixed assets</li> <li>▪ Perform periodic rate studies and cost of service reviews and implementation of recommendations from the Combined Utility Service (CUS) with Council approval if the increase is above the Producer Price index (PPI)</li> </ul>	<p>Medium</p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Information Technology</b></p>	<ul style="list-style-type: none"> <li>▪ Inability to hire and retain qualified and skilled staff</li> <li>▪ Antiquated radio communication system</li> <li>▪ Multiple data center locations</li> <li>▪ Slow / inadequate support of field locations</li> <li>▪ Lack of a backup plan in emergency situations</li> <li>▪ Frequent hardware crashes</li> </ul>	<ul style="list-style-type: none"> <li>▪ HITS is currently upgrading the range and capacity of the City's radio system</li> <li>▪ Centralization of 2 data centers (Leeland and Cyrus One locations)</li> <li>▪ Technical staff is housed at large remote sites, deployed to smaller sites and use remote access software tools</li> <li>▪ Centralized Help Desk and Desktop support</li> <li>▪ Established and implemented fail over computing at Leeland Data Center and Cyrus One, Houston TX.</li> <li>▪ Lifecycle replacement program.</li> </ul>	<p>Medium</p>
<p><b>Inventory / Materials Management</b></p>	<ul style="list-style-type: none"> <li>▪ Increasing prices of supplies</li> <li>▪ Inventory and supplies are inadequate to support operations</li> <li>▪ Theft of valuable supplies (i.e. copper)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inventory items are bar-coded and inventory levels are tracked with daily cycle counts</li> <li>▪ Installation of security cameras and copper inventory is counted everyday</li> <li>▪ Data Stream 7i tracks all assets and provides a preventive maintenance schedule</li> </ul>	<p>Medium</p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Procurement</b></p>	<ul style="list-style-type: none"> <li>▪ Timeliness of procurement fails to meet needs of supported operations</li> <li>▪ Failure to adhere to procurement policies and procedures</li> <li>▪ Inappropriate items purchased using PCards</li> <li>▪ Unauthorized users of PCards</li> </ul>	<ul style="list-style-type: none"> <li>▪ RWBSS system tracks the labor, material, and equipment used in a project</li> <li>▪ PCard coordinators audit purchases on a monthly basis</li> <li>▪ Procurement and contracts are continually monitored for meeting delivery times specified.</li> <li>▪ Procurement training is provided by SPD as well as PWE/Resource Management Division/Materials Management Branch (MMB) which also provides training for each new PCard holder and annual updates for current cardholders and approving managers.</li> <li>▪ PWE/Director's Office/Management Support contract Compliance also sponsors a quarterly City-Wide Contract Compliance Network Training.</li> </ul>	<p>Medium</p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Project Management</b></p>	<ul style="list-style-type: none"> <li>▪ Inadequate planning of infrastructure to support expanding population and annexation</li> <li>▪ Aging infrastructure increases backlog of construction and design projects</li> <li>▪ Ineffective project prioritization</li> <li>▪ Increased public expectations of design and construction process</li> <li>▪ Lack of coordination in scheduling inspections</li> <li>▪ CIP projects are not monitored</li> <li>▪ Lack of highly qualified staff</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Planning Division implements a development plan for the creation of additional wastewater facilities when the City reaches 80% capacity</li> <li>▪ Wastewater capacity managed through wastewater commitment process for new development or major renovation</li> <li>▪ 400 data elements of a project are entered into CIPMS (from design through planning and construction)</li> <li>▪ Individual Development Plan enforces cross training to develop knowledge and skills in the Engineering, Construction and Geo-technical areas</li> </ul>	<p>Medium</p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Revenue Generation</b></p>	<ul style="list-style-type: none"> <li>▪ Lack of automated payment options</li> <li>▪ Limited revenue sources</li> <li>▪ Lack of customer-focused service</li> <li>▪ High volume of Customer Refund activity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Credit card / electronic payments are handled exclusively through the current Banking relationship</li> <li>▪ Other automated pay options available through City website and telephone system</li> <li>▪ Funding from grants and permit/impact fees supplement utility billing revenues</li> <li>▪ Periodic monitoring of call center service levels, customer satisfaction, and timely payment processing</li> <li>▪ City offers payment agreements and information on agencies that provide payment assistance</li> <li>▪ Daily monitoring of bill generation</li> </ul>	<p>Medium</p>

# **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 2012. Since that assessment, there have been no changes in operations and organizational structure of SWMD.

## **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:

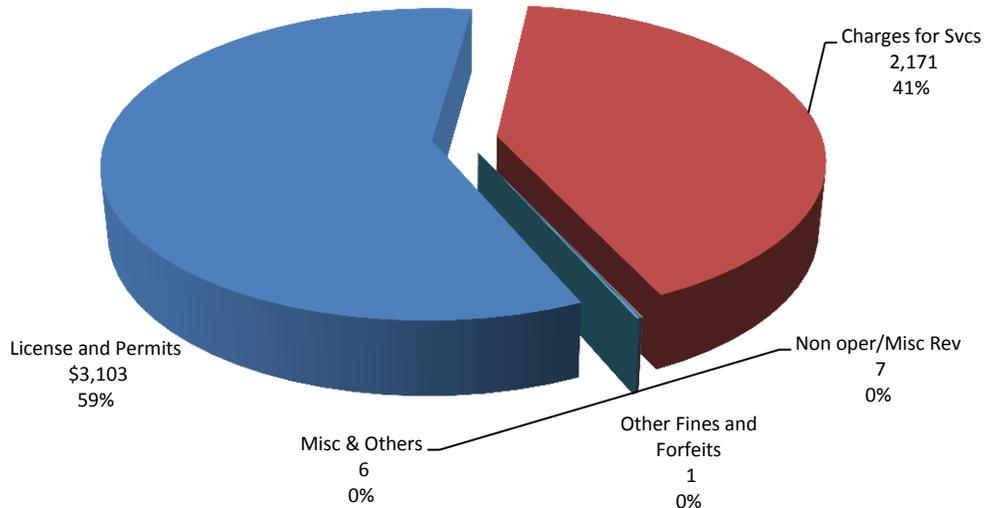
- Providing garbage, junk waste, and tree waste collection to more than 380,000 residential units;
- Negotiating and monitoring contracts for municipal solid waste disposal and management of the City's 3 transfer stations;
- Managing the transportation and disposal of over 700,000 tons of waste annually;
- Providing bi-weekly curbside collection of recycling to approximately 380,000 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 130,000 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)

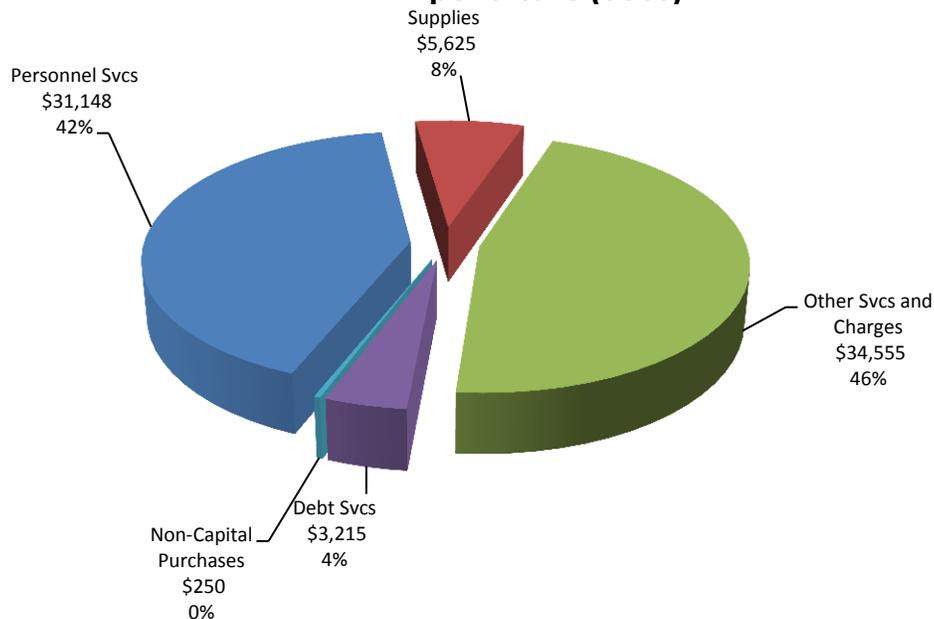
## Fiscal Year 2015 Financial Data

SWMD services are funded through the City's General Fund. During fiscal year 2015 the department generated revenues totaling \$5.3 million and had total expenditures of \$74.8 million. Graphical representations of the revenues and expenditures depict the amount and source of each.

### Revenue (000s)



### Expenditure (000s)



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>	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>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>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



## DEPARTMENT RISK ASSESSMENT DATES



**CITY OF HOUSTON DEPARTMENTS**

**LAST ASSESSMENT**

<b>ADMINISTRATION &amp; REGULATORY AFFAIRS</b>	<b>2014</b>
<b>CITY SECRETARY</b>	<b>2015</b>
<b>CONTROLLER'S OFFICE</b>	<b>2014</b>
<b>FINANCE</b>	<b>2016</b>
<b>FIRE</b>	<b>2013</b>
<b>FLEET MANAGEMENT</b>	<b>2013</b>
<b>GENERAL SERVICES</b>	<b>2015</b>
<b>HEALTH AND HUMAN SERVICES</b>	<b>2013</b>
<b>HOUSING AND COMMUNITY DEVELOPMENT</b>	<b>2015</b>
<b>HOUSTON AIRPORT SYSTEM</b>	<b>2014</b>
<b>HOUSTON EMERGENCY CENTER</b>	<b>2015</b>
<b>HOUSTON INFORMATION TECHNOLOGY SERVICES</b>	<b>2014</b>
<b>HOUSTON PARKS AND RECREATION</b>	<b>2014</b>
<b>HUMAN RESOURCES</b>	<b>2014</b>
<b>LEGAL</b>	<b>2015</b>
<b>LIBRARY</b>	<b>2012</b>
<b>MUNICIPAL COURTS</b>	<b>2013</b>
<b>NEIGHBORHOODS</b>	<b>2013</b>
<b>OFFICE OF BUSINESS OPPORTUNITY</b>	<b>2015</b>
<b>PLANNING AND DEVELOPMENT</b>	<b>2016</b>
<b>POLICE</b>	<b>2016</b>
<b>PUBLIC WORKS AND ENGINEERING</b>	<b>2016</b>
<b>SOLID WASTE MANAGEMENT</b>	<b>2016</b>