



Mayor
Lee Leffingwell



Mayor Pro Tem
Mike Martinez



Council Member
Laura Morrison



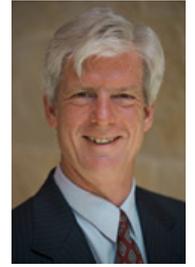
Council Member
Sheryl Cole



Council Member
Randi Shade



Council Member
Chris Riley



Council Member
Bill Spelman

The City Council’s vision for the City of Austin is to be the most livable City in the country. The Office of the City Auditor’s mission is to assist the Council in achieving that vision by promoting transparency, accountability, and continuous improvement through excellence in audit and investigative services.

The Office of the City Auditor seeks to assist the City Council, management, and citizens in establishing **accountability, transparency,** and a culture of **continuous improvement** in City operations and service delivery to achieve Council’s vision of becoming **the most livable City in the country.**

Our key contributions this year were to identify opportunities to assist the City Council with improving public services by making operations more effective and efficient; ensuring compliance with laws, regulations, and policies; and optimizing revenue. This also included reducing the risk of loss or abuse of assets as well as correcting wasteful practices. Our resulting recommendations increased the City’s responsiveness to citizens and assisted the City Council in achieving its oversight responsibilities by providing transparency and accountability in City operations and integrity issues.

OUR VISION IS TO CONTINUALLY EARN THE TRUST OF THE CITY’S COUNCIL, CITIZENS, AND EMPLOYEES.

CONTINUOUS IMPROVEMENT

INITIAL ASSESSMENT UPDATE

One of the first actions the City Auditor took in early 2010 was to initiate an assessment of OCA to identify the strengths and opportunities for improvement necessary to achieve the objectives and goals mentioned above. Of the identified 10 areas, 9 have been fully or partially implemented. The planned actions already completed include:

- Identifying 5 significant risks to the City to be addressed in the service plan [see 2011 Service Plan]
- Improving the timeliness and value of audit results [see Audit Outputs]

- Improving audit productivity & streamlining audit reports [see Audit Outputs and Average Hours inserts]
- Acquiring the best practice TeamMate automated audit management system [pending implementation]
- Continuing recognition as a national and regional leader in the auditing profession [see Leadership insert]
- Proposing a mid-year revision of the 2010 Service Plan to reflect changes in priorities and reduction of hours and/or scope for select audits [see 2010 Service Plan]
- Including a key risk audit horizon for outlying years in the development of the FY11 Service Plan [see 2011 Service Plan]
- Revising the OCA vision, mission, and values [see inserts]
- Implementing the new OCA organizational structure [see OCA organizational chart]

A review of existing OCA ethics policy and training requirements will be completed by March, and full implementation of TeamMate will be completed by the end of fiscal year 2011.

ACCOUNTABILITY AND TRANSPARENCY

AUDIT SERVICES

In Fiscal year 2010, we completed 23 audit products, including performance audits, risk assessments, and reviews of specific issues brought to our attention by Council. Our audits addressed key Council interests such as:

- Environmental issues (Performance Audit of Alternative Fuel Vehicles)
- Sustaining neighborhood character (Historic Landmark Commission Audit)
- Sustainable economic development (Preparedness for Recovery Act Oversight Audit)

- Public health (Emergency and Medical Services Service Delivery Follow-up Audit)

In FY10, we issued a total of 48 recommendations that can improve the effectiveness, accountability, and transparency of City programs and provide quality information to the City and its citizens.

Below are some examples of the type of audits we perform. [Refer to page 3 for a complete list of the 23 audit products completed by OCA in 2010.]

Performance Audit of the Austin Water Utility SCADA System: We analyzed the Austin Water Utility’s Supervisory Control and Data Acquisition (SCADA) system operations and identified issues regarding access and security, data reliability, and the utility’s ability to safeguard this critical system. We also found issues related to governance of the SCADA system and made recommendations that will help ensure uninterrupted water/wastewater services to customers and help protect the water/wastewater infrastructure. This audit resulted in an “all hands” effort by AWU to secure the system.

Review of Preparedness for Recovery Act Oversight: The American Recovery and Reinvestment Act of 2009 provided funding opportunities to invest in transportation, environmental protection, and other infrastructure projects that will provide long-term benefits and promote economic recovery. The Act heightened requirements for accountability and transparency for all grant recipients. OCA found that the City of Austin met the initial Recovery Act oversight funding requirement for the over \$81.6 M in Recovery Act funds awarded by creating a centralized Recovery Office and a central document repository. Improvements, mainly regarding documentation, are

required to achieve full compliance. The audit increased the visibility of potential non-compliance.

Performance Audit of Alternative Fuel Vehicles: We found that the alternative fuel vehicle program and plan governance is not adequate to achieve the City’s “carbon neutral goal” by 2020. OCA recommended that the City’s Chief Sustainability Officer be empowered to develop a comprehensive plan for achieving a carbon neutral fleet.

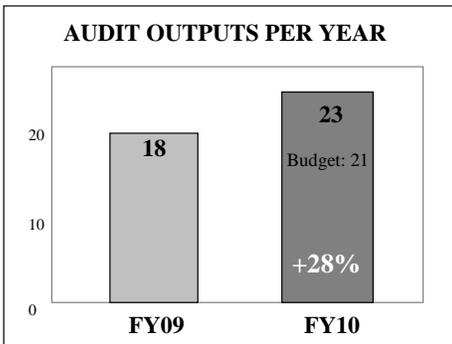
Austin Fire Department Risk Assessment: OCA assisted AFD in identifying significant risks related to mission effectiveness and employee health and safety.

Code Compliance: We found inconsistent investigation and resolution practices, inadequate initial response to many complaints, and data integrity concerns. The audit identified and increased the visibility of these areas of concern for management and the City Council.

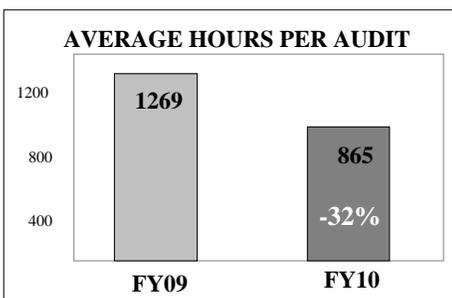
Park Maintenance Follow up: We found that since OCA’s 2002 audit, only 4 of 17 agreed to recommendations were implemented, though 11 were initially reported as implemented. The audit uncovered issues of accountability and transparency for the current director and the City Council.

SIGNIFICANTLY EXCEEDED AUDIT PERFORMANCE TARGETS:

We significantly exceeded targets for key audit performance measures including the number of outputs, hours per audit, unit cost, and audit effectiveness as shown below:



Unit Cost	Budget	FY10 Actual
Cost Per Audit	\$74k	\$64k



Audit Effectiveness	Budget	FY10 Actual
Recommendation Concurrence	90%	98%
Council Satisfaction with Audit Services (4 point scale)	3.00	3.43

Who Audits the Auditors?
 As required by the U.S. Comptroller General’s government auditing standards, we underwent a peer review in 2009 conducted through the Association of Local Government Auditors (ALGA) to assess the quality of our audits and the competence of our professional staff. The review found our office in full compliance with standards.
 While we continuously conduct internal quality reviews, our next ALGA peer review is scheduled for 2012.

INTEGRITY SERVICES

The City Auditor’s Integrity Unit (CAIU) conducted integrity-related projects to help improve accountability, transparency and support compliance with policies, laws, and regulations to assist in ensuring an ethical environment in the City of Austin.

The majority of the CAIU’s work consisted of investigations of fraud, waste, and abuse. The CAIU received 173 allegations, 70 of which led to further investigation and 9 reports were issued. The remaining allegations consisted of issues in which the CAIU did not have the authority to investigate or determined the issue would be better addressed by management. The CAIU also completed a special request Criminal Background Investigation (CBI) project and produced a white paper on CBIs to assist City management’s preparation of a CBI policy.

SIGNIFICANTLY EXCEEDED CAIU PERFORMANCE TARGETS:

Some key CAIU performance measures include the total number of cases investigated, those completed in 60 days, the cost per case, and Council satisfaction with integrity services:

CAIU Investigations	FY09	FY10
# of cases investigated to completion	66	79
% of cases investigated to completion w/in 60 days of initiation	69%	75%

Unit Cost	Budget	FY10 Actual
Cost Per Integrity Project	\$5.9k	\$3.0k

CAIU Effectiveness	Budget	FY10 Actual
Council Satisfaction with Integrity Services (4 point scale)	3.00	3.57

All FY10 AUDIT OUTPUTS

- E. 11th & 12th Street Redevelopment Project Audit
 - Attorney Reporting Special Request
 - SMBR Certification Timing Special Request
 - City of Austin Taxicab Permitting Process Audit
 - Historic Landmark Commission Audit
 - Code Compliance Audit
 - Pergola Management Memo
 - One Stop Shop Case Assignment Issue Management Memo
 - 311 Customer Service Initiative Audit
 - Alternative Fuel Vehicles Audit
 - Take-Home Vehicles Policy Audit
 - Vehicle Utilization Audit
 - Cemetery Contract Review
 - Risk Assessment of the Austin Fire Department
 - Follow-up Audit of Emergency Medical Services Service Delivery
 - Austin Water Utility SCADA System Audit
 - Boards and Commissions Risk Assessment: Year 2
 - Management Consulting Fees Memo
 - Follow-Up Audit of Park Maintenance
 - Customer Information System (CIS) Replacement Assistance Project
 - Non-residential Drainage Utility and Transportation User Fees Audit
 - Preparedness for Recovery Act Oversight Audit
 - Boards & Commissions Audit: Water and Wastewater Commission
- [Audit Reports available at: www.cityofaustin.org/auditor]

All FY10 INTEGRITY UNIT REPORTS:

- Integrity Violations Involving a Health and Human Services Manager
- Integrity Violations Involving a Communications and Technology Management Buyer Associate
- Integrity Violations Involving a Convention Center Department Supervisor
- Integrity Violations Involving a City Contractor
- Integrity Violations Involving an Austin Energy Climate Protection Coordinator
- Integrity Violations Involving an Emergency Medical Services IT Project Coordinator
- Integrity Violations Involving an Austin Energy Administrative Senior
- Scholarship Voucher Detection Project
- Austin Police Department Soft Pay Detection Project
- Criminal Background Investigation Special Request
- Best Practice Examination of Conducting Criminal Background Investigations

NATIONAL AND REGIONAL LEADERSHIP

By participating in the auditing profession at all levels, OCA is able to obtain several key benefits. These benefits include participating in leading edge task groups that set professional standards, sharing best practice approaches with top audit shops, and identifying key risks and obtaining information directly from national and international audit leaders that can be applied to the services we provide in the City of Austin. It also provides an opportunity for staff members to develop their leadership, managerial and supervisory skills to prepare them for positions of increasing responsibility at the City.

RECOGNIZED AS AUDIT LEADERS

Some of the premier audit organizations served by our professional staff at the international, national, regional and local levels are shown in the Key Leadership Positions insert at the bottom of this page.

Our staff has also published articles in the Association of Local Government Auditors' (ALGA) and Institute of Internal Auditors' (IIA) publications and had speaking engagements for groups such as the IIA, the Texas Society of CPAs, and the Austin Chapter of the Association of Certified Fraud Examiners (ACFE). Highlights are shown in the Publications & Research and Professional Presentations inserts.

PROFESSIONAL COMPETENCY: CERTIFICATION, DIVERSITY & CONTINUING EDUCATION

Continuing education and professional certification are the hallmarks of the governmental auditing profession. They provide readers of audit reports the assurance that the auditors performing the work have the necessary skills and knowledge to

Publications & Research

Below are articles and white papers authored by OCA Staff:

- *Values-based Leadership*, Oct 2010 Internal Auditor by R. Snell
- *Licensing and Regulation White Paper*, Presented at IIA International Meeting coauthored by K. Mory
- *Project Risk Assessment: a Recipe for a Happy Auditor*, Fall 2010 Local Government Auditing Quarterly by C. Stokes & N. Raggi
- *Using the Audit Office to Support IT Efforts in Easement Management*, Winter 2009 Local Government Auditing Quarterly by J. Ewell

effectively conduct the audit and provide credible results and recommendations. The continuing professional education courses taken by our staff have focused on maintaining core skills and developing the skills necessary for the audits included in our Horizon Audit Plan. OCA has also identified the core certifications our staff should pursue as part of maintaining a high level of competency.

With the exception of two recent hires, **all OCA auditors and investigators have a professional certification.** Certifications held by our staff include Certified Internal Auditor (CIA) and Certified Government Auditing Professional (CGAP), two internationally recognized certifications attesting to individuals' competency and professionalism in the auditing field. OCA staff are also Certified Public Accountants (CPA), attesting to their ability to perform attestation and assurance audits; Certified Information System Auditors (CISA), attesting to their ability to conduct IT audits; Certified Internal Controls Auditors (CICA), relating to their expertise in the areas of internal controls including audit, review,

design and implementation; and Certified Fraud Examiners (CFE), attesting to their knowledge and expertise as anti-fraud professionals. Staff also hold certifications in related fields such as the CMA (Certified Management Accountant), CLEA (Certified Law Enforcement Auditor), and CCSA (Certification in Control Self-Assessment.)

We have also sought diversity in the backgrounds of our staff. We have auditors with backgrounds in statistics, public policy/affairs, public and private accounting, finance, court management, budgeting, transportation, health and social services, law, information technology, quality assurance, utility ratemaking, investigations, urban affairs, business administration, organizational dynamics, law enforcement, federal and state auditing, and other specialties. We are continuously assessing our future needs and addressing them in our recruiting and development plans.

Professional Presentations

Staff also presented at international, national, and regional conferences and seminars, including:

- International IIA Conference: *Demystifying the IT Audit* and panel discussion on *IT Hot Topics* [K.Mory]
- IIA Inland Empire Seminar as keynote speaker on *Best Practices in Management Control* [K.Mory]
- City of Austin Audit and Assurance Training: *Demystifying the IT Audit* and *COSO Internal Control Framework* [K.Mory]
- ACFE Austin Chapter: *Fraud Detection: A Proactive Approach to Fighting Fraud* [J.Hadavi]
- International Law Enforcement Auditors Association Conference: *Audit Planning and Writing Audit Objectives* [C.Stokes]
- Texas State CPA Governmental Auditors Conference: *Demystifying the IT Audit* [K.Mory]
- IIA Fall 2010 Western Regional Conference: *Best Practices in Management Control* [K.Mory]
- State Agency Internal Audit Forum: *The City Auditor's First Hundred Days* [K.Mory]
- Association of Government Accountants Chapter Luncheon: *The Art of Power Point* [O. Ovcharenko]

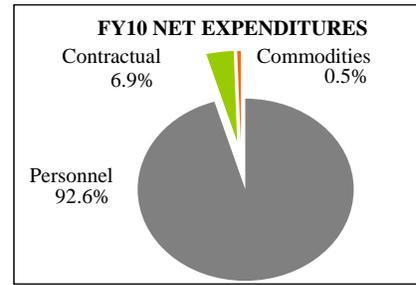
Key Leadership Positions

Organization	Position	Auditors
<i>Institute of Internal Auditors - International</i>	Public Sector Committee	K. Mory
	Regional Conference Advisory Board	R. Elizondo
<i>Institute of Internal Auditors - Austin Chapter</i>	President	R. Elizondo
	Board of Governors	K. Mory G. Rodriguez
	Academic Relations Committee	J. Cruz H. Katumwa G.Rodriguez, Chair
<i>Association of Local Government Auditors</i>	Board of Directors	C. Stokes
	Professional Issues Committee	K. Mory
	Communications Committee	C. Stokes
	Survey Committee	N. Marmell
	Long-term Conference Planning Committee	K. Harrison
<i>Association of Government Accountants- Austin Chapter</i>	CGFM Committee Chair	O. Ovcharenko
<i>Texas State Board of Public Accountancy</i>	CPE Committee	C. Holder

FINANCIAL PERFORMANCE

The current year was a difficult one to manage financially. We had an unusual number of recruitments, a staff reclassification, and unexpected consulting costs. However, vacancies and careful stewardship of expenditures resulted in OCA's expenses being about 10 percent less than budget, as shown in the table.

OCA NET EXPENDITURES		
	\$000	FTEs
FY09	\$1,723	22.35
FY10 Budgeted	\$1,902	25.00
FY10	\$1,718	25.00



Office of the City Auditor 2010



Kenneth Mory
CPA, CIA, CISA, CMA
City Auditor

We assist the City Council and citizens in ensuring that City government is accountable, transparent, and cost-effective.



Corrie Stokes
CIA, CGAP
Deputy City Auditor



Jojo Cruz
CICA
Auditor



Robert Elizondo
CIA, CGAP, CICA
Auditor



Joan Ewell
CISA, CCSA, CICA
Auditor



Jason Hadavi
CPA, CFE
Assistant City Auditor



Clarke Hammond
CICA
Auditor



Kathie Harrison
CGAP, CFE, CICA
Auditor



Charles Holder
CPA
Temporary Auditor



Patrick Johnson
CICA, JD
Auditor



Henry Katumwa
CICA
Auditor



Naomi Marmell
CGAP, CICA
Auditor



Rafael Maryland
Investigator



Kay McAllister
CIA, CGAP
Auditor



Meena Mirpuri
CGAP, CICA
Auditor



Russell Needler
CPA, CIA, CGAP
Assistant City Auditor



Margaret Nicklas
CIA, CGAP
Temporary Auditor



Olga Ovcharenko
CGAP, CICA
Auditor



Niki Raggi
CGAP, CICA
Assistant City Auditor



Gus Rodriguez
CIA, CISA, CGAP
Auditor



Rachel Snell
CIA, CFE, CICA
Assistant City Auditor



Rebecca Takahashi
Auditor



Anthony Thomas
CFE
Investigator



Margot Wilson, CFE,
CGAP, CLEA, CICA
Investigator



Deanne Blackstone



Angie Guerrero

Administrative Staff

Office of the City Auditor Contacts

Kenneth Mory
City Auditor
Tel. (512) 974-2064

Corrie Stokes
Deputy City Auditor
Tel. (512) 974-2468

City Auditor Integrity Unit:

Jason Hadavi
Assistant City Auditor
Tel. (512) 974-2469

301 W 2nd Street, Suite 2130 Austin, TX 78701
Tel: (512) 974-2805 Fax: (512) 974-2078
Fraud, Waste and Abuse Hotline: (512) 974-2798
www.cityofaustin.org/auditor