

City of Austin



**A Report to the
Austin City Council**

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Mayor Pro Tem
Sheryl Cole

Council Members
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Mike Martinez
Kathie Tovo
Laura Morrison
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**Office of the
City Auditor**

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AUDIT REPORT

Five Year Follow-Up Audit

December 2014



REPORT SUMMARY

We found City management consistently tracked the majority of actions taken to address audit findings and recommendations, as required by City Council resolution. However, 4 of 5 confidential recommendations reviewed and 1 of 6 non-confidential recommendations reviewed were not implemented by City management. Factors contributing to a lack of implementation may include: no process to follow up on recommendations contained in confidential audits, misunderstanding of what action constitutes implementation, and no process to validate the self-reported status provided by department management.

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GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT TEAM

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Audit Report Highlights

Why We Did This Audit

The Five Year Follow-Up Audit was conducted as part of the Office of the City Auditor's (OCA) Fiscal Year (FY) 2014 Strategic Audit Plan.

We also conducted this audit, in part, because previous follow-up audits have indicated that recommendations reported as implemented may not be fully implemented, increasing the likelihood that known risks are not addressed.

What We Recommend

We are not making any recommendations in this report. We plan to work with City management to identify improvements to the follow-up process that can be made to better ensure risks identified in audits are adequately mitigated.



For more information on this or any of our reports, email oca_auditor@austintexas.gov

FIVE YEAR FOLLOW-UP AUDIT

Mayor and Council,

I am pleased to present this Five Year Follow-Up Audit.

BACKGROUND

- As part of the audit process, the OCA provides recommendations to City management to address risks identified during audits. We made 183 recommendations in the 87 audit reports issued from FY 2010 through FY 2014.
- According to the City Council-approved *Accounting, Auditing, and Financial Planning* policy, the City Manager is responsible for establishing a process to ensure timely resolution of audit recommendations.
- In 2002, the City Council approved a resolution that directed the City Manager to create action plans for the resolution of audit recommendations, and establish a database to track audit findings and implement audit recommendations. The City Manager delegated that responsibility to the Controller's Office which biannually obtains recommendation implementation status updates from departments.

OBJECTIVE AND SCOPE

The objective of the audit was to summarize implementation trends for recommendations issued by the OCA and to follow up on high-risk recommendations from the past five years of OCA audits.

The audit scope included FY 2010 through FY 2014.

WHAT WE FOUND

We followed up on 11 high-risk audit recommendations, relating to citizen and employee safety, security of critical systems, disaster recovery, and financial resource protection, issued between FY 2010 and FY 2014. We found that 4 of the 5 confidential recommendations issued were not implemented due, in part, to the lack of a process to follow up on recommendations contained in confidential audits.

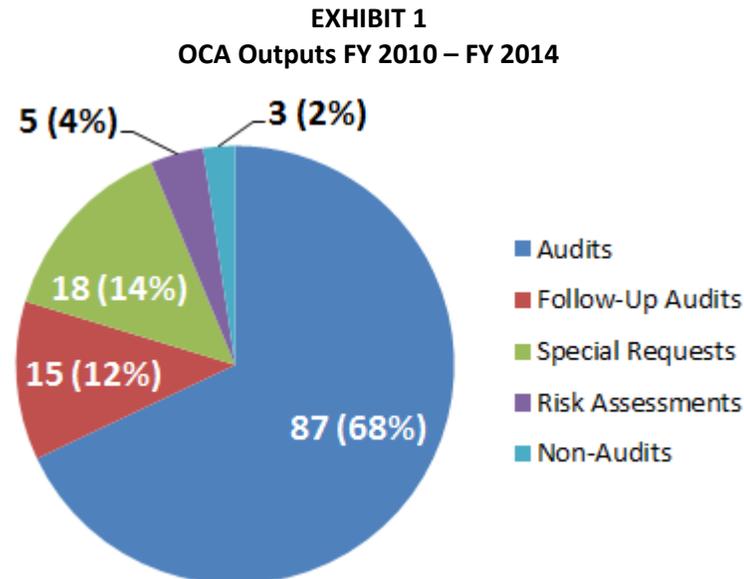
We also found that 1 of the 6 non-confidential recommendations reviewed was not implemented. Factors contributing to this lack of implementation may include a misunderstanding of what action constitutes an "implemented" recommendation and no process to validate the self-reported status provided by department management.

We appreciate the cooperation and assistance we received from staff and management in various departments during this audit.

Corrie E. Stokes, Acting City Auditor

BACKGROUND

The City of Austin Charter states that the Office of the City Auditor (OCA) is responsible for assisting the City Council in establishing accountability and improving service delivery through financial and performance audits following government auditing standards. In an effort to meet this charge, the OCA issued reports on 128 projects conducted from fiscal year (FY) 2010 through FY 2014, as depicted in Exhibit 1 below.



SOURCE: OCA reports issued October 1, 2009 through September 30, 2014

Audit reports issued between FY 2010 and FY 2014 included findings related to a variety of outcome areas with most reports addressing one or more of the following: service effectiveness, effective use of City resources, compliance with laws, safeguarding of City assets, and citizen or employee safety. See Appendix A for more information on audit categorization by outcome area.

As part of the audit process, the OCA provides recommendations to City management to address risks identified during audits. We made 183 recommendations in the 87 audit reports issued from FY 2010 through FY 2014. As shown in Exhibit 2, the three service areas receiving the most audit recommendations were departments related to the City's infrastructure services, administrative and support services, and public safety services. Please see Appendix B for a breakdown of how City departments are categorized into these service areas.

EXHIBIT 2
OCA Audit Recommendations by Service Area FY 2010 – FY 2014

Service Area	Recommendations	Percentage
Infrastructure Services	49	27%
Administrative and Support Services	44	24%
Public Safety Services	31	17%
Community Services	20	11%
City Manager’s Office	18	10%
Development Services	10	5%
Board and Commissions	8	4%
City Council	3	2%
Total	183	100%

SOURCE: OCA audit reports issued October 1, 2009 through September 30, 2014

The OCA offers audited departments the opportunity to provide a written response to the audit findings and recommendations, prior to presenting the audit report for acceptance by the City Council’s Audit and Finance Committee (AFC). The department’s response is incorporated in the final report. As shown in Exhibit 3, management concurred with 97% (177 of 183) of audit recommendations issued during the scope period.

EXHIBIT 3
Management Response to Recommendations FY 2010 – FY 2014

Management Response	Number	Percentage
Concur ¹	177	97%
Disagree	3	1.5%
Recommendation to Council	3	1.5%
Total	183	100%

SOURCE: OCA audit reports issued October 1, 2009 through September 30, 2014

¹ Management stated they “partially concurred” with six recommendations, included in the “concur” category here.

OBJECTIVE, SCOPE, AND METHODOLOGY

The Five Year Follow-Up Audit was conducted as part of the OCA FY 2014 Strategic Audit Plan, as presented to the City Council AFC. With expected changes internally and externally, we included this project as a means of summarizing our work and resulting changes over the past five years. In addition, results of individual project follow-up over the past five years have indicated that recommendations reported as implemented to the Controller may not be fully implemented, increasing the likelihood that known risks are not addressed.

Objective

The objective of the audit was to summarize implementation trends for recommendations issued by the OCA and to follow up on high-risk recommendations from the past five years of OCA audits.

Scope

The audit scope included FY 2010 through FY 2014.

Methodology

To accomplish our audit objectives, we performed the following steps:

- analyzed OCA outputs, findings, and recommendations within the scope period;
- reviewed the Controller's Office database to determine the implementation status reported by management;
- utilizing information contained in audit reports, the Controller's Office database, and audit staff feedback, assessed relevant recommendations from the past five years and selected 11 to evaluate further²;
- interviewed department staff responsible for recommendation implementation; and
- reviewed documents relevant to recommendation implementation.

² These recommendations were originally directed to: Austin Police Department (APD), Austin Transportation Department (ATD), Austin-Travis County Emergency Medical Services (EMS), Austin Water Utility (AWU), Communications and Technology Department (CTM), Homeland Security and Emergency Management (HSEM), and Human Resources Department (HRD).

AUDIT RESULTS

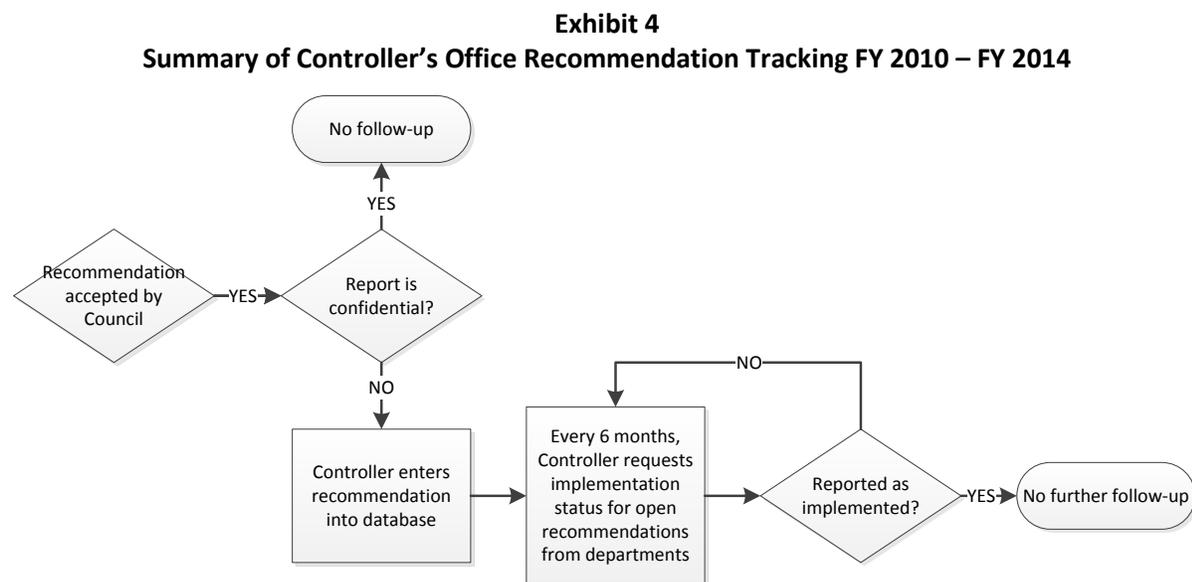
We followed up on 11 high-risk audit recommendations issued between FY 2010 and FY 2014. These recommendations related to citizen and employee safety, security of critical systems, disaster recovery, and financial resource protection. We found that 4 of the 5 confidential recommendations issued were not implemented due, in part, to the lack of a process to follow up on recommendations contained in confidential audits.

We also found that 1 of the 6 non-confidential recommendations reviewed was not implemented. Factors contributing to this lack of implementation may include a misunderstanding of what action constitutes an “implemented” recommendation and no process to validate the self-reported status provided by department management.

While efforts are underway to address risks identified in prior audits, five of eleven high-risk recommendations reviewed were not implemented by City management.

According to the City Council-approved *Accounting, Auditing, and Financial Planning* policy, the City Manager is responsible for establishing a process to ensure timely resolution of audit recommendations. Additionally, in 2002, the City Council approved a resolution that directed the City Manager to create action plans for the resolution of audit recommendations issued by the OCA. The resolution directed the City Manager to establish a database of actions City management is taking to address audit findings and implement audit recommendations.

An action plan for recommendation implementation is now a standard part of City management’s response to OCA audits. In addition, the City Manager has assigned the Controller’s Office with the responsibility of maintaining a database to track management’s actions to address audit recommendations. As shown in Exhibit 4, the Controller’s Office requests the implementation status of audit recommendations from respective City management on a biannual basis and records the reported status in the database.



SOURCE: OCA analysis of Controller’s Office recommendation tracking processes, December 2014

During our scope period, the Controller’s Office did not have access to confidential recommendations. As a result, the Controller’s Office did not have a process to request updates on the implementation status of those recommendations, as noted in Exhibit 4. The OCA recognizes the role it has in sharing recommendations, including confidential recommendations, with the Controller’s Office. Moving forward, the OCA will provide confidential recommendations to the Controller’s Office so that they can track those recommendations in the same manner as others.

Confidential recommendations aside, we found City management consistently tracked actions taken to address audit findings and recommendations, as required by the City Council’s 2002 resolution. However, this process does not always provide assurance that risks identified during the audit process are effectively reduced. In some cases it appears City management does not understand the OCA’s expectation of what constitutes recommendation implementation. This could be due to a misunderstanding of risks identified during the audit process.

Moving forward, we plan to work with City management and departments to ensure there is a clear understanding of risks identified through the audit process, and clarify the expectations of what it means to successfully implement a recommendation. In addition, we plan to propose projects similar to this engagement in future strategic audit plans in order to more routinely monitor trends in implementation and validate the status of recommendation implementation Citywide.

Analysis of Sample of High-Risk Recommendations

As part of this audit, we reviewed all 183 recommendations issued from FY 2010 through FY 2014. Department management reported the majority of these recommendations as implemented, as shown in Exhibit 5.

EXHIBIT 5
Reported Implementation Status of OCA Recommendations as of September 2014

Implementation Status	Number	Percentage
Reported as <i>Implemented</i> by Management	123	67%
Reported as <i>Underway</i> by Management	23	12%
Confidential (<i>No reported status</i>)	17	9%
Recommendations Issued Recently (<i>No reported status</i>)	14	8%
Recommendations to Council (<i>No reported status</i>)	3	2%
Disagreed (<i>No reported status</i>)	3	2%
Total	183	100%

SOURCE: Controller’s Office audit recommendation database, September 2014

Of these 183 recommendations, 20 were not considered for further follow-up in this engagement as they were: not agreed to by management, recommendations issued to City Council, or recommended so recently that enough time has not passed since the audit to allow management to take corrective action. Using data from original audit work papers, implementation status reports, and previous OCA follow-up work, we assessed the remaining 163 recommendations based on various risk factors. Of the highest risk recommendations identified, we selected 11³ for testing.

³ We originally selected for testing an additional recommendation related to Neighborhood Housing and Community Development (NHCD) Department contracts; however due to how recently this report was published and the recommendation grouping in the initial report, auditors decided not to review this recommendation further at this time.

Of the 11 recommendations selected for testing, 5 recommendations were confidential and therefore had no associated implementation status reported by management. We found that 4 of the 5 confidential recommendations (summarized below due to their confidential nature) have not been implemented, as depicted in Exhibit 6.

EXHIBIT 6
OCA Verified Status of Selected Confidential Recommendations⁴

Title Date Issued	Summary of Recommendation	Proposed Date of Implementation in Action Plan	OCA Verified Status
HSEM Citywide Disaster Recovery and Business Continuity Planning March 2011	HSEM should incorporate the City's IT policy into department-wide planning initiatives	April 2012	Not Implemented Underway ⁵
ATD Traffic Signal Security March 2011	ATD should work with CTM to improve controls over IT security	September 2011	Not Implemented Underway
ATD Traffic Signal Security March 2011	ATD should work with CTM to improve physical access controls	March 2012	Implemented
CTECC IT Security Audit July 2011	CTECC should improve IT controls	October 2011	Not Implemented Underway
APD IT Security Audit July 2011	APD should improve IT controls	October 2011	Not Implemented Underway

SOURCE: OCA analysis of department efforts to implement recommendations, September – December 2014

For the other 6 recommendations we reviewed, we found that 1 has not been implemented and is still underway, despite being reported as implemented by management. As shown in Exhibit 7, the other 5 recommendations, directed to ATCEMS and HRD, have been implemented.

⁴ Due to the confidential nature of these recommendations, the complete recommendation is not included in this table.

⁵ During the audit, we learned that the HSEM Director believed he did not have the authority or capability to completely implement the recommendation, and therefore all aspects of the recommendation were not implemented.

EXHIBIT 7
OCA Verified Status of Selected Recommendations FY 2010 – 2014

Title Date Issued	Summary of Recommendation	Proposed Date of Implementation in Action Plan	Management’s Report of Actual Implementation	OCA Verified Status
AWU SCADA August 2010	AWU should document and implement controls over the SCADA system	September 2010	Implemented November 2010	Not Implemented Underway ⁶
EMS Collections Controls October 2012	EMS should implement controls to reduce the risks of losses related to collections	November 2012	Implemented March 2013	Implemented
EMS Collections Controls October 2012	EMS should improve payment remittance process controls and consider a new process for creating clean bills	November 2012	Implemented March 2013	Implemented
EMS Worker Safety February 2013	EMS should implement a comprehensive worker safety program	September 2013	Implemented September 2013	Implemented
HRD Fitness for Duty: Criminal Background Investigations September 2013	HRD should implement a process to address deficiencies in the CBI process	January 2014	Implemented June 2014	Implemented
HRD Fitness for Duty: Drug and Alcohol Testing September 2013	HRD should implement a plan to address deficiencies in the CDL drug and alcohol testing program	January 2014	Implemented June 2014	Implemented

SOURCE: OCA analysis of department efforts to implement recommendations September – December 2013

Since the OCA is not issuing any recommendations in this audit report, there is no corresponding management response and action plan. However, as mentioned previously, the OCA plans to work with City management to identify improvements to the follow-up process that can be made to better ensure risks identified in audits are adequately mitigated. In addition, we plan to include projects similar to this engagement in future strategic audit plans in order to more routinely evaluate the status of recommendation implementation Citywide.

⁶ We found that significant work was completed to implement this recommendation, including the creation of several relevant policies. However, plans to address two risk areas have not been implemented and therefore risks identified in the original audit remain. AWU management reported the utility is aware of these risks and they plan to continue to work on mitigating known risks identified in this audit.

AUDIT CATEGORIZATION BY OUTCOME AREA

Category	Percentage
Service Effectiveness	17%
Legal Compliance	13%
Effective Use of Resources	12%
Safeguarding of Assets	9%
Governance	8%
Citizen Safety	7%
Employee Safety	6%
Revenue Recovery	5%
Sustainability Strategies	4%
Critical Infrastructure Security	4%
Equity	4%
Financial Compliance	4%
Program Eligibility	4%
Safeguarding of Sensitive Information	1%
Affordability	1%
Financial Sustainability	1%
Total	100%

SOURCE: OCA analysis of recommendation category for OCA outputs for five year scope, December 2014

CITY DEPARTMENTS CATEGORIZED BY SERVICE AREA

Administrative & Support Services

- Financial Services
- Communications & Technology Management
- Human Resources
- Fleet Services
- Small & Minority Business Resources
- Office of the City Clerk
- Austin Convention Center
- City Attorney
- Contract Management
- Labor Relations
- Building Services
- Communications & Public Information
- Government Relations
- Telecommunications & Regulatory Affairs

Development Services

- Office of Real Estate Services
- Watershed Protection
- Planning & Development Review Department
- Sustainability
- Aviation
- Economic Development
- Innovation

Infrastructure Services

- Austin Energy
- Austin Water Utility
- Transportation
- Public Works
- Austin Resource Recovery
- Capital Planning

Community Services

- Parks & Recreation
- Health & Human Services
- Animal Services
- Library
- Neighborhood Housing & Community Development

Public Safety

- Austin Police
- Emergency Medical Services
- Code Compliance
- Austin Fire
- Office of the Medical Director
- Municipal Court
- Municipal Court Judge
- Office of the Police Monitor
- Community Court
- Office of Homeland Security & Emergency Management

Boards & Commissions

- Animal Advisory Commission
- Construction Advisory Committee
- Historic Landmark Commission
- Urban Forestry Board
- Zero Waste Advisory Commission

City Manager's Office

City Council

SOURCE: OCA analysis of recommendations issued to Departments categorized by service area, December 2014