



**OFFICE OF THE CITY CONTROLLER  
FISCAL YEAR 2009 AUDIT PLAN  
JULY 1, 2008 THROUGH JUNE 30, 2009**

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

**Annise D. Parker, City Controller**

**Steve Schoonover, City Auditor**



OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

ANNISE D. PARKER

August 11, 2008

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

SUBJECT: Office of the City Controller  
Fiscal Year 2009 Audit Plan

Dear Mayor White and Council Members:

I am pleased to submit to you the Fiscal Year 2009 Audit Plan. Previously, I had requested your input as to possible areas of audit resource concentration. This document will serve as the primary work plan to carry out the audit responsibilities in an efficient manner consistent with the priorities established by my Office. To enhance the Audit Division's effectiveness, the audit approach is balanced by conducting most of the audits using in-house staff and by outsourcing audits requiring certain technical or specialized skills.

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

I hope you find this information useful and informative.

Respectfully submitted,

Annise D. Parker  
City Controller

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

# OFFICE OF THE CITY CONTROLLER

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# OFFICE OF THE CITY CONTROLLER

## Audit Plan

### Fiscal Year 2009

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

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

#### **Background**

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

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

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

## **Risk Assessment**

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

During Fiscal Years 2007 and 2008 the Audit Division added to the foundation of the JWI Business Risk Assessment and conducted its own risk assessment of various departments for audit planning using the following factors:

- Complexity of Operations
- Control Environment
- Council & Public Interest
- Financial Impact/Concerns
- Human Resources Concerns
- Regulatory Impact/Concerns
- Technology Concerns
- Time Since Last Audit
- Mission Criticality

## **Audit Focus Areas**

Annually, the audit plan prioritizes the Audit Division's limited resources of staff and budgeted funds based on the risk assessment. This audit plan prioritizes audit focus on either City-wide processes or Departments with processes or activities having high or moderate residual risk. As such, the City's audit function serves as a risk management resource through the development of improved controls and the testing of existing controls.

## **Audit Programs**

Audit activities will vary as a result of the differences in the nature of operations, organizational structure, and management style as well as by the competence, employee capabilities, and concepts of operational control. To enhance the Audit Division's effectiveness, the audit approach is balanced by conducting most of the audits using in-house staff and by outsourcing audits requiring certain technical or specialized skills not possessed by the current staff.

Upon the City Controller's approval of the audit plan, specific audit programs will be developed for each activity to be audited within the fiscal year ending June 30, 2009. The audit programs will be designed with regard to business services, compliance, requirements, performance considerations, and specialized skills required for each project. All audit programs, workpapers, and reports will be prepared in accordance with American Institute of Certified Public Accountants, Institute of Internal Auditors, and Government Auditing Standards, as appropriate.

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

# 2008 PROJECTS IN PROGRESS

The following audits are in progress and carried over from our 2008 Audit Plan:

- City-Wide – Vehicle Allowance Program Compliance Audits
- Convention and Entertainment Facilities Department / General Services Department – Underground Parking Facilities Performance Audit
- Housing and Community Development Department – Performance Diagnostic Follow Up Review
- Houston Fire Department – Termination Pay Compliance Audit
- Parks and Recreation Department – Accounts Payable Disbursements Under \$75,000
- Parks and Recreation Department – Athletic Fields Grounds Maintenance Program Audit

## PERFORMANCE AUDITS

### Mayor's Office

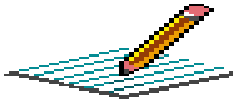
#### Affirmative Action and Contract Compliance Division

#### SCOPE:

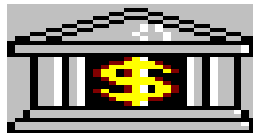
The Audit Division will perform an independent assessment of the Division and will examine the operational practices, resources, technology tools, and internal controls to provide recommendations to improve the processes.

The Audit Team's examination will include contractor compliance with MWBE contract terms and guidelines.

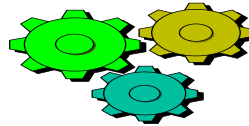
#### ANTICIPATED BENEFITS:



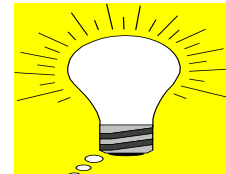
Improved  
Accountability



Cost Savings



Increase  
Efficiency



Operational  
Ideas

# Administration and Regulatory Affairs Department Strategic Purchasing Division

## SCOPE:

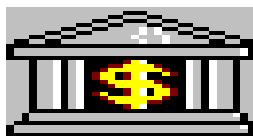
The Audit Division will perform an independent assessment of the activities of the Strategic Purchasing Division.

The Audit Team will review the Division's procurement services including, but not limited to, the bidding and proposal process, requisition and purchase order procedures, and contract preparation, issuance, and subsequent monitoring. The team will also assess efficiencies, the adequacy of internal controls, and will provide recommendations for improving effectiveness if and when appropriate.

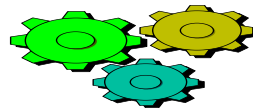
## ANTICIPATED BENEFITS:



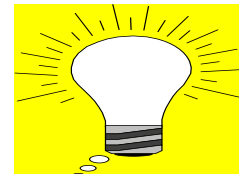
Stronger Controls



Cost Savings



Increase  
Efficiency



Operational  
Ideas

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# Public Works and Engineering Department Planning and Development Services Division Code Enforcement Branch

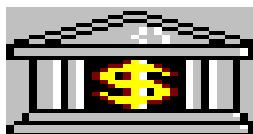
## SCOPE:

The Audit Division will perform an independent assessment of the Code Enforcement Branch activities. The Audit Team will examine organizational practices, resources, technology tools, and internal controls to provide recommendations for improving the coordination and effectiveness of division functions to improve the quality of processes, the overall cost efficiency, and deployment of resources as applicable.

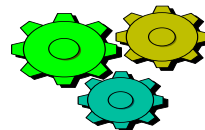
## ANTICIPATED BENEFITS:



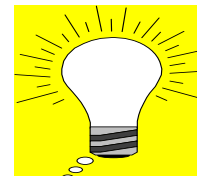
Improved  
Accountability



Cost Savings



Increase  
Efficiency



Operational  
Ideas

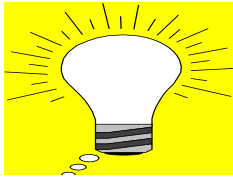
# City-Wide Citizen Services Survey

## SCOPE:

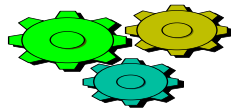
The Audit Division will conduct an independent Citizen Survey of Services provided by City Departments.

The Audit Team will prepare, distribute, collect, analyze, and report citizen responses to a survey of existing services provided by City Departments and desired services not currently provided.

## ANTICIPATED BENEFITS:



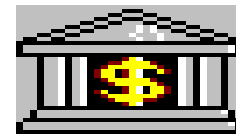
Operational  
Ideas



Increase  
Efficiency



Policy  
Alternatives



Cost Savings

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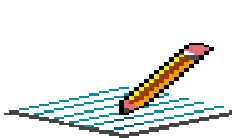
# Housing and Community Development Department Commercial Project Division

## SCOPE:

The Audit Division will perform an audit of the Housing and Community Development Department's (HCDD) Commercial Division, which will include: process flows; detail test of controls; as well as specific file, account, and documentation testing. Audit assertions tested will include: accuracy; completeness; and reliability.

The Audit Team will test the primary information systems which are relevant to HCDD. The Team will also assess efficiencies and the adequacy of internal controls and will provide recommendations for improving effectiveness where appropriate.

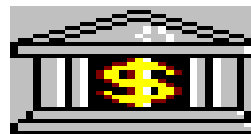
## ANTICIPATED BENEFITS:



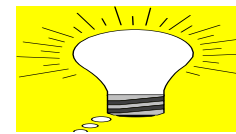
Improved Accountability



Stronger Controls



Cost Savings



Operational Ideas



# City-Wide Fuel Accountability Audit

## SCOPE:

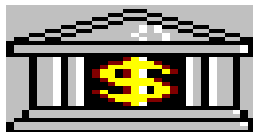
The Audit Division will perform an independent assessment of the controls associated with the receipt, storage, issuance, and security of City fuel used by various City Departments.

The Audit Team will review the Department's controls ranging from fuel purchase to issuance. The Team will also look at the internal controls in place to ensure adequate safeguarding of the fuel and will provide recommendations for improving effectiveness, as necessary.

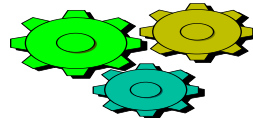
## ANTICIPATED BENEFITS:



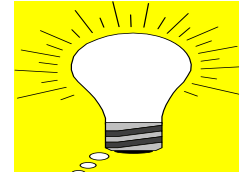
Stronger Controls



Cost Savings



Increase Efficiency



Operational Ideas

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# City-Wide Long-Term Contractor Relationships Phase II

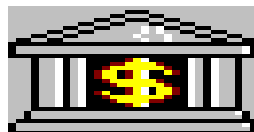
## SCOPE:

The Audit Division will perform an independent assessment of the use of contractor firms engaged by the Departments of Fire, Public Works and Engineering, Solid Waste Management, and the Houston Airport System for extended periods of time. The audit will review the specific uses of these firms and reasons for their continued use rather than that of City employees. The audit will also review the cost-benefit of such usage and the appropriateness of their continued selection.

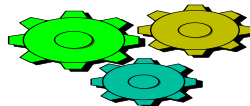
## ANTICIPATED BENEFITS:



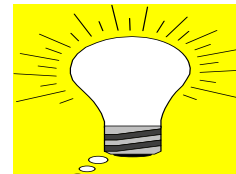
Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

# General Services Department City Identification Badge Controls

**SCOPE:**

The Audit Division will perform an independent assessment of the activities associated with the issuance, monitoring, and retrieval of City Identification Badges.

The Audit Team will review the Department's adequacy of internal controls regarding the issuance and retrieval of City-issued ID Badges. The Audit Team will look at City full-time, part-time, and contract employees, as well as the privileges associated with the issued badges, and will provide recommendations for improving controls, as necessary.

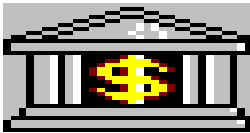
**ANTICIPATED BENEFITS:**



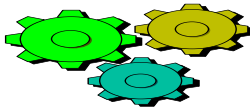
Stronger Controls



Improved Risk Management



Cost Savings



Increase Efficiency

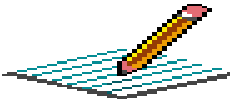
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# Houston Public Library Book Procurement and Distribution

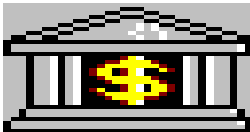
**SCOPE:**

The Audit Division will perform an independent assessment of the book procurement and distribution process, including the rotation and disposition of books. Audit team members will identify existing internal controls and test their reliability. Where appropriate the team will make necessary recommendations to improve the process.

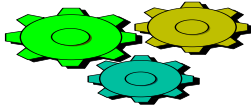
**ANTICIPATED BENEFITS:**



Improved Accountability



Cost Savings



Increase Efficiency

# Information Technology Department

## SAP Security

### SCOPE:

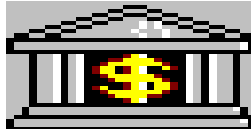
The Audit Division will perform an independent assessment of the security within the SAP system.

The Audit Team may focus on physical security, user access controls, appropriate segregation of duties, data back-up procedures, and disaster recovery.

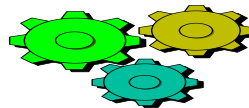
### ANTICIPATED BENEFITS:



**Improved  
Accountability**



**Cost Savings**



**Increase  
Efficiency**



**Stronger Controls**

# COMPLIANCE AUDITS

## City-Wide Purchasing Card Activity

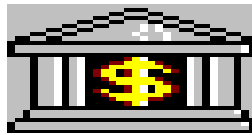
### SCOPE:

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

### ANTICIPATED BENEFITS:



Stronger Controls



Cost Savings



Improved Risk  
Management

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## City-Wide Selected Disbursements

### SCOPE:

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

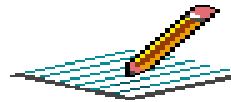
### ANTICIPATED BENEFITS:



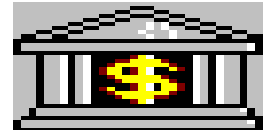
Stronger Controls



Improved Risk  
Management



Improved  
Accountability



Cost Savings

# Parks and Recreation Department Privatized Golf Courses

## SCOPE:

The Audit Division will focus on the concessionaires' compliance with the terms, provisions, and requirements of their respective contracts. The Audit Team will also examine cash handling procedures to assess the adequacy and effectiveness of internal controls. In addition, the Team will evaluate the Department's compliance with Administrative Procedure 2-17.

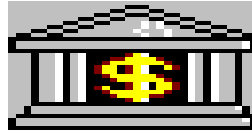
## ANTICIPATED BENEFITS:



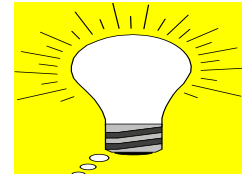
**Stronger Controls**



**Improved Risk  
Management**



**Cost Savings**



**Operational  
Ideas**

# SPECIAL PROJECTS

## SCOPE:

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

- Audit Division's Policy and Procedure Manual Update
- Auditing Services Requested By The Office Of Inspector General
- City Controller's Office External Audit Assistance
- City-Wide Grant Compliance Audits
- Computer Assisted Auditing Tools & Techniques
- Departmental Process Visio Flow Diagrams
- Follow-Up Audits (As Determined)
- Tax Increment Reinvestment Zones (TIRZ) Funds Comparison

## ANTICIPATED BENEFITS:



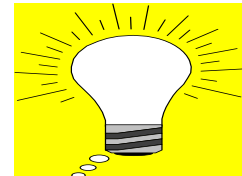
Stronger Controls



Improved Risk Management



Policy Alternatives



Operational Ideas

# UNANNOUNCED AUDITS

## SCOPE:

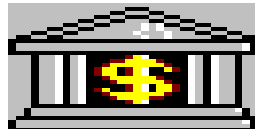
The Audit Division may perform audits on an unannounced basis during the year. These may include:

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

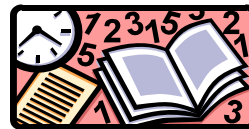
## ANTICIPATED BENEFITS:



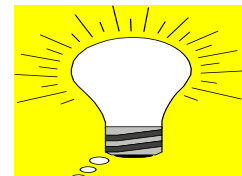
Stronger Controls



Cost Savings



Improve Reporting



Operational Ideas