



**OFFICE OF THE CITY CONTROLLER
FISCAL YEAR 2008 AUDIT PLAN
JULY 1, 2007 THROUGH JUNE 30, 2008**

**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 13, 2007

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

SUBJECT: Office of the City Controller
Fiscal Year 2008 Audit Plan

Dear Mayor White and Council Members:

I am pleased to submit to you the Fiscal Year 2008 Audit Plan. Previously, I had requested your input as to possible areas of audit resource concentration. This document will serve as the primary work plan to carry out the audit responsibilities in an efficient manner consistent with the priorities established by my Office. To enhance the Audit Division's effectiveness, the audit approach is balanced by conducting some of the audits using in-house staff and by outsourcing audits requiring certain technical or specialized skills.

This audit plan includes performance, compliance, financial, 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 2008

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

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

Background

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

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

- Evaluating and 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 departmental and City management in making operational decisions.
- Appraising the economy, efficiency, and effectiveness of the City's organizations, programs, functions and activities.
- Assessing the efficiency of operations and developing recommendations for cost savings.
- Ascertaining 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 management of each department 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 FY 2007 the Audit Division 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 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.

Audit Programs

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

On the City Controller's approval of the audit plan, specific audit programs will be developed for each activity to be audited within the year ending June 30, 2008. Audit programs will be designed in regards to business services, compliance, requirements, performance considerations, and specialized skills required for each project. All audit programs, workpapers and reports will be conducted in accordance with AICPA Professional Standards, Institute of Internal Auditors and Government Auditing Standards, as appropriate.

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

2007 PROJECTS IN PROGRESS

The following audits are in progress and carried over from our 2007 Audit Plan:

- City-Wide Long-Term Contractor Relationships
- Houston Police Department - Taser Acquisition, Distribution & Use
- Public Works & Engineering - Storm Water Management Program
- Public Works & Engineering/Parks & Recreation Department - Roadway Landscaping and Beautification
- Audit Universe Development for Future Audit Planning

PERFORMANCE AUDITS

Convention and Entertainment Facilities Department Underground Parking Facilities

SCOPE:

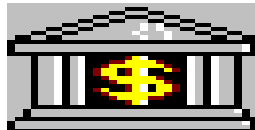
The Audit Division will perform an independent assessment of the administration of underground parking facilities by the Convention & Entertainment Facilities Department.

The Audit Team will review the Program's operational practices (e.g. security, safety, parking rules, maintenance), resources (e.g. qualifications, training), technology tools, management controls, and processes as they relate to the administration of underground parking facilities. The team will also determine the extent of contract compliance and customer satisfaction. The team will review for efficiencies and provide recommendations for improving the coordination, effectiveness and overall cost efficiency of underground parking facilities.

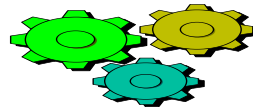
ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

Finance and Administration Department Strategic Purchasing Division

SCOPE:

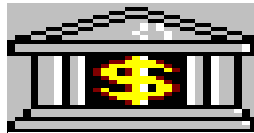
The Audit Division will perform an independent assessment of the activities of the Strategic Purchasing Division.

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 and the adequacy of internal controls and will provide recommendations for improving effectiveness.

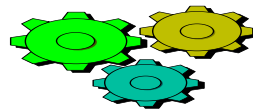
ANTICIPATED BENEFITS:



Stronger Controls



Cost Savings



Increase Efficiency



Operational Ideas

General Services Department Energy Management

SCOPE:

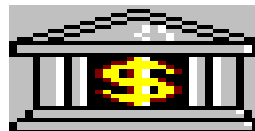
The Audit Division will perform an independent assessment of the Energy Management function of the BSD.

The Audit Team will review the Program's organizational structure and examine its operational practices, resources, and processes as they relate to the procurement of electricity and natural gas. The team will determine the adequacy of internal controls in place to ensure billings from service providers are accurate. If warranted, the Audit Team may engage the use of an outside subject matter expert for possible cost recoveries. We may also examine the acquisition and distribution of liquid fuels. The team will review for efficiencies and provide recommendations for improving the coordination, effectiveness and overall cost efficiency of Energy Management functions.

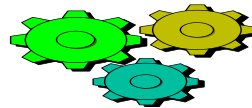
ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

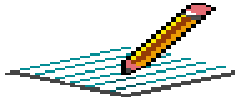
Houston Public Library

Book Procurement and Distribution

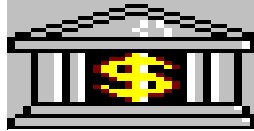
SCOPE:

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 focus on identify existing internal controls and test their reliability. Where appropriate the team will make necessary recommendations to improve the process where appropriate.

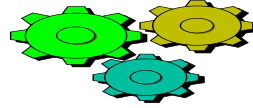
ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency

Information Technology Department

SAP Security

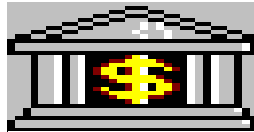
SCOPE:

The Audit Division will perform an independent assessment of the security over 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.

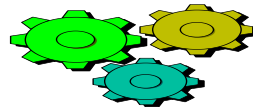
ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency

Mayor's Office

Affirmative Action and Contract Compliance Division

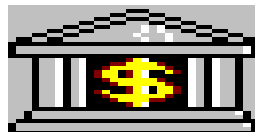
SCOPE:

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 for improving the quality of the processes.

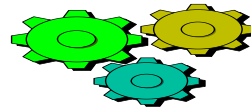
ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

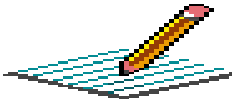
Parks and Recreation Department Greenspace Management Division

SCOPE:

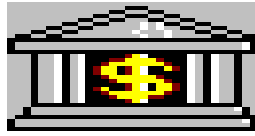
The Audit Division will perform an independent assessment of the Greenspace Management Division grounds maintenance activities.

The Audit Team will review the Division's organizational structure and examine its operational practices, resources, technology tools, management controls, and related processes as they relate to the maintenance of park grounds. The team will review for efficiencies and adequacy of internal controls and will provide recommendations for improving the coordination and effectiveness of grounds maintenance.

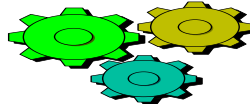
ANTICIPATED BENEFITS:



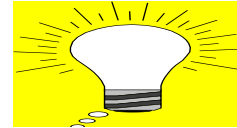
Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

Planning and Development Department Various Sections

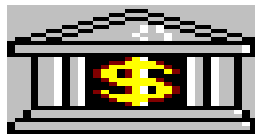
SCOPE:

The Audit Division will perform an independent assessment of various Section activities. The Audit Team will examine selected organizational practices, resources, technology tools, and internal controls to provide recommendations for improving the coordination and effectiveness of Section functions to improve the quality of processes and the overall cost efficiency of Department functions.

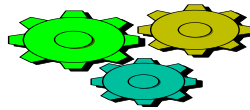
ANTICIPATED BENEFITS:



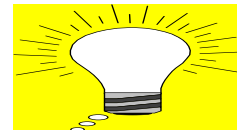
Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

Public Works and Engineering Department Planning and Development Services Division Code Enforcement Section

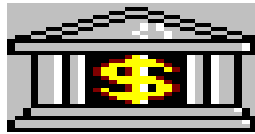
SCOPE:

The Audit Division will perform an independent assessment of the Code Enforcement Section 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 and the overall cost efficiency and deployment of resources.

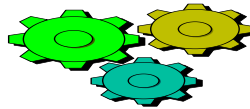
ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

Public Works and Engineering Department Planning and Development Services Division Code Enforcement Section Off-Premise Signs Inventory

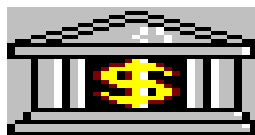
SCOPE:

The Audit Division will perform an independent assessment of the activities related to off-premise sign inventory. The team will assess the completeness and accuracy of the inventory management system; evaluate the processes and internal controls related to identifying, tracking, and maintaining the sign inventory; assess the technology tools utilized in maintaining the inventory system; perform test counts of inventory; and determine whether inventory management reports address user needs. The team will review for efficiencies and provide recommendations for improving the coordination, effectiveness and overall cost efficiency of sign inventory management.

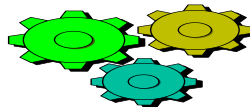
ANTICIPATED BENEFITS:



Improved Accountability



Cost Savings



Increase Efficiency



Operational Ideas

COMPLIANCE AUDITS

Aviation Department Hotel Concessionaire

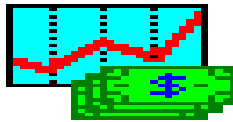
SCOPE:

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

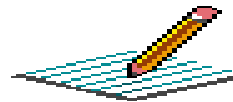
ANTICIPATED BENEFITS:



Stronger Controls



Added Revenue



Improved Accountability

City-Wide Purchasing Card Activity

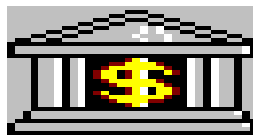
SCOPE:

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

ANTICIPATED BENEFITS:



Stronger Controls



Cost Savings



Improved Risk Management

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

City-Wide Vehicle Allowances

SCOPE:

The Audit Division will determine if vehicle allowances are supported, computed, approved, and reported properly in compliance with Executive Order 1-41 and Administrative Procedure 2-2. All departments with employees receiving vehicle allowances are subject audit.

ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk
Management

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.

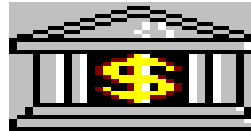
ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk
Management



Cost Savings

FINANCIAL AUDIT

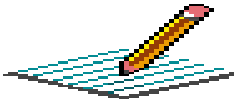
City-Wide SAP Construction/Bond Status Report

SCOPE:

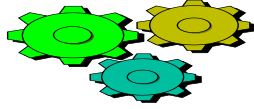
The Audit Division will determine whether data maintained in the SAP Construction/Bond Funds Status Report (Report) is sufficiently reliable to support continuing certification of funds by the Controller's Office.

The Audit Team will, on a sample basis, review the original documents supporting the data reflected in the Report to determine whether the data is accurate, complete, and adequately supported. The audit team will make recommendations for the resolution of any findings noted and the development and implementation of necessary internal controls to identify and prevent future inaccuracies, if any.

ANTICIPATED BENEFITS:



Improved Accountability



Increase Efficiency



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 will be initiated as a result of information received from taxpayers, vendors, and City employees. Projects planned include:

- Auditing Services Requested By The Office Of Inspector General
- City Controller's Office External Audit Assistance
- Computer Assisted Auditing Tools & Techniques
- Tax Increment Reinvestment Zones (TIRZ) Funds Comparison

ANTICIPATED BENEFITS:



Stronger Controls



Improved Risk
Management



Policy Alternatives

UNANNOUNCED AUDITS

SCOPE:

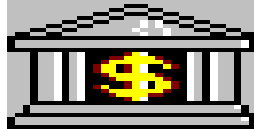
The Audit Division may perform audits on an unannounced basis during the year. These may include:

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

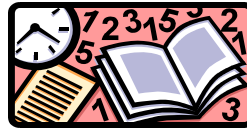
ANTICIPATED BENEFITS:



Stronger Controls



Cost Savings



Improve Reporting

FOLLOW-UP AUDITS

SCOPE:

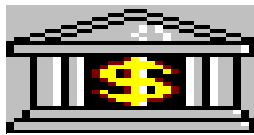
During various audits performed in prior fiscal years, recommendations were identified that should result in improvement to the internal controls, procedures and processes in the various areas. The Audit Team will determine what actions have been taken in response to recommendations presented in the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

- Fire Department Life Safety Bureau – Performance Audit
- Houston Police Department Property Room
- Mayor's Office 3-1-1 Houston Service Helpline – Performance Audit
- Solid Waste Management Department – Performance Review of Contracted Collection and Disposal Functions
- Municipal Courts Administration Department – Integrated Case Management System Application Review

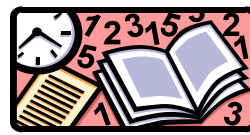
ANTICIPATED BENEFITS:



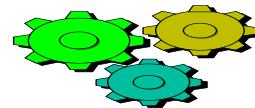
Stronger Controls



Cost Savings



Improve Reporting



Increase Efficiency