



Office of the City Controller

ENTERPRISE RISK ASSESSMENT

FY 2022 Update



Chris Brown
City Controller

Report # 2022-06

Courtney Smith
City Auditor



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

CHRIS B. BROWN

June 30, 2022

The Honorable Sylvester Turner, Mayor
City of Houston, Texas

**SUBJECT: Report #2022-06
City of Houston – 2022 Enterprise Risk Assessment**

Mayor Turner:

I am pleased to submit to you the Enterprise Risk Assessment (ERA) performed by the Controller's Office, Audit Division, during Fiscal Year (FY) 2022. This is a process that supports our efforts in developing the FY 2023 Annual Audit Plan and deploying the necessary resources for execution.

The risk assessment process is performed annually by updating departments on a rotational basis each fiscal year. This approach provides full coverage of all City departments over a four- to six-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 allows us to advance the quality of the assessment each cycle.

In selecting the departments to update, we identified and considered several factors, including significant changes since the previous risk assessment and the length of time since the department was assessed. Based on this, the four departments selected and updated for the FY2022 ERA were:

- Department of Neighborhoods (DON)
- Finance Department (FIN)
- Houston Police Department (HPD)
- Houston Public Library (HPL)

The ERA Report contains a general report section that provides information on the risk assessment process and methodology, as well as a section detailing the updated Risk Profiles organized by key business processes within each department under review. There are two primary perspectives that are graphically presented 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, redundancies, synergies, and leveraging of resources. This perspective includes looking at activities the City performs without consideration of its organizational structure; and



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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.

We appreciate the cooperation and professionalism extended to the Audit Division during the project by personnel from DON, FIN, HPD and HPL.

Respectfully submitted,

Chris B. Brown
City Controller

xc: City Council Members
Department Directors
Marvalette Hunter, Chief of Staff, Mayor's Office
Shannan Nobles, Chief Deputy City Controller
Courtney Smith, City Auditor, Office of the City Controller

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Introduction

The Audit Division, within the Office of the City Controller, adheres to professional standards, issued by the Government Accountability Office (known as the *Yellow Book*) and the International Standards for the Professional Practice of Internal Auditing (known as the *Red Book*) issued by the Institute of Internal Auditors (IIA). Both sets of standards require a risk-based approach to identify the scope and objectives of audit planning and to properly design audit procedures. The *Red Book* specifically requires that an Enterprise Risk Assessment (ERA) process be performed annually as a primary driver to support the Annual Audit Plan, while the *Yellow Book* requires that risk be considered at the engagement/process level.

In adherence to these standards, the Audit Division applies risk-based methodology for the City of Houston (City) in the following manner:

- Annual ERA on all major processes within three to seven departments to provide a basis for input to the 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 six-year period. The 2022 ERA process includes other considerations in addition to length of time since the previous assessment. The process begins with preliminary planning, a review of prior risk assessment reports, consideration of audit reports issued since the departments under review were last updated, and the three components listed on page 2, as impacted during the fiscal year. A definition of terms contained in this report are listed in the Glossary of Terms on page 48.

Departments selected for the ERA updates in FY2022 are shown in Table 1.

TABLE 1

FY 2022 ERA Update Selections	
Department Name	Last Assessed
Department of Neighborhoods	FY2017
Finance	FY2016
Houston Police	FY2016
Houston Public Library	FY2017

Departmental assessment updates are selected based on available resources, time constraints, and cost-benefit considerations. The departmental portion of the ERA performed during FY2022 utilized four professional staff from the Audit Division, who performed reviews of the selected department's responses from prepared questionnaires, applicable follow-up questions, and interviews with key operational and management personnel.

Annual ERA Process Components

There are three (3) basic components of the annual ERA process:

Notable Changes

- Significant Events and Operational Changes
- Structural Changes to the Risk Universe

Consideration of Significant Information Systems and Cybersecurity

Department Risk Profile Updates

Notable Changes Since the FY2021 ERA

To apply the risk-based methodology noted in the introduction, 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, either 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 when preparing the Annual Audit Plan.

Significant Events and Operational Changes

- On July 7, 2021, it was announced that the Mayor's Office of Cultural Affairs will award \$5.6 million in grants to 132 arts and culture nonprofit organizations across the City for critical support of arts, cultural institutions, and individual artists.
- On August 10, 2021, the City launched a website allowing the public to track the use of American Rescue Plan Act (ARPA) funding.
- On August 11, 2021, the City announced that it is still ranked number one on the U.S. Environmental Protection Agency's (EPA's) National Top 30 Local Government List of Largest "Green Energy Users".
- On November 23, 2021, the City hosted the first US World Table Tennis Championship, marking the 50th anniversary of the first meeting between Chinese and American teams.

- On February 2, 2022, the Mayor released a comprehensive plan to combat violent crime.
- On February 7, 2022, in partnership with IKE Smart City, the City unveiled the first in a series of digital interactive, wayfinding kiosks called IKE (Interactive Kiosk Experience). Each kiosk serves as free WiFi hotspots for up to 75 feet.
- On February 9, 2022, the Mayor and Harris County Precinct 2 Commissioner announced the creation of the Houston-Harris County Special Events Task Force to review and make recommendations to improve communication, protocols, and permitting requirements of future events following the fatalities at the 2021 Astroworld Festival.
- On February 23, 2022, the Mayor and City Council announced the approval to purchase 97 electric vehicles, to replace an aging City fleet.
- On February 24, 2022, Wells Fargo donated \$20 million to strengthen small businesses in Houston.
- On March 3, 2022, the Mayor welcomed a diverse group of 61 new police officers, who graduated from the latest cadet class.
- On March 10, 2022, the Houston Chronicle reported that City Council voted unanimously to pay \$16 million to end a lawsuit with the City and Houston First Corporation (the City's convention agency) for pensions.
- On March 23, 2022, the Mayor and City Council unanimously approved a three-year contract with the Houston Police Officers Union, which will give a raise of 10.5 percent over three years and provide \$6.7 million in special pay and funding for new crime reduction technology. The combined cost of the contract is \$125.4 million over three years.
- On April 13, 2022, the Mayor and City Council approved the use of American Rescue Act Plan (ARPA) funding for three mental health initiatives, as part of the Mayor's "One Safe Houston" Plan to combat violent crime.

- On May 4, 2022, the Mayor and City Council unanimously passed an ordinance to address the increase in thefts and resale of stolen catalytic converters.
- On May 13, 2022, the Mayor and Police Chief attended a meeting at the White House to discuss how Houston and other cities are using American Rescue Plan (ARPA) funding to enhance public safety.
- On June 1, 2022, the Mayor and City Council passed the FY 2023 budget totaling \$5.7 billion, which includes employee pay raises and operating expenses for new facilities.
- On June 16, 2022, the International Federation of Association Football (FIFA), announced that Houston was named as a host site for the 2026 World Cup.

COVID-19 RELATED EVENTS

- On August 7, 2021, a partnership between the Mayor's Office of Education, the Houston Health Department, Harris County Public Health, and several Houston area school districts launched "Super Saturday Vaccination Days" to vaccinate teachers, support staff, parents, and children ages 12 and above before school started.
- On August 20, 2021, the Mayor announced that City Council will vote to increase the Houston Health Department's COVID-19 vaccination incentive to \$150 (\$100 gift card for the first dose and \$50 gift card with the second dose).
- On September 8, 2021, the Mayor announced the new City policy regarding requiring unvaccinated employees to get bimonthly COVID-19 testing to help keep the workplace safe.
- On February 24, 2022, the City suspended the indoor mask policy for employees and visitors in municipal buildings.
- On March 31, 2022, it was reported that through a joint partnership with the City and Harris County, independent data released by the Coalition for the Homeless showed a 21% decrease in homelessness from January 2020 to January 2022. This decrease was shown as a direct result of the Community COVID-19 Homeless Housing Program launched in October 2020.

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 number of Local Government Corporations (LGC) being created by the City, as well as other forms of component units.

Auditable Entities

Changes that occurred in the City's risk universe since the FY2021 ERA Update included the Mayor's appointment of new Directors of the Houston Emergency Center, Parks and Recreation, Solid Waste Management, and Housing and Community Development, as well as a new Chief Resilience and Sustainability Officer and a Director of Boards and Commissions.

Component Units

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 Annual Comprehensive Financial Report (ACFR). Blended component units (although legally separate entities) are part of the City's operations and provide services exclusively or almost exclusively for the City. In addition, both discretely presented component units - governmental and business-type are presented in the ACFR.

In determining whether a legally separate entity is a component unit of a primary government, there are three specific tests that include:

- Fiscal dependence on the primary government;
- Appointment of the unit's governing board; and
- The potential that exclusion would result in misleading financial reporting.

A component unit is considered major, thus presented discretely, if assets, liabilities, revenues or expenses exceed 10 percent of that component unit's class and exceed 5 percent of all component units combined.

There were no component units created in FY2022.

Policy and Procedure Changes

Article VI of the City Charter gives the Mayor power and the duty to exercise administrative control over all departments of the City, which include the authority to sign into effect Administrative Policies and Procedures (APs), Executive Orders (EOs), and Mayor's Policies (MPs). The Code of Ordinances states that the Administration and 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.

Policy audits are considered when developing the Annual Audit Plan.

One new EO was established and implemented in FY2022:

1-71, "COVID-19 Mitigation Safety Measures", which enhances the health and safety of the workplace from COVID-19 by requiring routine testing of all City employees.

The Mayor also approved four new APs; 2-22, "Conflict of Interest" in December 2021; 2-23, "Citywide Service Request Response Standards" in May 2022 to address timely responses to residents' 311 calls; 3-16, "Prenatal, Parental and Infant Wellness Leaves" in April 2022 for use by full-time employees following the birth, adoption, or foster care of an infant's first year of life; and 4-11, "Payment and Procurement Internal Controls" in August 2021.

Consideration of Significant Information Systems and Cybersecurity

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 departmental use. Projects and initiatives in various stages of development are:

- SAP Enhancement Pack 8 Upgrade
- Project Budget Justification Form Replacement
- Network Infrastructure Refresh
- Border Firewall Refresh
- Voice Gateway Upgrade
- HPD Data Center Migration
- Data Center Refresh
- Backup Master Site Relocation at BIAH
- Microwave Radio Backhaul Update
- Tower Site Security Upgrades (13 completed)

The Houston Information Technology Services department (HITS) Cyber Division has implemented the following cybersecurity activities:

- Monitoring: The COH Cyber Division implemented new endpoint detection and response (EDR) capability providing protection, detection and response enhancements;
- Cybersecurity Training: Training was administered to 15,472 employees, resulting in a 77% completion rate;
- Expanded multi-factor authentication (MFA) capability; and
- Enhanced cyber threat intelligence capability.

Department Risk Profile Update Process

Departmental Risk Profile updates are performed using three basic process components: Data Gathering, Analysis, and Output. Details on each component of the update process are represented in Table 2.

TABLE 2

DATA GATHERING	ANALYSIS	OUTPUT
<ul style="list-style-type: none"> • <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> • <i>Financial Data</i> • <i>City and Department Websites</i> • <i>Interviews</i> 	<ul style="list-style-type: none"> • <i>Analyze Questionnaire responses and follow-up with questions/interviews/discussions</i> • <i>Identify Key Business Processes and related changes</i> • <i>Identify Potential Risks</i> • <i>Identify Risk Management Techniques as stated by Management</i> • <i>Map identified risks to stated Risk Management Techniques</i> • <i>Evaluate process significance to the Department and overall City operations</i> • <i>Perform Department-level risk assessments and validate with management</i> 	<ul style="list-style-type: none"> • <i>Updated City-wide business risk profile</i> • <i>Audit Division Planning tool</i>

The ERA considered primarily inherent risks, with limited identification of control risks, as reported by management. The Audit Division did not test specific management controls and, therefore, do not render an opinion on the effectiveness of design, the efficiency in implementation, or the control's existence. The ratings do not imply a judgment on how management is addressing risk and thus is not a specific assessment of management performance and does not conclude on residual risk. The projects performed (audits, reviews, monitoring, and other ongoing procedures) will allow us to test comprehensively where necessary. Additionally, as we continue the annual ERA, we will bring the assessment to a deeper level, effectively adjust our course, and refocus our efforts as needed.

Key Business Processes

The initial City-wide analysis identified 145 total key business processes, however, further detailed analysis revealed 19 common processes throughout most departments, as such, they were grouped together for more efficient analysis.

Common key business processes are identified in Table 3.

TABLE 3

Common Key Business Processes (KBPs)	
<ul style="list-style-type: none">• Administration• Communications• Compliance• Customer Services• Disaster Recovery• Facilities Management• Financial Management• Fleet Management• Grant Management• Human Resources	<ul style="list-style-type: none">• Inventory/Materials Management• Information Technology• Payroll• Procurement• Project Construction Management• Public Safety• Records Management• Revenue Generation (and Collections)• Specific Operational*

NOTE: *Specific Operational is made up of processes that are unique to the operations of the various Departments (e.g. “Code Enforcement” for the Department of Neighborhoods (DON), “Call-Taking” for Houston Emergency Center (HEC), “Certification” of Minority, Women, and Disadvantaged Business Enterprise (MWD BE) 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’.


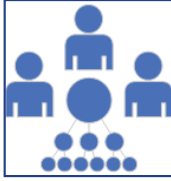









ERA Risk Criteria

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.

The ratings were determined by applying each key business process within each department to the weighted criteria identified below. A “High” rating indicates that an occurrence of the risk(s) may trigger conditions and events which could prevent the City from achieving its objective within that process or could have a significant impact. The impact is measured by 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 of the risk would be minimal.

The Audit Division used the risk criteria shown in Table 4 to risk rate each department’s key business processes to determine their operational risk exposure.

**Table 4
ERA Risk Criteria**

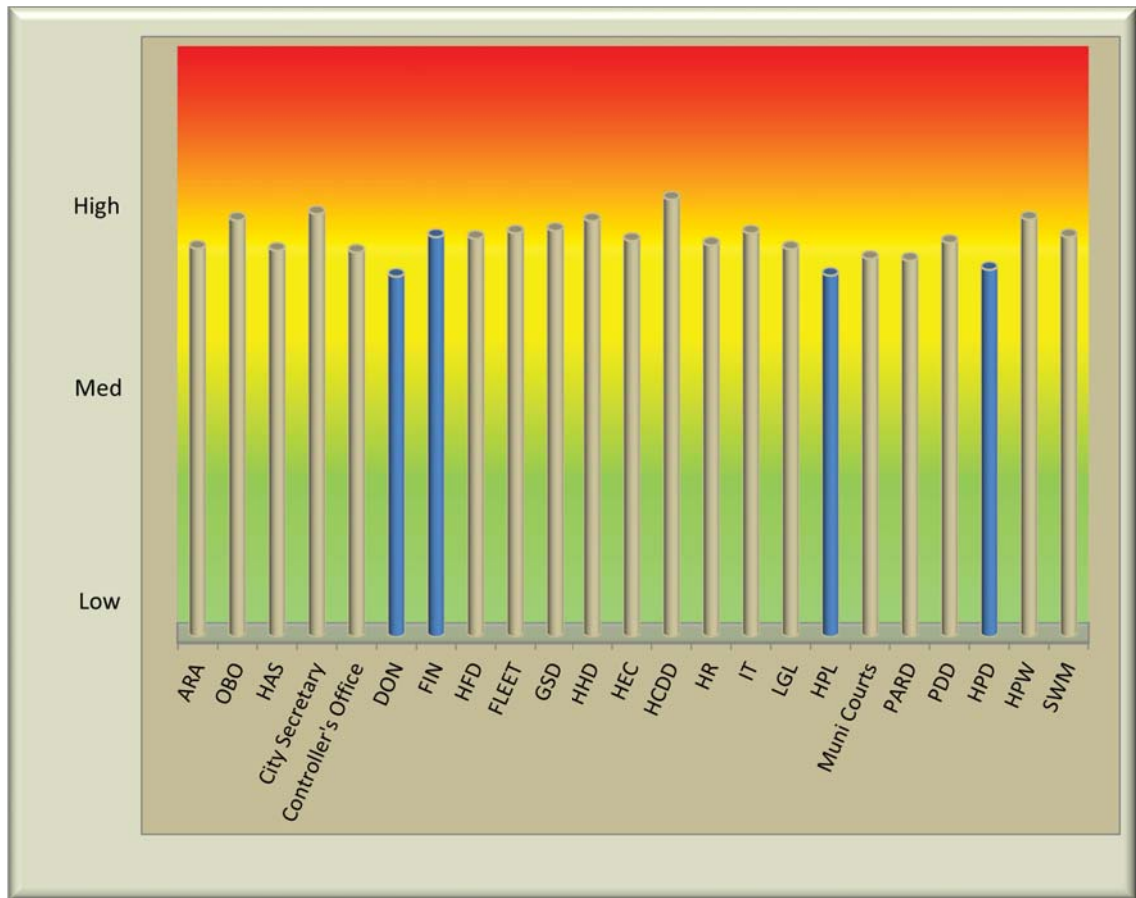
	Complexity of Operations		Council & Public Interest		Financial Impact
	Human Resources		Regulatory/ Compliance		Technology
	Time Since Last Audit		Mission Criticality		Internal Controls
	Legal Claims		Public & Employee Safety		

Output

The primary output of the ERA is to use the risk profiles generated as one of the catalysts in designing the Controller’s Office Annual Audit Plan. As the risk profile of the City changes, it is reflected in the selection of some of the audits included in the Plan for FY2023. Audit plans are reflective of the City’s current risk profile.

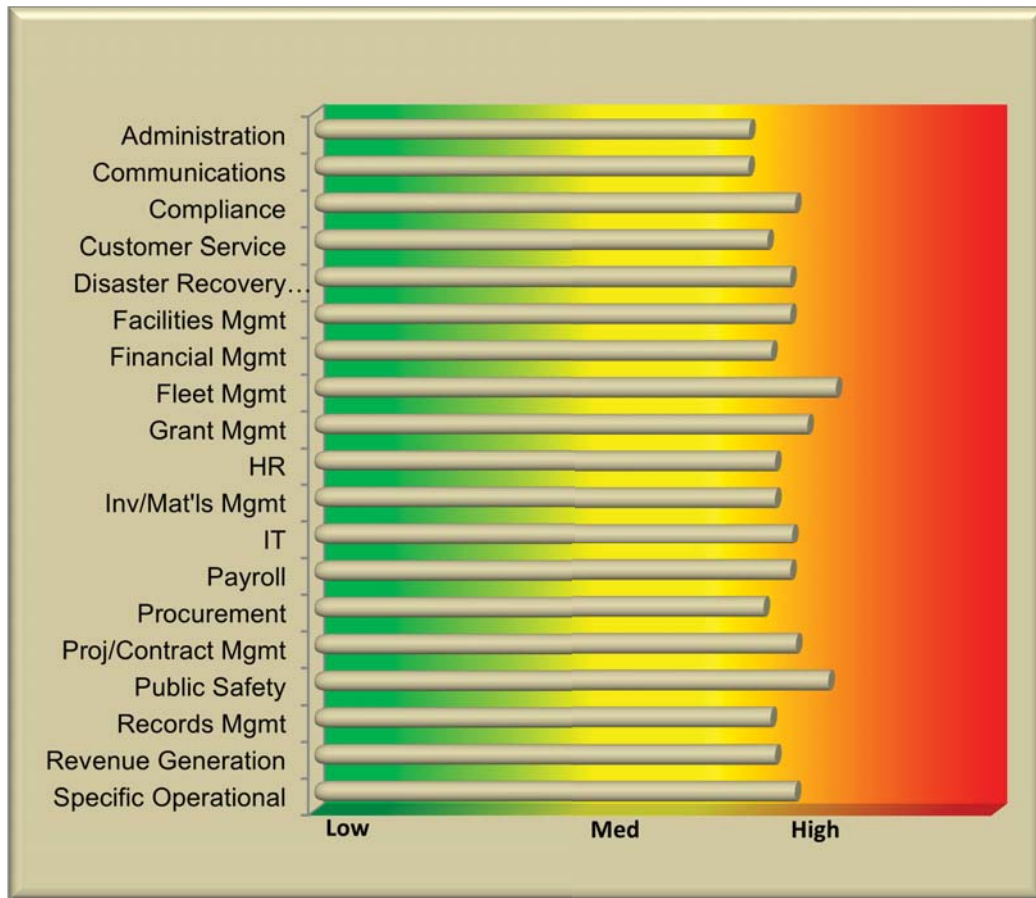
The following graphs summarize the results of the Audit Division’s updated assessment of risk from two different perspectives: Graph 1 presents risks from the department perspective and Graph 2 shows the risk level from a key business process (KBP) perspective. Note: the blue vertical bars represent the departments updated for the FY 2022 ERA.

Graph 1 - Operational Risk Profile By Department



Graph 2 outlines potential efficiencies, redundancies, synergies, and leverage of resources when looking at activities the City performs without consideration of its organizational structure. The risk assessment revealed that the areas of Fleet Management, Grant Management, and Public Safety fall within the high-risk category.

Graph 2 - Operational Risk Profile By Key Business Process



The evaluation of all these factors provides indicators in prioritizing the potential projects for the upcoming year. In other words, this points us in the direction of “what” to audit. The Audit Division identifies the available resources to determine the volume of activity to include in the Annual Audit Plan.

Acknowledgement

The Project Team would like to express our appreciation to the participating departments and their representatives, who gave their time and effort. 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.

UPDATED DEPARTMENT RISK
PROFILES

Mission and Objectives

The Department of Neighborhoods (DON) is an entity dedicated to improving quality of life in our neighborhoods through expanded outreach, stronger community partnerships and improved government responsiveness.

This constituent-based service concept creates a “one-stop-shop” for accessing City services and resolving neighborhood issues.

Notable Changes Since the Previous Risk Assessment

The previous risk assessment took place in 2017. Since that time, the most significant changes that occurred included the following:

- The addition of two new Assistant Directors;
- The Department is now divided into two main sections: Residential Code Enforcement and Community and Public Services, which includes Mayor’s Assistance Office, Mayor’s Office of Gang Prevention and Intervention, Office of New Americans and Immigrant Communities, and Community Outreach and Programming divisions;
- The Community Outreach and Programming Division was added to the Department; and
- People with Disabilities was moved to the Mayor’s Office in 2017.

Significant Activities

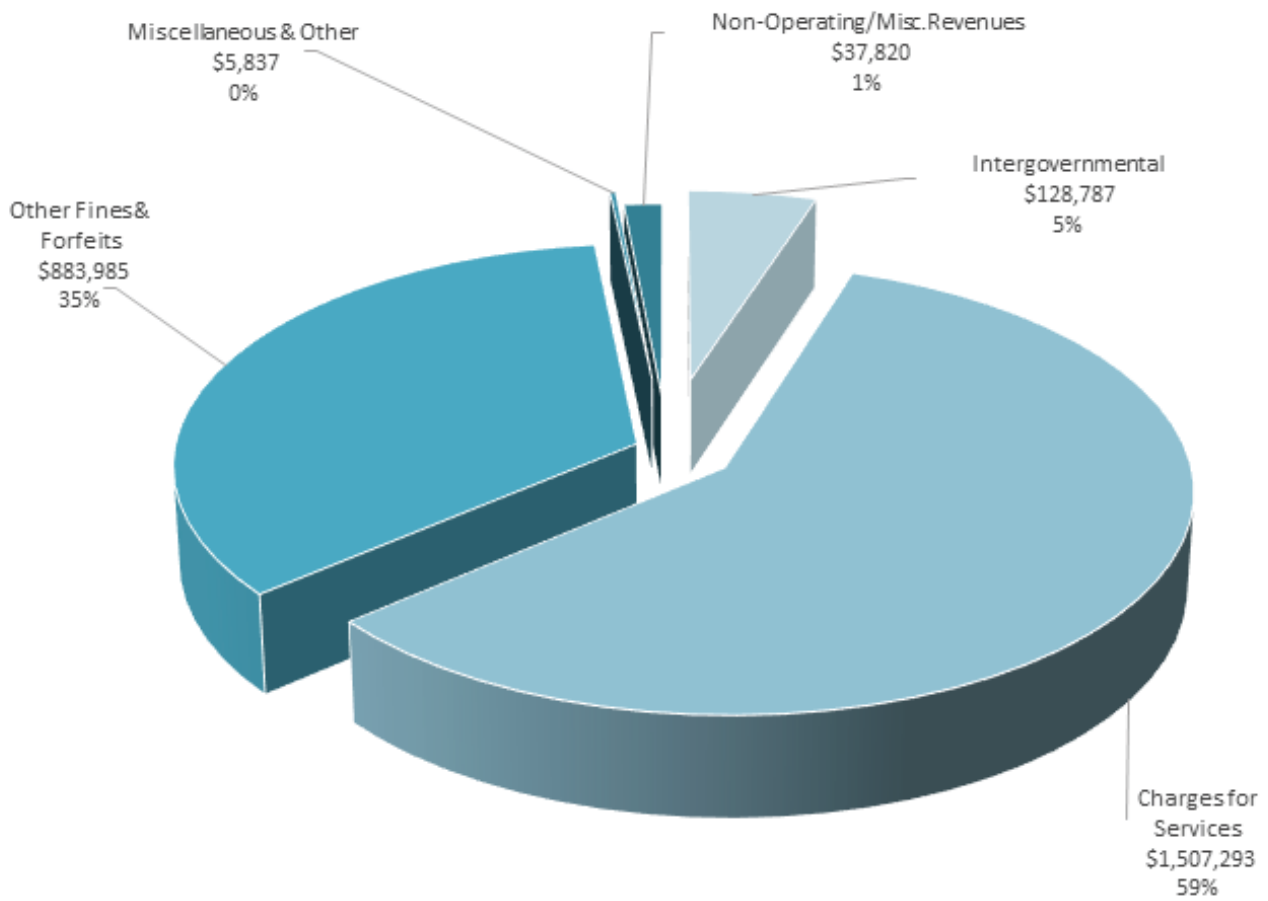
Department of Neighborhoods (DON) was originally established by Ordinance No. 2011-697, on August 10, 2011. The Department's responsibilities include: 1) assisting citizens with access to City services; 2) serve as a liaison between Houstonians and City Departments; 3) assisting families, young adults, and communities in reducing the frequency and the effects of juvenile delinquency in general and gang participation in particular; 4) reducing substandard living conditions in the City through enforcement of various statutes and City of Houston Code of Ordinances; 5) facilitate successful civic, economic and cultural integration of Houston's diverse community of immigrants, ex-patriates and refugees; and 6) promote volunteer opportunities for residents and provide needed programming for communities. Specific activities of the department included from 2017 to present include the following:

- Provided abatement services for 450 dangerous buildings and weeded 7,610 lots;
- Conducted 30,926 investigations of 12,430 dangerous buildings;
- Processed 7,864 liens and applications for extensions of 1,314 dangerous building orders;
- Maintained records of inspection documents and 128 hearings;
- Maintained records for processed Texas Public Information Act-877 (TPIA) requests;
- Provided 173 outreach programs/events for immigrant and refugee communities, and promoted cultural diversity;
- Coordinated 203 volunteer initiatives for projects with City Departments and community partners;
- Coordinated and attended 1,542 community meetings (super neighborhood, civic club, etc.);
- Mayor's Assistance Office Division addressed and resolved 9,697 citizen concerns;
- Inspections and Public Services addressed and resolved 201,085 citizen concerns received via 311 calls;
- Bandit sign enforcement resulted in 1,055 citations issued, \$86,450 collected via Harris County Civil Courts only; and
- Provided case management including 31,257 intervention services for active gang members, gang related ex-offenders and high-risk youth. Services included, case management, summer program, gang incident response, group education sessions and gang awareness presentations.

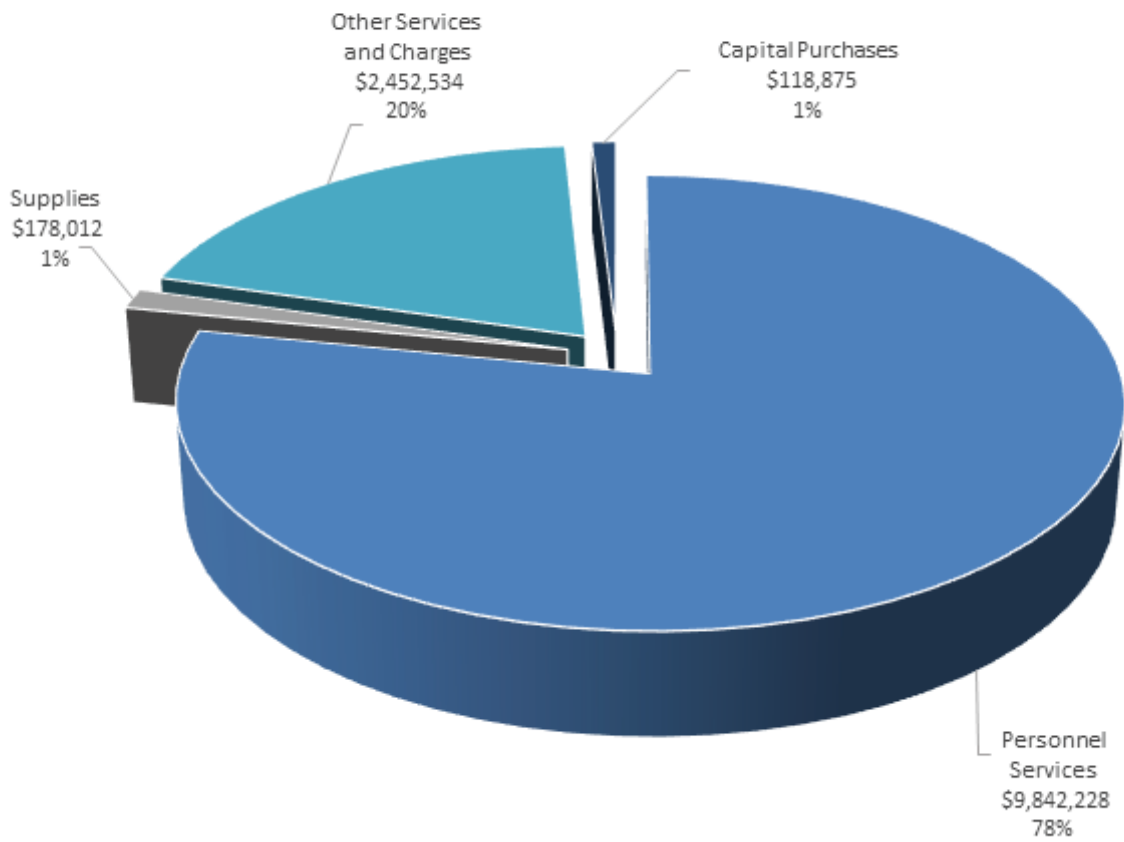
Fiscal Year 2021 Financial Data

During FY2021, DON incurred actual expenditures totaling \$12.5 million. They collected over \$2.5 million in revenues. Graphical representations of the revenues and expenditures depict the amount and source of each.

Revenue (000s)



Expenditures (000s)



Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Code Enforcement	<ul style="list-style-type: none"> • Insufficient funding • Insufficient number of qualified inspectors/ certified Code Enforcement Officers • Incorrect property to be demolished • Backlog of properties that are hazardous/ dangerous to be demolished • Lack of Management oversight • Insufficient training • Illness/injury of employees and citizens • Inadequate personal protective equipment • Lawsuits • Non-responsive to citations • Lack of performance standards 	<ul style="list-style-type: none"> • Remain flexible and routinely assess services and procedures for efficiencies • Mayor-appointed oversight committee • Internal case management system (INFOR) tracks each inspection • Inspectors have Code Enforcement License and mandatory CPE training • The state provides Code Enforcement verification and recertification • State Certified Code Enforcement inspectors within first year of employment • Employees receive required training and classes, as needed • Code Enforcement Officer (CEO) extreme familiarity of buildings • CEO onsite with contractors • Review and re-review all legal descriptions prior to demolition • Demolition Assessment Panel (DAP) perform final reviews • Observes City-wide safety plan “Zero is Possible” (ZIP) • Assigned personal protective equipment and requirement to report the need for additional equipment • Quarterly Safety Committee review of incidents • Adherence to Policies and Procedures • Inspections conducted and citations issued with court dates • Director monitors staff performance 	High

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Customer Service	<ul style="list-style-type: none"> • Inadequate resources • Communication breakdown with citizens • Inadequate or ineffective outreach programs and/or initiatives • Inadequate staff/partnership • Non-responsive to citations and citizen complaints • Lack of identification and prioritization of community needs • Lack of updated communications 	<ul style="list-style-type: none"> • Promoting, sponsoring and co-sponsoring events and programs • Attend and participate in neighborhood civic meetings • iSpeak Houston and translation services for verbal and written documentation • Proactively work with communities • Liaisons give requested resources/information and follow-up with citizens until resolution • Provide key performance indicators and surveys to communities to assess the effectiveness of community programs • Emails to neighborhood network, social media, Citizens Net 	High

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Compliance	<ul style="list-style-type: none"> • Non-compliance with laws, regulations, statues and/or City policies and procedures • Inability to monitor litigation deadlines • Non-compliance of nuisance orders • Missed Hearing deadlines • Misappropriation of grant fund requirements 	<ul style="list-style-type: none"> • Multiple layers of approvals required prior to destruction • Building inspectors assigned to resolve dangerous building cases • Certified and insured demolition contractors • Citations issued for non-compliance • Due process to property owners • Hearing documents maintained • Observation of applicable compliance processes outlined in each grant • Routine monitoring of grants • Annual reports to grantors and other reports provided upon request 	Medium
Records Management	<ul style="list-style-type: none"> • Natural disaster or other catastrophic events occur • Loss of proprietary information (inspection documents, hearing decisions, etc.) due to system malfunction or failure • Non-compliance with record retention policies • Inappropriate or unauthorized access 	<ul style="list-style-type: none"> • Daily backups • Maintain hard copies • Automated tracking • Continuity of Operations Plan (COOP) updated in 2021 and procedures tested in 2020 and throughout the pandemic • Follow the City's IT policy to prevent unauthorized access • FAMCARE data management system, has internal safeguards 	Medium

Mission and Objectives

The Finance Department's mission 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's strategic objectives and goals include:

- Promote fiscal responsibility;
- Provide high-quality financial services and information to the Mayor's Office, City Council, City departments and citizens;
- Seek maximum disaster recovery reimbursement from all applicable funding sources;
- Effectively manage spend and compliance of the COVID-19 pandemic cost recovery from the U.S. Department of the Treasury;
- 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 (FIN) took place in fiscal year 2016. Since that assessment, there have been major changes in the Department's organizational structure and responsibilities which include:

- In June 2018, the Mayor appointed a new Director of Finance;
- The Chief of Staff position is currently vacant;
- A new Deputy Director of Financial Planning & Analysis;
- A new Deputy Director of Treasury & Capital Management;
- A new Chief Procurement Officer; and
- Performance Improvement Department now reports to the Mayor's Office.

Significant Activities

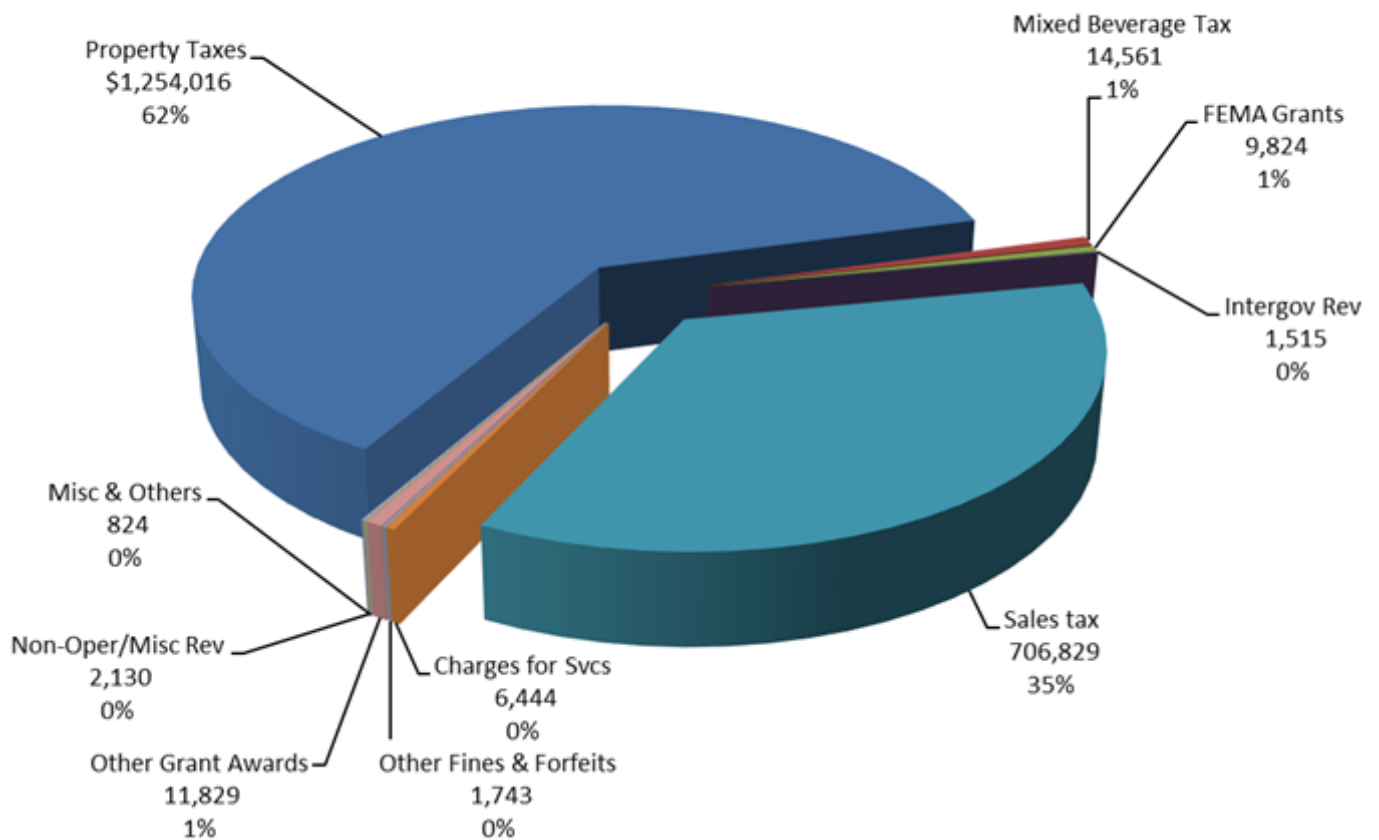
Finance provides financial management for the City of Houston through centralized coordination and reporting of accounting, cost analysis, budgeting, as well as, forecasting for Capital Improvement Projects (CIP), and the (partial) consolidation of accounts payable functions. Specific activities include:

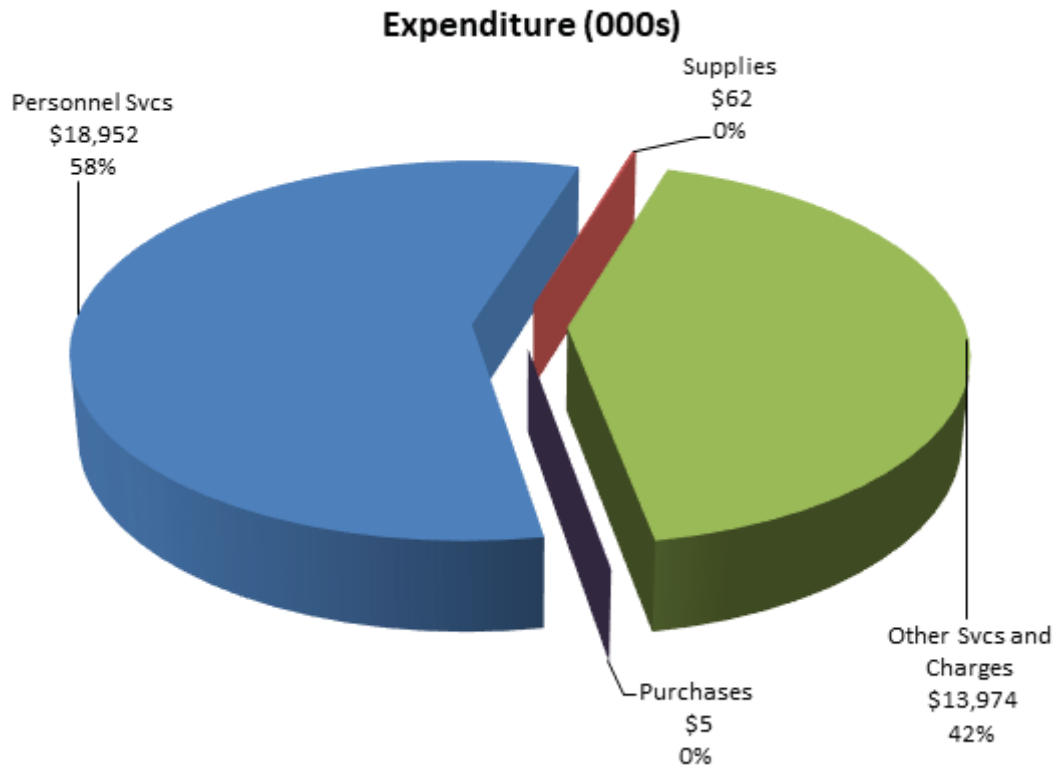
- Managing the City's debt portfolio;
- Overseeing citywide revenue collections;
- Leading development and monitoring of the citywide operating and capital budget;
- Developing the annual indirect cost allocation plan and submitting it to the cognizant agency for approval of the indirect cost rate. Providing grant management oversight and support for other City departments;
- Maintaining and reconciling fixed assets ledger accounts, including the 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
- Guiding the City's long-range financial planning.

Fiscal Year 2021 Financial Data

During FY 2021, Finance monitored the collection of property and sales taxes, and miscellaneous other revenue. FIN collected revenues totaling approximately \$2 billion. Total expenditures were approximately \$33 million.

Revenue (000s)





Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Compliance	<ul style="list-style-type: none"> • Non-compliance with ordinances, state and federal laws • Non-compliance with applicable accounting standards • Non-compliance with IRS guidelines and reporting requirements • Non-compliance with debt covenants • Non-compliance with contracts • Untimely or inaccurate financial/operational reporting • Insufficient staff resources • Inadequate third-party vendor and partner management • Inadequate management oversight • Outdated policies and procedures 	<ul style="list-style-type: none"> • Staff training on applicable laws and regulations • Management oversight • Staff training on GAAP • Policies and procedures for compliance with regulatory requirements • Monitoring system over contractual requirements • Management oversight to ensure accurate and complete financial reporting • Workforce management to meet goals and objectives through existing staff • Oversight over vendor performance and deliverables • Up-to-date policies and procedures 	High

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Financial Management	<ul style="list-style-type: none"> • Inaccurate projections and forecasts • Untimely and/or inaccurate financial/operational reporting • Outdated systems, hardware and software applications • Liquidity issues • Bond downgrades • Ineffective monitoring of collection contracts • Ineffective pursuit of collections • Insufficient staff • Inadequate record retention • Fraud related to payments and collections • Inadequate assessment of funding needs • Loss of funding • Insufficient and/or inadequate knowledge • Inappropriate access and/or changes made to data or programs 	<ul style="list-style-type: none"> • Supervisory verifications of financial projections and forecasts • Internal verifications and reconciliations for accurate and timely reporting • Timely acquisition and/or upgrade of computer hardware and software • Contract monitoring procedures • Effective utilization of current staff • Password protected documents • Verification and reconciliations of payments and collections • Training programs tailored for workforce needs • Effective IT controls, including access controls 	High

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Procurement	<ul style="list-style-type: none"> • Non-compliance with City policies, procedures, ordinances, state and federal guidelines, and laws • Lack of updated policies and procedures • Fraud • Bid rigging • Waste and inefficiencies • Lack of vendor management oversight • Fictitious vendors • Inadequate and/or untimely procurement processes • Conflicts of interest • Inadequate monitoring of P-Card purchases • Insufficient and/or inadequate knowledge • Insufficient staff resources 	<ul style="list-style-type: none"> • Internal monitoring and appropriate training and education • Compliance programs relative to procurement laws and regulations • Up-to-date policies and procedures • Bi-weekly and monthly departmental meetings • Senior leader sign-off on each significant procurement step • Added analyst contract monitoring position • Management oversight of bid process • Routine monitoring of vendor spend • Verification of debarred vendors via City's list and SAM.gov • Monitoring of all personnel with SAP access • Compliance with ethical conduct of City employees • P-Card Administrator reports directly to Chief Procurement Officer (CPO) • CPO sign-off on all P-Card exceptions • P-Card Administrator reviews sample of reconciliations • P-Card exceptions monitored • Low per transaction limits for P-Card • Effective utilization through re-alignment of existing staff 	High

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Fixed Assets	<ul style="list-style-type: none"> • Inaccurate data included in financial reporting • Lack of management oversight • Inadequate physical inventory 	<ul style="list-style-type: none"> • Staff-performed comparisons • Supervisory approval of financial reporting • Annual physical inventory of fixed assets 	Medium
Grant Management	<ul style="list-style-type: none"> • Loss of grant funding • Penalties or fines • Inadequate information systems • Increasing reporting requirements • Insufficient staff resources • Insufficient and/or inadequate knowledge • Lack of monitoring 	<ul style="list-style-type: none"> • Supervisory oversight • Effectively designed and implemented information systems • Internal comparisons • Effective utilization of current staff 	Medium

Mission and Objectives

The mission of the Houston Police Department is to enhance the quality of life in the City of Houston by working cooperatively with the public and within the framework of the U.S. Constitution to enforce the laws, preserve the peace, reduce fear, and provide for a safe environment.

Notable Changes Since the Previous Risk Assessment

A previous risk assessment of the Houston Police Department (HPD) took place in fiscal year 2016. Since that assessment, several changes have occurred in the organizational structure and some functional areas of the Department as listed below:

- The Mayor appointed a new Chief of Police on March 18, 2021;
- In January 2019, moved HPD/City jail operations to the Harris County Joint Processing Center;
- Implemented quality standards consistent with those developed by the International Organization for Standardization;
- Implemented a data governance structure by expanding the role of the Office of Planning to include a data governance unit;
- Expanded the Victim Services Unit to a fully functioning division;
- Issued City iPhones to all classified officers; implemented ShotSpotter and Gunshot detection technology systems; converted departmental email system to Microsoft Office 365; created data warehouse in Microsoft Azure government cloud;
- In November 2020, opened Tilman Fertitta Family Tactical Training Center at the HPD Police Academy;
- Received \$56.2 million for responding to COVID-19 pandemic;
- Received \$29.5 million from the Coronavirus Local Fiscal Recovery Fund for crisis intervention initiatives;
- Eliminated/reduced following the leadership positions because of budget cuts: Executive Assistant Chief, 4 (FY16) to 2 (FY21); Assistant Chief, 10 (FY16) to 8 (FY21);
- Created the Deputy Executive Chief position; and
- HPD data center moved to a secure and centralized location.

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 1,500 police officers. Efforts are currently geared towards addressing this shortfall.

Significant Activities

HPD's key activities include:

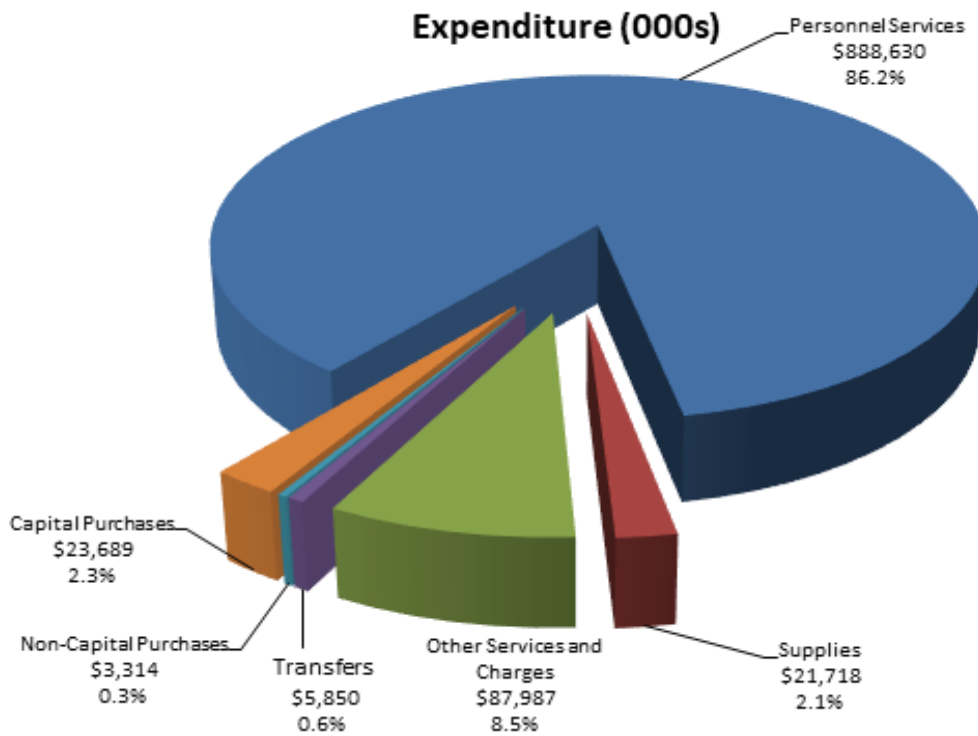
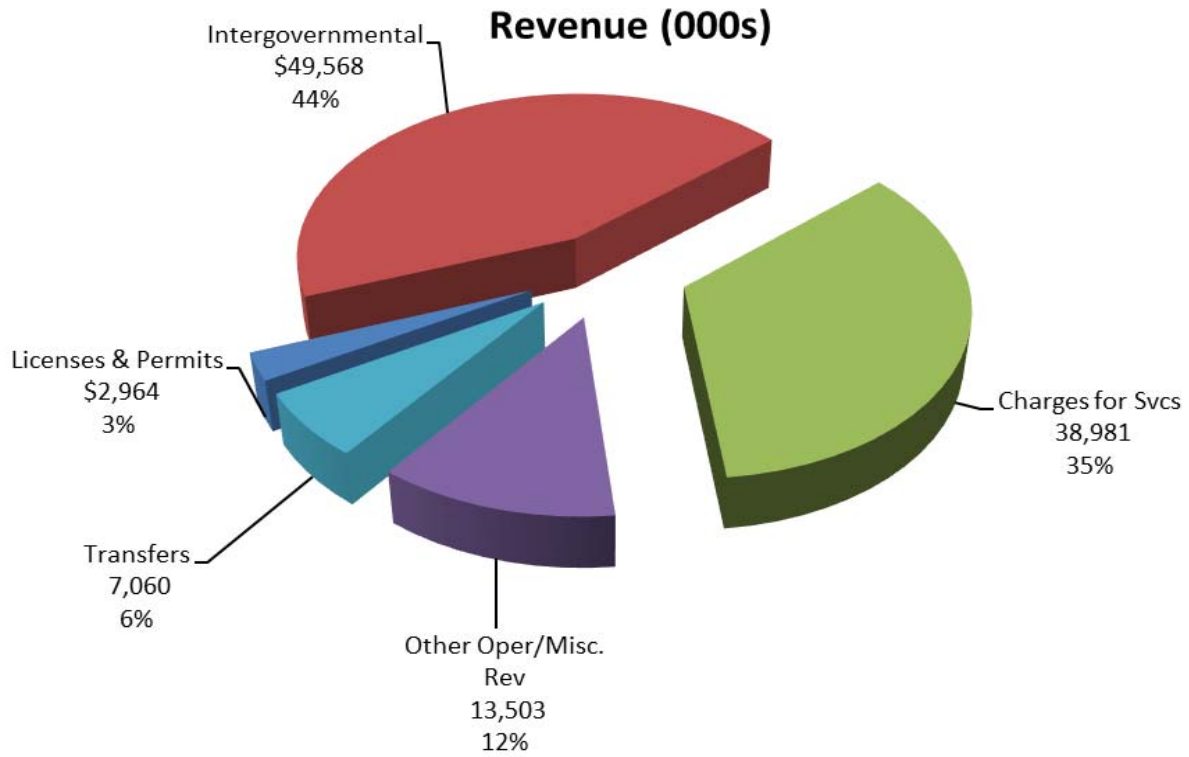
- Responding to approximately 1.1 million calls for service each year;
- Investigating criminal activities including auto thefts, burglaries, homicides, robberies, vice, narcotics, gangs, and major offenders;
- Providing specialized services such as SWAT, canine patrol, air support, vehicular crime, 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 inmates and the health and safety of employees who may come in contact with inmates;
- Managing the budget and finance functions, which includes General Fund and Special Funds budgeting, accounting, grant application and monitoring, and council liaison;
- Working with other law enforcement agencies on joint initiatives and task forces to combat criminal activity across jurisdictions;
- Responding to approximately 17,500 open records requests and coordinating media relations activity; and
- Processing approximately 485,000 (includes offense and accident reports) original police reports annually.

Fiscal Year 2021 Financial Data

In FY 2021, HPD's revenue totaled approximately \$112 million,¹ and its expenditures totaled approximately \$1.03 billion.² Graphical representations of the revenues and expenditures depict the amount and source of each.

¹ Includes grant funds

² Includes capital purchases



Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Emergency Response and Public Safety	<ul style="list-style-type: none"> • Insufficient human resources • Inadequate and insufficient facilities, equipment, and vehicles • Lack of funding • Insufficient allocation / scheduling of resources • Increased criminal activity and/or concentrated activity • Inadequate community engagement • Public mistrust of police activities • Lack of public safety • Inadequate assessment of safety concerns • Lack of coordinated interagency efforts • Responding officers lack sufficient/timely data • Emergency response system failures • Disasters - natural and/or man-made 	<ul style="list-style-type: none"> • Effective utilization of existing personnel • Safe building management practices through GSD (facilities) • Coordination via HPD's Fleet Maintenance Units Office (vehicles) • Departmental practices to counter underfunding • Effective allocation through management oversight • Real-time crime analysis data for HPD responders • Police Transparency Hub on website • Release of body worn camera videos of critical incidents within 30 days • Community outreach programs via HPD's Office of Community Affairs • Office of Community Affairs continued efforts to showcase positive image • Effective deployment of resources via periodic tracking of staffing and dispatch call activity • Collaboration within criminal justice system • Prepositioned resources and use of highly trained personnel • Timely information from Emergency Communications Division • Back-up for all key systems and generators • 24x7 Office of Technology support for critical systems and applications • Contingency plans 	High

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Enforcement	<ul style="list-style-type: none"> • Insufficient human resources • Inadequate and insufficient facilities, equipment, and vehicles • Insufficient resources • Public mistrust of police activities • Fear of officers and citizens • Lack of coordinated interagency efforts • Increased criminal activity and/or concentrated activity • Lack of funding • Safety of police personnel and citizens • Insufficient training 	<ul style="list-style-type: none"> • Effective use of existing personnel • Safe building management practices through GSD (facilities) • Coordination via HPD's Fleet Maintenance Units Office • Officer productivity tracked and monitored • Community outreach through internet and other interactive activities • Effective coordination within the criminal justice system • Crime data analysis and management oversight • Use of technology to manage workload • Timely communication via dispatch radio to ensure personnel safety • Online and in-class training 	High
Communications	<ul style="list-style-type: none"> • Negative public image • Lack of or ineffective communication with community • Inadequate communication outlets • Lack of response to community requests 	<ul style="list-style-type: none"> • Community outreach initiatives to help improve police-community relations • Use of social media to reach wider audience • In-house training on communication skills 	High

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Administration	<ul style="list-style-type: none"> • Adverse relationship between employees / unions and management • Lack of management oversight • Inability to recruit and retain qualified personnel • Lack of funding • Employee safety • Non-compliance with procurement laws • Inadequate succession planning • Lawsuits 	<ul style="list-style-type: none"> • Periodic meetings to help improve employee-management relations • Effective and timely oversight • Use of incentives to recruit and retain qualified personnel • Effective use of available funding • Use of technology, such as dispatch radio, for safety • Training programs to ensure compliance • Develop and distribute safety surveys • Succession plans for key roles • Coordination with the Office of Legal Services 	Medium
Compliance	<ul style="list-style-type: none"> • Lawsuits • Failure to properly collect and store evidence • Noncompliance with the local, inter-local, state, and federal laws and regulations • Noncompliance with departmental policies and procedures • Inadequate training • Insufficient staffing • Insufficient funding • Noncompliance with grant requirements 	<ul style="list-style-type: none"> • Coordination with the Office of Legal Services • Effective policies and practices at Property Division • Implementation of compliance and practice standards • Management oversight and quality assurance program • Appropriate training and education • Effective use of existing staff • Internal monitoring over grant requirements 	Medium

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Financial Management	<ul style="list-style-type: none"> • Lack of funding • Inappropriate use of restricted funds • Inadequate or untimely account reconciliations • Inaccurate and/or incomplete physical inventory • Misappropriation or theft of assets, including seized and forfeited property • Insufficient staffing • Lack of management oversight of overtime and premium pay • Inappropriate or unauthorized purchases • Inadequate financial management system • Fraud or theft related to permitting revenue 	<ul style="list-style-type: none"> • Effective use of available funding • Internal monitoring/auditing • Timely reconciliations of various accounts • Annual physical inventory • Policies and practices relating to security of assets, including custodial seized and forfeited property • Effective use of available staff • Implementation of overtime initiatives • Monitoring over proper use and administration of P-Cards • Oversight reports from financial management system • Revenue policies and procedures 	Medium
Grants Management	<ul style="list-style-type: none"> • Misappropriation of grant funds requirements • Lack of management and reporting of grant funds and activities • Insufficient staffing • Inadequate knowledge of grants • Loss of grant funding 	<ul style="list-style-type: none"> • The Office of Budget & Finance oversight over grants • Effective use of existing staff • Knowledgeable staff • Management oversight regarding timely reporting of grants • Annual third-party audits of grants 	Medium

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Information Technology	<ul style="list-style-type: none"> • Radio or PC failure • Outdated IT hardware and software • Inappropriate or unauthorized access • Inadequate backup power capability • System security breaches • Cyber attacks • Loss of internet connectivity • Lack of funding • Inadequate training • Insufficient staffing • Theft or misappropriation of assets • Noncompliance with Criminal Justice Informaiton Services (CJIS) • Inadequate security of data center 	<ul style="list-style-type: none"> • On-call tech support • Timely upgrades to IT hardware and software • IT general controls, including access controls • Office of Tech Services monitoring of auxiliary power and other modes of communications • Monitor cyber threats • Conduct cyber training • Phishing campaigns • Cyber security service team • Incident & Disaster Response Plans • Collaboration with City HITS Security team • Firewall • Effective use of available funding • Online and in-house training of personnel • Policies and practices relating to security of assets • Internal monitoring and training to ensure compliance with CJIS • Access controls to prevent unauthorized access 	Medium

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Records Management	<ul style="list-style-type: none"> • Ineffective safeguarding of case data and records (hard or electronic) • Backlog of cases • Insufficient staff • Lack of funding • Inappropriate or unauthorized access • Noncompliance with record retention policies 	<ul style="list-style-type: none"> • Access controls to prevent unauthorized access to data and records • Redistribution of personnel to address backlogs • Effective use of available funding • Policies and practices to preserve police records in accordance with departmental, State, and Federal laws 	Medium
Training	<ul style="list-style-type: none"> • Lack of funding • Inadequate training for all HPD personnel • Inadequate training of new cadet classes • Inadequate information systems training • Inadequate staffing • Noncompliance with training policies and procedures • Lawsuits 	<ul style="list-style-type: none"> • Effective use of available funding • In-house and online training of personnel • Effective use of available staff • Supervisory review of completion of required training and education • Coordination with the Office of Legal Services 	Medium

Mission and Objectives

The mission of the Houston Public Library (HPL) is to deliver quality customer service by offering a broadly defined program of education, research, multi-cultural and multi-generational enrichment to meet the needs of Houston's diverse population.

HPL's short and long terms goals include, but not limited to the following:

Short Term Goals:

1. Provide access to electronic resources, innovation, and technology in library buildings and through our mobile units and technologies. Also, provide virtual access and access to a broad range of information resources including virtual, print, audio, and art production.
2. Serve as a conduit for vital community services and resources as well as welcoming space for community gatherings and meetings, cultural and educational enrichment, and critical conversations, and partners with local schools.
3. Provide essential educational resources through services, programs, and partnerships. Provide formal and informal learning for all ages and life stages. Support for student success, Literacy Advancement, and Workforce Development.
4. Establish strategic partnerships with City departments, community organizations, and others. Provide extraordinary customer service experience through ongoing training of staff and create broad awareness of library services.

Long Term Goals:

1. With the One Houston One Library (OHOL) transformation plan as our compass, we are aligning our organizational resources, services, and programs to provide sustainable support for an array of learning opportunities for Houston's residents. These include: Lifelong Learning, Literacy Learning, Life Skills Learning, Laboratory Learning, and Lifestyle Learning.
2. Continue to develop strategic partnerships with City departments, community organizations and others.
3. Continue to implement extraordinary customer service experience through ongoing training of staff and organizational accountability. As well as continue efforts to increase awareness of library services.

Notable Changes Since the Previous Risk Assessment

A previous risk assessment of HPL took place in fiscal year 2017. Since that time, notable changes that have occurred include:

- There are two new Deputy Directors responsible for the Customer Experience and Administration Divisions;
- The Life Skill Learning Division is now part of the Administration Division;
- The Library Material Services is now its own Division;
- A new Assistant Deputy Director of Library Material Services position was created in December 2020; and
- The CFO now reports directly to the Director.

Significant Activities

The Houston Public Library system includes the Central Library, Houston Metropolitan Research Center, Clayton Center for Genealogical Research, the African American Library at the Gregory School, the Mobile Express, BookLink, 33 neighborhood locations, and two TECHLink locations. Some significant activities that are provided at these locations are:

- Developing and managing the circulation of 2.6 million physical and electronic library collection items;
- Operating 33 neighborhood branches, two TECHLink locations, and two BookLink vending machines. Piloting Lockers to the Robinson Neighborhood Library to facilitate 24/7 library services;
- Providing 38 safe and secure facilities;
- Offering over 200,000 computer sessions in the library along with 12 million Wi-Fi sessions;
- Managed the lending of 1,800 hotspots and 500 Chromebooks to help bridge the digital divide;
- Provided over 3,000 educational and informational programs to over 50,000 attendees, including over 700 virtual programs with 16,000 virtual attendees;
- Expanded Family Place early literacy model to Stella Link and Young Neighborhood Libraries with plans for additional expansion;
- Opened the Barbara Bush Literacy Plaza, a new venue at the Central library. Large scale outdoor programs celebrate heritage months, seasons, and authors;
- Obtained and administered two federal grants valued at \$50,000 each (\$100,000 total);
- Expanded Learning Link school cards to add Pasadena ISD to provide digital and physical access to our collections and databases for students and staff;
- Issued over 19,000 passports earning over \$800,000 in revenue;
- Served an estimated 1.2 million in-person and 1.5 million virtual visitors during fiscal year 2022, as libraries have re-opened post-pandemic;
- An estimated 4.25 million items checked out (both physical and electronic) in FY2022. E-circulation remains stronger than pre-pandemic; and
- 1.66 million library cardholders.

Component Units

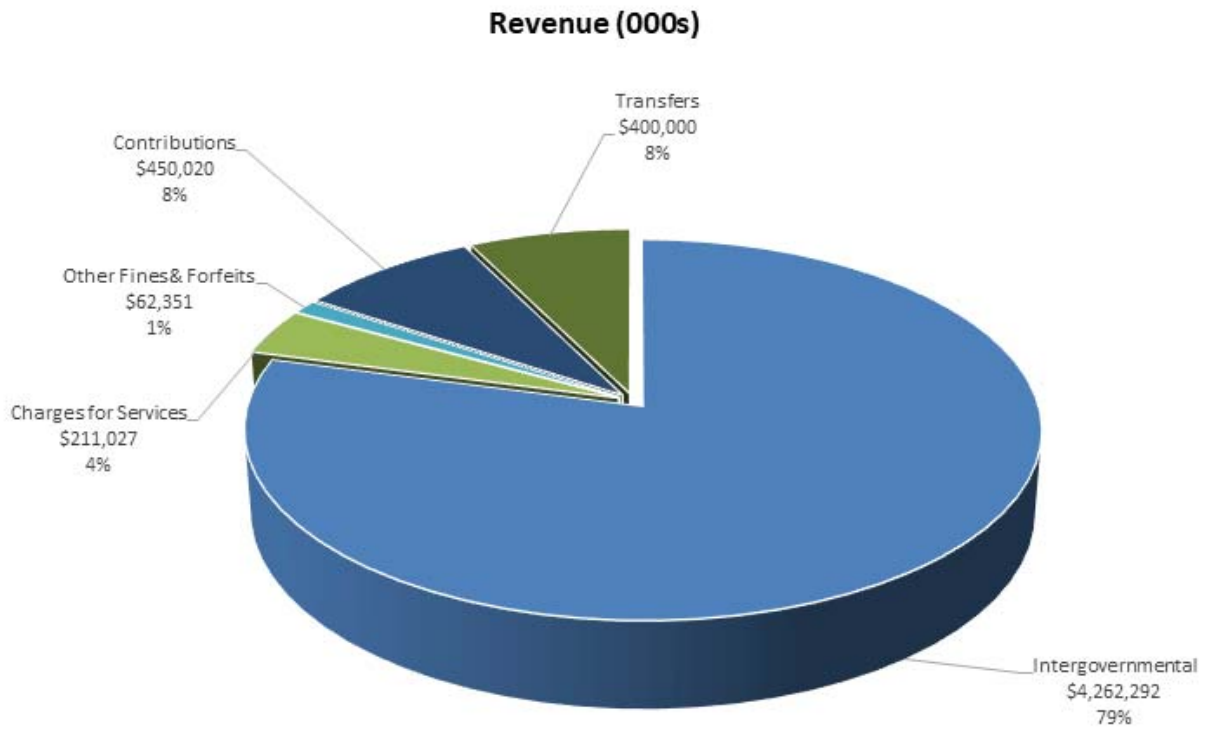
Component units are defined by GASB 39 as a related entity whose leadership/management is controlled and/or appointed by primary government (City of Houston) and who is dependent on the primary government financially or who would not exist if the primary government did not exist.

HPL is associated with two governmental component units:

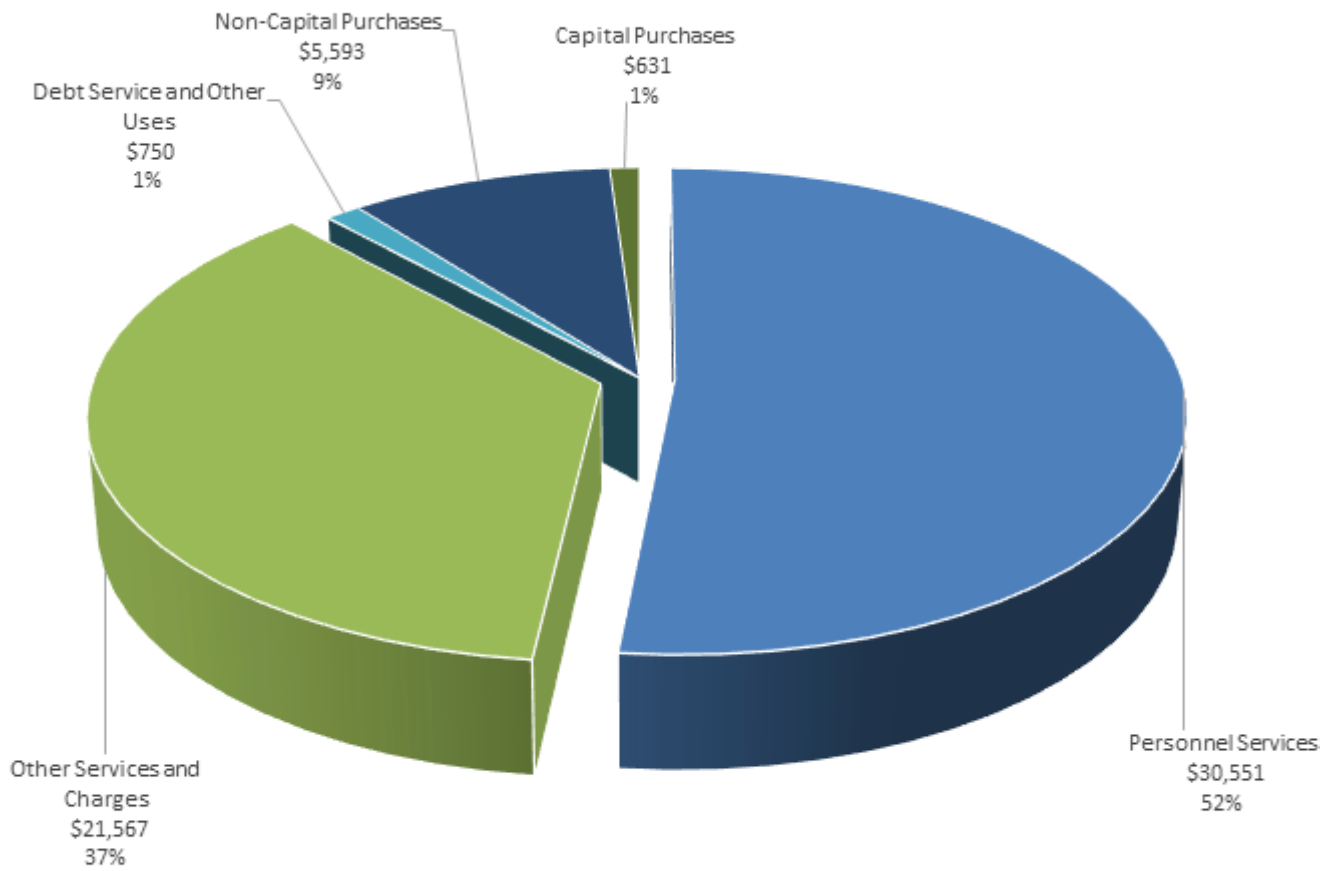
1. The Houston Public Library Foundation (HPLF) -
In FY2021 HPL received \$1,538,293 from HPLF, which is not reflected in the financial information shown below.
2. Houston Area Library Automated Network (HALAN) -
HALAN is classified as a component unit in the City's Annual Financial Comprehensive Report (Annual Financial Reports), but their revenue is included in the financial system (SAP) and thus shown on the chart on the following page.

Fiscal Year 2021 Financial Data

HPL generated approximately \$5.4 million in operating revenues largely due to intergovernmental revenue (HALAN and grants) and charges for services. Principal expenditures are for personnel related items and construction.



Expenditures (000s)



Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Customer Service	<ul style="list-style-type: none"> • Failure to identify customer needs • Inability to respond promptly to patrons • Community unaware of program offerings • Programs not relevant to community needs • Insufficient hours of operation • Inadequate staffing levels • Lack of funding • Insufficient staff training and development • Insufficient community resources (e.g., mobile units) • Limited language access (e.g., website) • Inadequate or outdated books and reference materials • Inadequate or limited Internet access 	<ul style="list-style-type: none"> • Track customer satisfaction and complaints • Active promotion and marketing efforts • Staff cross trained • Unified Service Model (USM) -a single service point to provide assistance for a variety of library needs • HPL website • Programs developed for and provided to customers • Hours based on customer usage & feedback • Rotation of evening hours for branches located near each other • 24/7 online library access • Annual receipt of grants/ donations • Endowments used to fund programs • Customer request for mobile unit via website • Bilingual staff hired • Utilize COH Language Line resources • Translate important Library documents into the top five languages • Purchase library materials in the top 10 COH languages • Budget for regular replacement of standard materials • Regular clearing/weeding of outdated materials • WiFi connectivity at all library locations 	High

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Facilities Management	<ul style="list-style-type: none"> • Inadequate planning for facility needs • Lack of funding for building renovations • Ineffective preventative maintenance • Inadequate building security • Inadequate safety training • Inadequate communication of emergency/natural disaster events • Inadequate staffing 	<ul style="list-style-type: none"> • Tracking of customer usage • Outside funding sources for construction/renovation • Maintain comprehensive records of preventive maintenance • GSD Property Management is responsible for maintaining all HPL facilities • Background checks of program vendors • Security and cameras at some HPL facilities • Perform frequent site visits to assess facility safety and security needs • Analyzes safety and security incident reports to develop improvements • Active Shooter Training is provided at New Employee Orientation • HPL provides training for Fire Wardens at Central/JIB; provides 6 ZIP and HAZCOM training for all staff via email, emergency call line, chain of Command Phone, and text trees • Cross train employees and reassign task • Consistently evaluate job duties and processes 	Medium

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Financial Management	<ul style="list-style-type: none"> • Reduced funding • Inadequate cash management • Inadequate collection process for accounts receivables • Lack of management oversight • Insufficient resource allocation • Lack of preventative maintenance for fleet (e.g., mobile units) • Inadequate segregation of duties • Misappropriation of assets and resources • Theft • Inaccurate and/or incomplete physical inventory • Non-compliance with grants • Non-compliance with donor restrictions • Lack of knowledge regarding HPL Foundation activities 	<ul style="list-style-type: none"> • Actively pursue grant funds • Sale of used books, as an additional source of funding • Significantly overdue fines for materials are turned over to a contracted collection agency • Use of Point of Sales Systems (POS) at each branch to enhance controls over cash management • Monthly reconciliation and submission of all receipts • Integrated Library System (SirsiDynix) tracks customer accounts • Smart Money Point of Sales system tracks monies collected and deposited • Locked deposit bags picked up from locations daily • Telecheck used for check transactions • Credit card transactions are PCI Compliant • Monthly reports (i.e., Financial and P-Card Reports Annual Grant reports, etc.) • Monthly Bank Reconciliation, Quarterly Cash Reconciliation, Monthly Inventory of Fixed Assets • Cross train employees and reassign tasks • Consistently evaluate job duties and processes • Monthly reconciliation and submission of all receipts • Vehicle maintenance handled by Fleet Department • Utilize SAP to track budget, Smart Sheet to track purchase requests, and QuickBooks 	Medium

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Financial Management (cont.)		<ul style="list-style-type: none"> • Follow City procedures and program guidelines, and Grants Management • Internal monitoring systems to track grant expenditures • Regular meetings with grant manager • Follow Donor Guidelines and review of expenses • Provide Program Performance and Financial Reports to Donor • Attend monthly Board Meetings 	
Information Technology	<ul style="list-style-type: none"> • Theft of laptop and computers • Non-compliance with the Children’s Internet Protection Act (CIPA) • Outdated technology (hardware/software) • Inadequate network connectivity • Lack of funding • Ransomware and malware attacks 	<ul style="list-style-type: none"> • Use of application software to track devices including laptops • Security cameras, locked storage areas with limited access • Website filters are set in accordance with CIPA requirements • Inventory to verify updated hardware and software • Actively pursue innovative technology solutions • Actively pursue grants/private funds to replace old computers • Increase network bandwidth • As libraries are remodeled, they are converted to the RFID technology system for inventory tracking • Only City accounts have appropriate access to networks or data to do their jobs • Firewalls, Two Factor Authentication, and annual cybersecurity training • Limited access to data centers 	Medium

Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Procurement	<ul style="list-style-type: none"> • Insufficient administration and monitoring of contracts • Insufficient monitoring of P-card purchases • Misappropriation of purchases • Insufficient staffing • Theft 	<ul style="list-style-type: none"> • Contract agreement includes Scope of work with established financial terms • Weekly monitoring of printer usage to ensure within contract terms • Vendors must be a City vendor and go through city vendor registration process • Designated department P-card coordinator • Follows City P-Card policy and procedures • Purchases over \$3,000 have three quotes, while purchase bids over \$5,000 are solicited through the E-bid system • Purchase contracts over \$25,000 are processed through SPD • Acquisitions staff work with vendors on new coding to ensure materials are correctly invoiced • Segregation of duties within purchasing, receiving and payment functions • Monthly reconciliation and submission of all receipts 	Medium

DEPARTMENT RISK ASSESSMENT
DATES

**City of Houston Departments
Date of Last Risk Assessment**

DEPARTMENT NAME	LAST DATE ASSESSED
Administration & Regulatory Affairs	2018
City Secretary	2020
Controller's Office	2018
Finance	2022
Fire	2017
Fleet Management	2017
General Services	2019
Houston Health	2017
Housing and Community Development	2019
Houston Airport System	2018
Houston Emergency Center	2019
Houston Information Technology Services	2018
Houston Parks and Recreation	2018
Houston Public Works	2021
Human Resources	2018
Legal	2020
Library	2022
Municipal Courts	2017
Neighborhoods	2022
Office of Business Opportunity	2020
Planning and Development	2021
Police	2022
Solid Waste Management	2021

Glossary of Terms

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.

Auditor Risk

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.

Component Units

Component Units are defined by the Governmental Accounting Standards Board (GASB) 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.

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. Examples are structure of reporting lines and development of major processes to execute mission and objectives.

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, risks associated with geographic location, funding sources, population, global economy, structure of federal and state government, etc.

Glossary of Terms cont.

Key Business Processes

A key business process (KBP) is 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.

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.

Risk Universe

All risks that could effect the City of Houston.

Audit Team

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City Auditor

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Audit reports are available at:

<http://www.houstontx.gov/controller/audit/auditreports.html>