



CITY OF AUSTIN

OFFICE of the CITY AUDITOR

Calendar Year 2003^{*}

Accomplishments

“We make Austin City Government better and more accountable.”



**See inside note on the change in OCA's service plan from a fiscal year to a calendar year in 2003.*

OFFICE OF THE CITY AUDITOR

Calendar Year 2003 Accomplishments

Mission: We make Austin City Government better and more accountable - helping to ensure a City government that is efficient, effective, ethical, and accountable to the citizens of Austin.



City Auditor's Role:

- Establish accountability for meeting Council and citizen expectations
- Provide information to support Mayor and Council decision making
- Be a force for positive changes in City policies/programs/systems

Services: To carry out our mission, the Office of the City Auditor (OCA) delivered three distinct services to the Mayor, Council, and City management during CY 2003. These services included Audits, Investigations, and Assistance.

We discontinued our former Information & Response service in 2003, due to diminished Council support for that service. The Assistance services were significantly downsized for 2003, and assistance projects were limited to Council requests. We continued to strengthen our internal service delivery structure to maintain capacity for providing OCA's direct services. *Note: OCA converted from a Fiscal Year service plan to a Calendar Year service plan in 2003. This report covers October 2002 - December 2003. We added the additional quarter to transition to a Calendar Year accomplishments report without omitting work performed in October - December 2002.*

Ongoing Initiatives

Our ongoing initiatives in 2003 focused on continuous improvement in audit presence, support of the ethical climate, and identification of fiscal opportunities.

- **Austin Energy:** We continued providing an independent audit presence at Austin Energy and conducted ongoing risk assessment to guide OCA audit services at the utility.
- **Ethics:** We supported the City Manager's Ethics Initiative and the City's Management Integrity Committee by developing a memorandum and making a presentation on do's and don'ts for managers in dealing with allegations or suspected potential integrity violations.
- **Internal Audit:** OCA continued support for the City Manager's, Austin Energy's, and Aviation's internal audit functions by sharing OCA resources and training and offering information on best practices.
- **Fiscal Opportunity:** With ongoing budget challenges facing the city, we continued to identify targets of fiscal opportunity through revenue enhancement and cost savings projects.

Accomplishment Highlights:

Key Results

Performance Results 2003	FY03 Target	FY03 Actual	FY04 Q1 Actual
Council customer satisfaction (overall)	3.0	3.14	n/a
Council customer satisfaction with the extent to which OCA has addressed significant City issues	3.0	3.00	n/a
Council customer satisfaction with contribution to improved accountability	3.0	3.33	n/a

(All customer satisfaction scores are on a 1-4 scale.)

OFFICE OF THE CITY AUDITOR
Calendar Year 2003 Highlights

Audit Services

Performance Results 2003	FY03 Target	FY03 Actual	FY04 Q1 Actual
Percent of recommendations management agrees to implement	95%	97%	n/a
Number of audit reports completed	9	15	3

Audits were generally narrower in scope in 2003, accommodating reductions in OCA staffing. Audits resulted in action plans presented by management to resolve findings and make improvements:

- **Citywide Ethics Audit:** We found that decentralization of ethics management without centralized monitoring had created an uneven ethical climate across City departments. The audit identified financial and administrative benefits that could be gained by strengthening the climate overall, including: lower legal claims, lower turnover and sick leave usage, fewer lost time injuries, fewer customer complaints, and higher quality service delivery.
- **Property Tax Audits – Annexations, Exemptions (2 audits):** We provided general assurance that all City of Austin properties are in the Travis County Appraisal District (TCAD) database and paying City Property Tax, that City-annexed properties were added to the TCAD database in a timely manner, and that the majority of exemptions reviewed appeared to be legitimate. We identified approximately \$90,000 in potential revenue recovery from questionable exemptions and proposed reevaluating the exemption from taxation of numerous high-dollar properties along Lake Austin.
- **Sales Tax Audits – General Aspects, Annexation Timeliness, Potentially Non-Permitted Businesses (3 audits):** We identified over 220 businesses that should have been included in the City of Austin (COA) Sales Tax base, but were not; determined that over 30% of businesses annexed from 1997 to 2001 were incorporated in the COA Sales Tax base late; and identified 242 active businesses providing taxable goods or services that may not have had sales tax permits. Recovery values were unavailable due to state law, although findings were forwarded to the State Comptroller’s Office for action.
- **Public Safety – Radio Dispatch & Mobile Trunking (RDMT) Phase I & Phase II (2 audits):** We provided assurance that the \$123 million project would provide desired functionality and be completed on time and within budget.
- **Austin Energy Account Collections and Bad Debt Expense Audit:** Through this audit, we strengthened AE oversight of collection agency billing, and we encouraged a strategy for comparing inactive to active commercial accounts. The audit also assisted Austin Energy in recovering over \$270,000 in payments from a collection agency.
- **GreenChoice Audit:** For the GreenChoice program, which leads the nation in certified renewable energy sales, our audit work helped the utility to improve accounting and cost recovery related to renewable energy purchases. We also made policy recommendations relating to pricing strategies and the use of renewable energy credits. In response to the audit, AE management presented a plan to provide assurance that the goals of the GreenChoice program would be achieved.
- **Rental Housing Development Assistance Audit:** This was the second in a series of affordable housing audits. Through this audit, OCA promoted accurate reporting of outcomes and outputs for the Rental Housing Development Assistance (RHDA) program. We also focused attention on appropriate monitoring of project compliance after initial occupancy in RHDA projects.
- **Citywide Risk Assessment:** We developed and piloted a new risk assessment model for use over a three-year assessment cycle. We completed year one of the cycle, identifying high-risk areas for decision making regarding appropriate oversight, internal control and extent of risk to accept. Provided input to OCA’s 2004 Service Plan.
- **Other Audits:** Other audits completed included Worker’s Compensation Duplicate Payments, Austin Energy Debt Management Fund, CIP Audit Clauses, PARD Employee Safety Audit Follow-Up, DOT Compliance Management Letter, and United Healthcare Contract Review.

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Calendar Year 2003 Highlights

Investigations

Performance Results 2003	FY03 Target	FY03 Actual	FY04 Q1 Actual
Percent of cases investigated to completion where accountability action occurs	67%	56%	62.5%
Dollar impact (savings, recoveries, restitutions, etc.)	\$300K	\$148K	\$0K

Investigative activity resulted in the following:

- **Cases:** 18 cases investigated to completion and 9 cases of completed assistance to other agencies.
- **Recoveries:** \$148K in recoveries were identified in the form of anticipated fees due to the City and restitution/disallowed costs resulting from investigative work.
- **Outcomes:** A variety of outcomes resulted from our investigative work: personnel actions (including employee separations), policy changes, contractual actions, improved internal controls to mitigate risk of future violations, improved information reporting and integrity, and evidence to support successful prosecution of wrongdoing.
- **Oversight:** Continued to support and participate in the Management Integrity Committee to provide joint oversight with City management of investigation issues within the City.

Assistance Services

Performance Results 2003	FY03 Target	FY03 Actual	FY04 Q1 Actual
Customer satisfaction that previously agreed-to results were achieved from assistance projects	3.00	n/a	n/a
Number of assistance products delivered as specified in assistance agreements	2	5	1

Assistance highlights from 2003 were as follows:

- **Cultural Arts Consultant Contract:** OCA assisted with the negotiation of the second phase of the arts consultant contract. The arts consultants completed their work of helping to develop job descriptions, hire a cultural arts director, and design a revised cultural arts funding process.
- **City Manager Innovation Initiative:** We identified areas for cost savings in OCA, other City departments, and Citywide. Recommendations were forwarded to the City's Budget Office for further action.
- **Residential Historical Exemptions:** In response to a request from the Mayor's Office, we determined that both the number and value of residential exemptions granted had increased over the last five years. And while other cities also offer residential historical exemptions, they limit the number of years that the exemption can be claimed. We also provided a map of where the residences were located.
- **Boards & Commissions Task Force:** We served on the Boards and Commissions Task Force as it completed its work. The final report was delivered to the Mayor and Council in November 2003.
- **Austin Energy Reserves:** We provided information to Council verifying the reported levels of AE reserve funds, debt defeasance, and generating capacity reserves.

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Calendar Year 2003 Highlights

Internal Capacity – Supporting Service Delivery

Performance Results 2003	FY03 Target	FY03 Actual	FY04 Q1 Actual
OCA employee job satisfaction, shared vision and values, and commitment to the City – Percentage positive responses in the Listening to the Workforce Survey (composite)	n/a	74%	n/a
Employee turnover rate	10%	9.5%	0%

Highlights:

- **Workforce Survey:** The OCA employee satisfaction and commitment rating was down from 92% in the 2002 survey, in part reflecting changes and uncertainties as the office implemented staffing reductions approved in the FY 2003 budget. On the positive side, OCA’s ratings in Ethics and Organization Performance Measures remained strong and were among the highest in the City.
- **Staffing:** Turnover was down from 21% in FY 2002, reflecting a period of stability after reductions in budgeted positions just prior to FY 2003. Sick leave was high in 2003 compared to the rest of the City.
- **Peer Review:** OCA completed a required quality control review to ensure that OCA is in compliance with Government Auditing Standards, receiving a clean opinion from the peer review team.
- **Policies & Procedures:** We developed a new Audit Guide, updated our Work Paper Reference Manual and Style Manual, and updated relevant policies to reflect changes made in Government Auditing Standards.
- **Restructuring of Support Services:** We began to transition various duties from audit staff to support staff, including aspects of tracking budget and performance measures, web site maintenance, and administration of our internal time accounting system.

Leadership and Professional Development

Highlights:

- The City Auditor’s Office’s 2002 Transportation Spending Audit Report received Honorable Mention in the National Association of Local Government Auditor’s (NALGA) special projects competition.
- Audit staff actively supported the auditing profession by chairing or serving on ten boards of directors or committees of professional audit-related organizations, including the U. S. Comptroller General’s Advisory Council on Government Auditing Standards, the Southwest Intergovernmental Audit Forum, the Austin Chapter of the National Association of Black Accountants, the Austin Chapter of the Institute of Internal Auditors (IIA), and the Accounting Professional Advisory Council of Texas State University.
- Audit staff presented at conferences and trainings sponsored by the IIA, the American Society of Women Accountants, the American Society of Public Administration, the Association of Governmental Accountants (AGA), Texas State University, and the Texas State Auditor’s Office.
- Audit staff enhanced credentials by earning four certifications in Government Auditing (CGAP), two in Internal Auditing (CIA), and one in Business and Organizational Healing.
- Audit staff participated in peer reviews in the City and County of Denver, Colorado; Fort Wayne, Indiana; and Fairfax County, Virginia.
- The City Auditor was selected to evaluate performance reports submitted to the Certificate of Excellence in Service Efforts and Accomplishments Reporting awards program sponsored by the Governmental Accounting Standards Board (GASB) and the AGA.
- The City Auditor co-authored a book on the role of auditors in government performance measurement and reporting, to be published by the IIA in 2004.

OFFICE OF THE CITY AUDITOR
Calendar Year 2003 Projects

Scheduled Audits

Citywide Ethics
Property Tax Annexations
Property Tax Exemptions
Aspects of Sales Tax Revenue
Sales Tax: Annexation Timeliness
Sales Tax: Potentially Non-Permitted Businesses
Public Safety-RDMT (Phase I)
Public Safety-RDMT (Phase II)
Austin Energy Account Collections and Bad Debt Expense
Austin Energy GreenChoice
Austin Energy Debt Management Fund
Rental Housing Development Assistance
Three-Year Citywide Risk Assessment – Year One
Workers' Compensation Duplicate Payments
Capital Improvement Project (CIP) Audit Clauses
Employee Safety: Parks and Recreation Department Audit Follow-Up
DOT Compliance Management Letter
United Healthcare Contract Review
Underway: Law Department Audit, AE ERCOT Billing Audit, & Solid Waste Services Safety Follow-Up

Investigations

Proactive fraud detection
Investigation of allegations of fraud, waste, and abuse
Support of the Management Integrity Committee
Support to other agencies

Assistance Projects

Cultural Arts Consultant Contract
City Manager Innovation Initiative
Residential Historical Exemptions
Boards & Commissions Task Force Support
Employee Account Collections Update
Austin Energy Reserves

Internal Capacity Improvements

Peer Review
Restructuring of Support Services
Continued Support of In-house Training Program
Updated Policies & Procedures: Audit Guide, Work Paper Reference Manual, Style Manual,
and Policies to reflect revisions to Government Auditing Standards

OCA's Fraud, Waste, and Abuse Hotline: (512) 478-1101

For additional copies of this CY 2003 Accomplishments Report, please call (512) 974-2805
or visit our website at www.ci.austin.tx.us/auditor

