



CITY OF AUSTIN

OFFICE of the CITY AUDITOR

Calendar Year 2004 Accomplishments

*We make Austin City Government
better and more accountable.*

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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 2004. These services included Audits, Investigations, and Assistance.

Our Assistance services were significantly downsized in 2003, with Audits and Investigations comprising our core services. We continued to strengthen our internal service delivery structure to maintain capacity for providing OCA's direct services. This is OCA's first full Calendar Year accomplishments report, following conversion from a Fiscal Year service plan to a Calendar Year service plan in 2003.

Ongoing Initiatives

Our ongoing initiatives in 2004 focused on audit coverage, support of the ethical climate, identification of fiscal opportunities, and leadership in the auditing profession.

- **Austin Energy:** We continued to provide an independent audit presence at Austin Energy, conduct ongoing risk assessment, and expand our work to include audits at the power plants.
- **Ethics:** We supported the City Manager's Ethics Initiative, which included creation of a new Citywide Ethics Office. We assisted HRD's Organizational Development Administration with enhancing the ethics training for New Employee Orientation and the Supervisor's Academy. We also worked with APD and HRD on strengthening relationships and better defining roles and responsibilities in reporting and investigating fraud allegations. In addition, we initiated the detection and follow through components of our efforts to support the City's integrity management system.
- **Internal Audit:** OCA continued to support the City's Corporate Audit function and the internal audit functions at Austin Energy, Aviation, and Austin Water Utility by sharing OCA resources and training and offering information on best practices.
- **Fiscal Opportunity:** With ongoing budget challenges facing the City, we conducted several audits aimed at identifying fiscal opportunities for revenue enhancement and cost savings.
- **National Leadership:** We continued to provide national leadership to the government auditing profession.

Accomplishment Highlights:

Key Results

Performance Results 2004	CY04 Target	CY04 Actual
Council satisfaction with OCA services	3.0	3.46
Council customer satisfaction with the extent to which OCA has addressed significant City issues	3.0	3.33
Council customer satisfaction with contribution to improved accountability	3.0	3.67

(Satisfaction ratings are on a scale of 1-4, with 4=Excellent, 3=Good, 2=Fair, 1=Poor)

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Calendar Year 2004 Highlights

Audit Services

Performance Results 2004	CY04 Target	CY04 Actual
Percent of recommendations management agrees to implement	95%	94.5%
Number of audit project outputs completed	19	18

Audit Highlights:

- **CIS Billing of the Anti-litter Service (ALS) Fee Audit:** Through this audit, we identified over \$211,000 in unbilled ALS fees resulting from not billing or late initiation of billing for some eligible accounts. Recommendations addressed ways to make the process for identifying and billing residential and commercial utility customers more systematic and complete.
- **CIS Billing of the Drainage Utility Fee and Transportation User Fee Audit:** *This report was deemed a privileged and confidential attorney-client communication and was presented in executive session of the Audit and Finance Committee.* The audit recommended ways to strengthen the City’s process for identifying and billing eligible commercial and residential utility customers. Impact of implementing a more systematic and complete process is estimated to be significant.
- **Opportunities for Youth Dropout Prevention and Juvenile Justice Follow-Up Audit:** We found a continued need for collaboration and coordination among the many local agencies involved to effectively address juvenile crime, dropout, and truancy issues in Austin. Management level staff from various youth agencies had functioned for several years as a collaborative workgroup focusing on issues and strategies addressing common juvenile justice issues, but disbanded in 2000. This follow-up helped support the Austin Police Department’s initiative to revive and reestablish multi-agency commitment and participation to address juvenile justice issues.
- **Citywide Overtime Audit:** We found that Austin’s budgeted departmental overtime was again approaching previous high levels after having been reduced over the last two fiscal years, although spending was in line with other cities. For the units we examined, controls over the individual use of overtime were incomplete and inconsistently enforced. Recommendations addressed improving authorization controls, strengthening monitoring of individual overtime use, and improving consistency in handling reimbursable overtime.
- **Law Department Service Delivery Audit:** We reviewed how well Austin’s Law Department is meeting needs in three areas: client services and performance, use of outside counsel, and staffing and professional development. Recommendations addressed improving client service in weak areas, collecting more meaningful information on performance, improving management of outside counsel contracts, and identifying ways to encourage in-house expertise in high demand areas.
- **311 Citywide Customer Information Center (CIC) Implementation Audit:** We confirmed system features and City service areas being implemented in Phase I, assessed project risks, and provided early feedback before scheduled go-live. We found that management’s implementation approach was sound, although a comprehensive plan for fully developing system potential was still needed. Recommendations aimed at successfully completing Phase I and achieving full system potential, capturing and appropriately reporting cost, and addressing other identified risks.
- **Austin Water Utility EPA Compliance Risk and Vulnerability Assessment:** We assessed risks related to the Utility’s efforts to achieve compliance with an EPA order related to sewer overflows. We identified ten high risk areas and evaluated efforts in place to address these risks. Ultimately, we determined that the Utility is working to address all identified risks; we surfaced three risk areas where these efforts may not be sufficient to mitigate them.
- **Austin Energy (AE) Chiller Billings Audit:** *This report addressed competitive matters and was presented in Audit and Finance Committee executive session.* We provided assurance that billings for chilled water services were timely, accurate, and complete. Recommendations addressed contract compliance and pricing structures to ensure that the chilled water system goals would be achieved.

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Audit Highlights, continued:

- **Electric Reliability Council of Texas (ERCOT) Billing and Settlement System Audit:** We found that AE has controls in place that provide reasonable assurance that payments to and from ERCOT are correct. We made recommendations to provide additional assurance to City Council regarding transactions with ERCOT.
- **Solid Waste Services (SWS) Employee Safety Follow-Up Audit:** We found significant safety performance improvements at SWS since the original 2001 audit: The lost-time injury rate had dropped by 50 percent, and efforts were underway in all areas of safety management to improve performance and achieve the spirit of the original audit recommendations.
- **Other Audit Projects:** Other audit project outputs completed in 2004 included year two of the three-year Citywide Risk Assessment, Planting for the Future Sources and Uses of Funds audit, Fee Structure Review, Management Letter to HRD on Employee Safety, Watershed Project Distribution report, partnered audit with AE Internal Audit of South Texas Project (STP) Contract Compliance, and Survey of Strategic Planning Risks related to AE CIP.

Investigations

Performance Results 2004	CY04 Target	CY04 Actual
Percent of cases investigated to completion where accountability action occurs	57%	64.0%
Dollar impact (savings, recoveries, restitutions, etc.)	\$275,000	\$746,954

Investigative activity resulted in the following:

- **Cases:** 25 cases investigated to completion and 14 cases of completed assistance to other agencies.
- **Recoveries:** \$746,954 in recoveries were identified in the form of restitution, disallowed costs, or fees due to the City 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:** We 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 2004	CY04 Target	CY04 Actual
Customer satisfaction that previously agreed-to results were achieved from assistance projects	3.0	4.0
Number of assistance products delivered as specified in assistance agreements	1	1

2004 Assistance:

- **Assistance to AFS3 Implementation:** We facilitated risk assessment with the project team on the upgrade of the City's financial system from AFS2 to AFS3, including the integration of a new inventory management system with AFS3. Risks that could impact the project success were assessed, and strategies were identified to mitigate the risks identified.

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Calendar Year 2004 Highlights

Internal Capacity – Supporting Service Delivery

Performance Results 2004	CY04 Target	CY04 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)	75%	53%
Employee turnover rate	10%	20.4%

Highlights:

- **New City Hall:** Audit staff celebrated the historic moment—moving into the same building as our City Council customers! We anticipate that co-location will enhance our own ability to provide timely and high-quality service.
- **Reinstating OCA’s Career Ladder:** After a multi-year freeze on pay increases and promotions on OCA’s career ladder due to City budget constraints, we were able to reinstitute our career ladder promotion system in the last quarter of the calendar year to retain and recruit talented staff.
- **Workforce Survey:** The OCA employee satisfaction and commitment rating was the lowest in the City, down to 53% from 74% in 2003 and 92% in 2002, in part reflecting dissatisfaction with pay and promotion opportunities. We are initiating an internal survey to identify employee concerns and assess ways to strengthen morale.

On the positive side, OCA’s ratings in Department Ethics, Department Performance Measures, and Employee Recognition remained strong and were the highest in the City.

2004 Workforce Survey - % Positive Responses	City-Wide	OCA
Department Ethics	61%	82%
Department Performance Measures	49%	81%
Employee Recognition	38%	69%

- **Staffing:** Turnover was up to 20.4% from 9.5% in FY 2003. Four individuals left the office in 2004.
- **Employee Recognition:** We strengthened our efforts in this area by increasing management attention to giving employee recognition throughout the year and resuming our off-site annual awards retreat.

Leadership and Professional Development

Highlights:

- OCA audit staff actively supported the auditing profession by chairing or serving on boards of directors or committees of professional audit-related organizations, including the National Association of Local Governmental Auditors; the Southwest Intergovernmental Audit Forum; the U. S. Comptroller General’s Advisory Council on Government Auditing Standards; the Institute of Internal Auditors (IIA), the National Association of Black Accountants, and the Association of Certified Fraud Examiners.
- Audit staff presented at conferences and trainings sponsored by OCA, the IIA, the American Society of Women Accountants, the Texas Society of CPAs, the Texas State Auditor’s Office, the Urban and Regional Information Systems Association (URISA), Houston-Tillotson College, Texas Southern University, and Texas Student Guaranteed Loan Corporation.
- Audit staff enhanced credentials by earning one certification in Government Auditing (CGAP), two in Fraud Examination (CFE), and one in Control Self-Assessment (CCSA).
- Audit staff led peer reviews of audit offices in Montgomery County, Maryland and Suffolk County, New York.
- Audit staff authored articles published in the *Journal of Government Financial Management*, the IIA’s *Internal Auditor*, and the *IIA Educator*.

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Calendar Year 2004 Projects

Scheduled Audits

CIS Billing of the Anti-Litter Service Fee Audit
CIS Billing of the Drainage Utility and Transportation User Fees Audit
Opportunities for Youth Dropout Prevention and Juvenile Justice Follow-Up Audit
Citywide Overtime Audit Risk Assessment
Citywide Overtime Audit
Law Department Service Delivery Audit
311 Citywide Customer Information Center (CIC) Implementation Audit
Austin Water Utility EPA Compliance Risk and Vulnerability Assessment
Employee Safety: Solid Waste Services Follow-Up Audit
Austin Energy Chiller Billings Audit
ERCOT Billing and Settlement System Audit
STP Contract Compliance – Overview of partnered work at AE Internal Audit
Survey of Strategic Planning Risks – Austin Energy CIP Audit
2004 Citywide Risk Assessment
Planting For the Future: Sources and Uses of Funds Audit
Fee Structure Review
Management Letter to HRD on Employee Safety
Watershed Project Distribution Report
Underway at Year-End: Public Safety Service Delivery Model Audit of EMS;
EMS Employee Safety Follow-Up Audit; Sole Source Contracting Alert; Sales Tax Audit;
AE Green Choice Follow-Up Audit; Power Generation – Fayette Efficiency & Safety Audit;
and Municipal Court Risk and Vulnerability Assessment

Investigations

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

Assistance

AFS3 Assistance

Internal Capacity Improvements

Co-location of OCA with Council Customers at New City Hall
Reinstituting OCA's Career Ladder
Employee Recognition
Continued Support of In-house Training Program

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

For additional copies of this CY 2004 Accomplishments Report, please call (512) 974-2805
or visit our website at www.ci.austin.tx.us/auditor

