



**CITY OF AUSTIN**

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**Office of the City Auditor**



# **Revised Annual Service Plan**

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**Austin, Texas**

**Fiscal Year 2007**

**City Auditor**  
**Stephen L. Morgan, CIA, CFE, CGAP, CGFM**

**Deputy City Auditor**  
**Colleen G. Waring, CIA, CGAP**

A full copy of this report is available for download at our website:  
<http://www.ci.austin.tx.us/auditor/performance.htm>. You may also contact our office by email at  
[oca\\_auditor@ci.austin.tx.us](mailto:oca_auditor@ci.austin.tx.us).

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November 14, 2006

To: Mayor and Council Members

From: Stephen L. Morgan, City Auditor

Subject: FY 2007 Service Plan – Revised November 14, 2006

Thank you for your assistance in developing our FY 2007 Service Plan. This plan replaces the plan approved by the Audit and Finance Committee at the July 25<sup>th</sup> meeting and issued August 9, 2006. The only change in this plan is to substitute the “homeland security sources and uses of funds” project with the “public safety assessment” consulting project. We will be conducting projects in the following seven areas:

- Improve effectiveness of City programs and activities
- Improve economy and efficiency of the City in managing resources
- Promote honesty and openness in conduct of City business
- Information Technology processes and systems
- Austin Energy programs and activities
- Follow-up verification: Verify reported implementation status for prior audit recommendations
- Strengthen OCA’s capacity for leadership and innovation through assistance to Council or management

This plan incorporates additional resources which were included in the City’s FY 07 approved budget.

- Adding one FTE to continue the Austin Water Utility Audit Initiative.
- Converting one temporary position to a permanent position in order to continue the Revenue Audit initiative.
- One-time addition of \$35,000 to allow hiring a \$65,000 consultant, of which approximately \$30,000 we already have in our consulting budget.
- One-time addition of \$200,000 to hire public safety consultant.

I would appreciate your continued support for these items and look forward to working with you on our audit, assistance, and investigative projects.

cc: Toby Futrell, City Manager  
Laura Huffman, Assistant City Manager  
Michael McDonald, Assistant City Manager  
Rudy Garza, Assistant City Manager  
Bert Lumbreras, Assistant City Manager  
John Stephens, Chief Financial Officer  
Kristen Vassallo, Chief of Staff  
Juan Garza, General Manager, Austin Energy  
David Smith, City Attorney

Office of the City Auditor  
FY 2007 Service Plan

PG #	Performance Goals & Strategies	FY 2007 PROJ BUD	COMMENTS
<b>Improve effectiveness of City programs and activities</b>			
5	Management and Support of Public Safety Assessment	2,500	Public Safety assessment will be conducted by outside consultants managed and supported by OCA staff. Replaces Homeland Security Sources and Uses of Funds.
5	AWU Vulnerability Assessment (Carryover)	2,000	Will acquire services of engineering consultant to assist with the evaluation of controls over those areas of construction and safety management where engineering expertise is required.
5	Police Recruiting and Training (Carryover)	1,000	
<b>Improve economy and efficiency of the City in managing resources.</b>			
6	Purchasing – High-Risk Series #2	2,000	
6	Purchasing – High-Risk Series #1, SMBR (Carryover)	500	
<b>Promote honesty and openness in conduct of City business</b>			
7	Integrity Unit	5,500	
<b>Information Technology</b>			
7	E-Government: Scope of Services	1,500	
7	Data reliability: AMANDA and AFS3	1,700	
<b>Austin Energy</b>			
8	AE Series (Revenue & Bad Debt, Contract Management)	3,000	
8	AE Environmental Remediation/Hazardous Waste Mitigation (Carryover)	500	
<b>Follow-Up Verification: Verify reported Implementation status for prior audit recommendations</b>			
9	Rental Housing Development Contract Monitoring	1,000	
9	Fleet – Follow Up Audits	1,000	
<b>Strengthen OCA's capacity for leadership and innovation through assistance to Council or Management</b>			
10	Assistance to Council and Management	1,500	
10	Administrative hours	750	
<b>TOTAL HOURS</b>		<b>24,450</b>	
<b>FTEs (at 1500 direct hours available per FTE)</b>		<b>16.30</b>	

<b>24,450</b>	<b>Max avail hours</b>
<b>16.3</b>	Authorized FTEs
	(20.3 less Admin -2.0, Exec.Mgt-2)

Black = Proposed new project; Red = Carryover project from FY06; Blue = Continuing responsibility

Office of the City Auditor  
 FY 2007 Service Plan  
**Proposals for Added Capacity for FY 2007**  
*To be considered during the FY 2007 Budget Deliberations*

PG #	Performance Goals & Strategies	FY 2007 PROJ BUD	COMMENTS
<b>Improve effectiveness of City programs and activities</b>			
11	Priority 1: Austin Water Utility: Audit Initiative	1,500	1 FTE <i>Included in FY 07 Forecast as "Strategic Rebuilding."</i>
<b>Improve economy and efficiency of the City in managing resources.</b>			
11	Priority 2: Revenue Audit Services	1,500	1 FTE <i>Included in FY 07 Forecast as "Strategic Rebuilding." Propose converting existing temporary to regular position.  Anticipate that position would generate additional revenue to offset the cost of the enhancement.</i>

PROJECT	HOURS	COMMENTS
<b>Improve effectiveness of City programs and activities</b>		
<b>Public Safety Assessment *</b>	2,500	Implement City Council passed Resolution No. 20060831-03 on August 31, 2006 to solicit, negotiate, and execute a contract with consultants having expertise in public safety operations and administration to conduct an independent assessment of public safety in the City of Austin.
<b>Austin Water Utility (Carryover)</b>	2,000	Complete audit begun in second half of FY 2006.
<b>APD Police Training and Recruiting (Carryover)</b> <ul style="list-style-type: none"><li>○ Compare APD's current practices to best practices for achieving Training and Recruiting goals</li><li>○ Review current performance measures for utility by decision makers</li></ul>	1,000	Complete audit begun in second half of FY 2006.
<b>* Replaces Homeland Security Sources and Uses of Funds.</b>		

PROJECT	HOURS	COMMENTS
<b>Improve economy and efficiency of the City in managing resources</b>		
<b>FASD: Purchasing – High-Risk Series #2</b> Conduct audits of high-risk areas within the City’s purchasing function. Areas will be selected using risk information collected as part of the Citywide Risk Assessment, past audits, and the FY06 Purchasing Audit.	2,000	Continuing audit initiative from FY 2006, for audits in high-risk areas identified by OCA’s 2006 Citywide Risk Assessment.
<b>FASD: Purchasing – High-Risk Series #1, SMBR (Carryover)</b> Complete first in series of audits of purchasing function, focused on Small and Minority Business participation.	500	Complete audit begun in second half of FY 2006.

PROJECT	HOURS	COMMENTS
<b>Promote honesty and openness in the conduct of City business</b>		
<b>City Auditor's Integrity Unit</b>	5,500	
<ul style="list-style-type: none"> <li>○ Prevention: training, newsletter</li> <li>○ Detection: fraud hotline</li> <li>○ Investigation and audit work</li> <li>○ Follow through: controls reviews</li> <li>○ Management Integrity Committee support activities</li> </ul>		
<b>Information Technology</b>		
<b>E-Government: Scope of Services</b>	1,500	Determine the scope of e-government services available to citizens and contractors, and compare to e-government services in best-practice cities.
<b>Data Reliability Testing</b>	1,700	<p>All users of the data from these systems need to be sure that the data obtained from them is accurate, complete and timely.</p> <p>Data from these systems will be used by City decision makers and by those members of the community who interact with the business of the City.</p> <p>Yellow Book Standards require that any data used in support of audit findings must be tested for reliability.</p>
<ul style="list-style-type: none"> <li>○ Amanda</li> <li>○ AFS3</li> </ul>		

PROJECT	HOURS	COMMENTS
<b>Austin Energy</b>		
<b>AE Series</b>	3,000	Continue AE audit initiative funded by expense refund.
To what extent is AE maximizing its financial position.		
<ul style="list-style-type: none"><li>• Is it collecting all the revenue to which it is entitled from various fees?</li><li>• Is it leaving money sitting idle in completed CIP projects?</li></ul>		
Are third party contractors providing services in compliance with contracts or in a way that achieves the desired goals of the program?		
<ul style="list-style-type: none"><li>• Conservation rebates</li><li>• Meter reading</li><li>• Tree trimming</li></ul>		
<b>Environmental Remediation/Hazardous Waste mitigation (Carryover)</b>	500	Complete work on FY 06 audit.
<ul style="list-style-type: none"><li>○ Audit AE's environmental monitoring program to determine whether environmental risks are appropriately monitored and reported on.</li></ul>		

**Follow-Up Verification: Verify reported implementation status for prior audit recommendations**

**Rental Housing Development Contract Monitoring**

In 2003, OCA issued a report on NHCD's Rental Housing program that contained twelve recommendations directed at improving controls over rental housing lending. We will follow-up on selected recommendations to determine their implementation status.

1,000 Routine follow up on prior audits is required by Government Auditing Standards.

**Fleet –Follow Up**

Conduct follow-up work to determine whether recommendations issued in 2001 audits of Fleet activities have been implemented.

1,000 Routine follow up on prior audits is required by Government Auditing Standards.

**Strengthen OCA's capacity for leadership and innovation through assistance to Council or Management**

**Assistance to Council** 1,500

- Information Provision
- Information Verification

**Assistance to Management**

- Training (writing skills, preparing for audit)
- Advisory assistance (monitoring techniques, surveys)

**Administrative Hours** 750

PROJECT	HOURS	COMMENTS
<b>Propose for FY 2007: To be considered during FY 2007 Budget Deliberations</b> <b>Ongoing risk and vulnerability assessment and increased audit coverage of Austin Water Utility, and Revenue audit function.</b>		
<b>Austin Water Utility - Ongoing Audit Presence</b> Ongoing audits in Austin Water Utility with role and responsibilities similar to the Austin Energy Audit Initiative. <ul style="list-style-type: none"> <li>• 1 FTE</li> <li>• Engineering expertise (consulting assistance)</li> </ul>	1,500	With the 2 <sup>nd</sup> highest operating budget in the City, an aging and troubled infrastructure that is critical to the health and safety of the citizens, and uncertain future capacity and needs, the Austin Water Utility represents a collection of risks and vulnerabilities that will require stakeholder and decision maker attention now and for several years into the future.  In addition to funding a new FTE, OCA's FY 07 Budget included an enhancement of \$35,000 one-time consultant funds to support hiring an engineering consultant for this project. These supplemental funds were combined with funds in OCA's base budget.
<b>Revenue Audit Services</b> <ul style="list-style-type: none"> <li>• 1 FTE</li> </ul>	1,500	Identify and initiate audits of revenue-generating activities in the City, such as the franchise fee activities, and continue to conduct hotel tax audits. In addition, conduct follow-up work to determine progress on past revenue audit recommendations (e.g. Sales Tax, Property Tax, Hotel Tax Administration).