

Office of the City Auditor

Kenneth J. Mory, City Auditor



OUR VISION IS TO
CONTINUALLY EARN THE TRUST
OF THE CITY'S COUNCIL,
CITIZENS, AND EMPLOYEES.

Austin City Council



Lee Leffingwell
Mayor



Sheryl Cole
Mayor Pro Tem
Place 6



Chris Riley
Council Member
Place 1



Mike Martinez
Council Member
Place 2



Kathie Tovo
Council Member
Place 3



Laura Morrison
Council Member
Place 4



Bill Spelman
Council Member
Place 5

ACCOMPLISHMENTS REPORT 2011

The City Council's vision for the City of Austin is to be the most livable City in the country. The Office of the City Auditor's mission is to assist the Council in achieving that vision by promoting transparency, accountability, and continuous improvement through excellence in audit and investigative services.

This report highlights our office's annual contributions to making Austin the most livable City.

This year our key contributions were to assist the City Council in improving public service delivery to the citizens of Austin. We focused on enhancing the efficiency and effectiveness of City operations, ensuring compliance with laws and City policies, and optimizing City revenue, including reducing the risk of loss or abuse of assets and correcting wasteful practices. Our resulting recommendations increased the City's responsiveness to citizens and assisted the City Council in achieving its oversight responsibilities by providing transparency, accountability, and improvement in City operations and integrity issues.

Our work in FY 2011 was driven by the City Auditor's annual Strategic Audit Plan (SAP). The SAP process utilizes a horizon risk-based approach to assist us in identifying high-impact projects or categories of projects over a five year period, that will help improve the efficiency, effectiveness, and transparency of City services.

This report is organized around four main focus areas: continuous improvement; accountability & transparency services provided; professional competencies; and financial results.

CONTINUOUS IMPROVEMENT

In FY 2011, the City Auditor looked to build upon successes from the previous year and continued to focus on improving the efficiency and effectiveness of our office. We were able to further improve our productivity by streamlining our audit process while emphasizing on-time delivery of projects within budget hours projections; shortening our report format; and focusing on key processes and key risks. Additionally, we successfully implemented an automated audit project management system which contributed to improved efficiency and consistency. Further, we established a Quality Assurance Coordinator position to assist with monitoring the quality of outputs and compliance with government auditing standards.

We initiated a competency initiative to focus our development plans on those competencies needed to achieve the five year audit plan. We updated our job descriptions to reflect preferred and required certification levels, and are currently in the process of revising our performance appraisal approach and developing new auditor training requirements that focus on the priorities identified in the strategic audit plan. We also developed a process to identify the gap between required and existing competencies held by staff.

ACCOUNTABILITY AND TRANSPARENCY

AUDIT SERVICES

In FY 2011, we completed 30 audit products, including performance audits, IT related audits, and reviews of specific issues brought to our attention by Council. Our audits addressed key Council interests, such as:

- Community Impacts (Water Treatment Plant 4 Cost Review and Board and Commissions Audits)
- Economic Initiatives (Hotel Occupancy Tax Audits and Customer Care & Billing System Audits)
- Critical Infrastructure Systems (Citywide Disaster Recovery and Business Continuity Planning Audit and Traffic Signal Security Audit)
- Contract/Grants Monitoring (Aramark Contract Audit and American Recovery and Reinvestment Act Audits)
- Sustainability/Environmental Programs (Citywide Fuel Cost Audit and Hazardous Material Waste Disposal Audit)
- Public Safety (Code Compliance Department Follow-Up Audit and Audit of Employee Safety in the Austin Water Utility, Public Works and Parks and Recreation Departments)

Below are some examples of the type of audits we perform.

Water Treatment Plant 4 Cost Review: At the request of the City Council's Audit and Finance Committee and to assist the City Council in deciding whether to continue construction of WTP 4, we conducted a review of the Financial Report on Postponement of WTP 4 completed by consultants. Based on our work, we determined that \$100 million of the costs identified for a 5-year deferral, and \$155 million of the costs identified for a 10-year deferral, net of labor savings, were reasonable.

Customer Care & Billing (CC&B) System Project Management Audit: We reviewed project management for the CC&B project to identify potential risks to the successful implementation of the billing system. We found that the project was behind schedule, possibly resulting in late delivery, reduced functionality, and/or cost overruns. In addition, the project lacked some elements of project management best practices. We recommended that CC&B project management validate a new go-live date and address departures from project management best practices.

Aramark Contract Audit: We found that the Convention Center Department did not fully comply with contractual and City requirements for internal controls regarding the contract with Aramark, including the absence of annual, independent, certified audits of Aramark's operations; as a result, the City could not assure the validity of the revenues received from Aramark. We recommended establishing appropriate segregation of duties and strengthening controls over the Aramark contract.

Employee Safety Audit: We found that worker safety programs at the Austin Water Utility, Parks and Recreation Department, and Public Works Department were established but each lacked some elements of OSHA best practices. We also identified one issue regarding improper storage of chemicals at a PARD facility. We recommended that each department implement a system of accountability for safety measures and safety training, and that the PARD address the identified chemical storage issue.

Hazardous Material Waste Disposal Audit: Despite a written policy for a centralized disposal program, this audit found that individual departments currently have responsibility for hazardous material waste disposal. We also found that departments' management of such waste varies in effectiveness, and that some departments need to make improvements to comply with laws, rules, and regulations.

Citywide Disaster Recovery and Business Continuity Audit: We evaluated the City's disaster recovery planning efforts and made recommendations to address vulnerabilities identified.

All audit outputs are available on our website at: www.austintexas.org/auditor

In FY 2011, we issued a total of 53 recommendations that can improve the effectiveness, accountability, and transparency of City programs and provide quality information to the City and its citizens.

Who Audits the Auditors?
As required by the U.S. Comptroller General's **Generally Accepted Government Auditing Standards**, we underwent a **peer review** in 2009 conducted through the Association of Local Government Auditors (ALGA), the goal of which is to assess the quality of our audits and the competence of our professional staff. The review found our office in **full compliance** with standards. Our next peer review is scheduled for September 2012.

What do auditees say about our work? *

"Constructive recommendations that will help the organization be more efficient."

"This has been a very positive experience and I appreciate the recommendations from the audit, it helped focus positive changes."

"I have been through an audit by the City Auditor's Office before which felt like a witch hunt. This was positive and constructive. The change in culture over time was very impressive."

*Comments from Auditee Feedback Questionnaires for FY 2011 projects.

SIGNIFICANTLY EXCEEDED FY 2011 AUDIT PERFORMANCE TARGETS

We significantly exceeded targets for key audit performance measures including the number of outputs, hours per audit, unit cost, and audit effectiveness as shown below:

Unit Cost	Budget	Actual
Cost Per Audit	\$61.3k	\$53.9k

Audit Effectiveness	Budget	Actual
Recommendation Concurrence	90%	100%
Council Satisfaction with Audit Services (4 point scale)	3.00	3.66

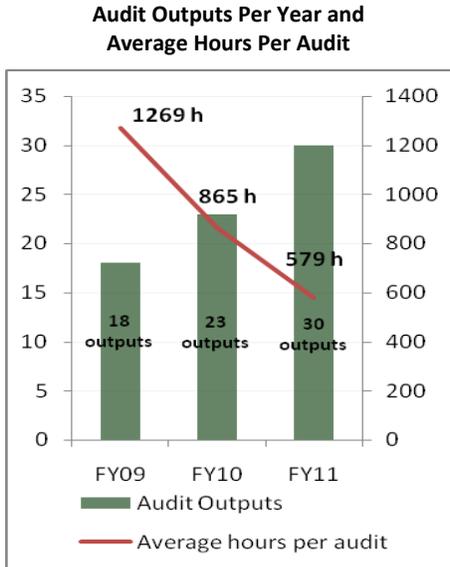
INTEGRITY SERVICES

In FY 2011, the City Auditor's Integrity Unit (CAIU) conducted multiple integrity related projects to help improve accountability and transparency in the City of Austin. Through these projects, the CAIU helped improve ethics City-wide by maintaining a visible integrity system and ensuring compliance with applicable policies, laws, and regulations.

The majority of the CAIU's work in FY 2011 involved investigations of fraud, waste, and abuse. The CAIU received 211 allegations, 59 of which were opened for investigation. The remaining allegations consisted of issues in which the CAIU did not have the authority to investigate or determined the issue would be better addressed by management. The CAIU also completed a special request project regarding the City's gain-sharing and bonus compensation programs.

SIGNIFICANTLY EXCEEDED FY 2011 CAIU PERFORMANCE TARGETS

Some key CAIU performance measures include the total number of cases investigated, those completed within 60 days, the cost per case, and Council satisfaction with integrity services:



CAIU Investigations	Budget	Actual
# of cases investigated to completion	50*	61
% of cases investigated to completion within 60 days of initiation	70%	88%

Unit Cost	Budget	Actual
Cost Per Investigation	\$5.2k	\$3.9k
CAIU Effectiveness	Budget	Actual
Council Satisfaction with Integrity Services (4 point scale)	3.00	3.66

*Target for this measure was not recorded accurately in the City's online performance reporting website.

PROFESSIONAL COMPETENCIES

By participating in the professional auditing community and leading standards-setting task groups at all levels, OCA is able to share best practice approaches with top audit departments, identify key risks, and obtain information directly from national and international audit leaders. This allows OCA to build and improve the services we provide in the City of Austin. It also provides an opportunity for staff members to develop their leadership, managerial, and supervisory skills to prepare them for positions of increasing responsibility within the City.

NATIONAL AND REGIONAL LEADERSHIP

Our staff serves in some of the premier audit organizations at all levels, and these are highlighted in the Key Leadership Positions insert at the bottom of this page. Our staff has also published articles in the Association of Local Government Auditors' (ALGA) and had speaking engagements for groups including the Institute of Internal Auditors (IIA), the Austin Chapter of the Association of Certified Fraud Examiners (ACFE), and ALGA. Additionally, OCA staff provided comments on exposure drafts of the proposed changes to the Government Auditing Standards and to the COSO' Internal Control Framework. Highlights are shown in the Publications & Research and Professional Presentation inserts. The article presented at the North American Board (NAB) was key to creating a goal to improve IIA service to governmental entities.

CERTIFICATION, CONTINUING EDUCATION, & DIVERSITY

Professional certification and continuing education are the hallmarks of the government auditing profession. They provide Council and citizens with the assurance that the auditors performing the work have the necessary skills and knowledge to effectively conduct the audit and provide credible results and recommendations. The continuing professional education courses taken by our staff have focused on maintaining core skills and developing the skills necessary for the audits included in our Horizon Audit Plan. OCA has also identified the core certifications our staff should pursue as part of maintaining a high level of competency.

With the exception of one recent hire, all OCA auditors and investigators hold at least one professional certification. Certifications held by our staff include Certified Internal Auditor (CIA) and Certified Government Auditing Professional (CGAP), two internationally-recognized certifications

PUBLICATIONS & RESEARCH

Below are articles and papers authored by OCA Staff during FY 2011:

- *Increasing Public Sector IIA Internal Audit Participation*, Presented to the IIA's North American Board, coauthored by K. Mory
- *Generate Revenues by Geocoding*, Winter 2010 Local Government Auditing Quarterly by N. Marmell
- *Good Old-Fashion Excel*, Summer 2011 Local Government Auditing Quarterly by C. Stokes & M. Wilson
- *Rethinking Fraud Detection*, Fall 2011 Local Government Auditing Quarterly by J. Hadavi

attesting to individuals' competency and professionalism in the auditing field. OCA staff are also Certified Public Accountants (CPA), attesting to their ability to perform attestation and assurance audits; Certified Information System Auditors (CISA), attesting to their ability to conduct IT audits; Certified Internal Controls Auditors (CICA), relating to their expertise in the areas of internal controls including audit, review, design and implementation; and Certified Fraud Examiners (CFE), attesting to their knowledge and expertise as anti-fraud professionals. Staff also hold certifications in related fields such as the CMA (Certified Management Accountant).

We have also sought diversity in the background of our staff. We have auditors with background in statistics, public policy/affairs, public and private accounting finance, budgeting, transportation, health and social services, law, information technology, quality assurance, investigations, urban affairs, organizational dynamics, law enforcement, federal and state auditing, and other specialties. We are continuously assessing our future needs and addressing them in our recruiting and development plans.

PROFESSIONAL PRESENTATIONS

During FY 2011, staff also presented at national, and regional conferences and seminars, including, but not limited to:

IIA - Austin Chapter International Committee Seminar: *The 21st Century Auditor* [K. Mory]

IIA – Albany Chapter's "The Conference that Counts": *Demystifying the IT Audit* [K. Mory]

ALGA National Conference: *Demystifying the IT Audit* [K. Mory]

ALGA National Conference: *Fraud Considerations in Local Government Auditing* [C. Stokes & J. Hadavi]

ACFE - Austin Chapter: *DIY Hotline* [A. Thomas]

IIA - Austin Chapter: *Location, Location, Location: Using GIS in Audits* [C. Stokes & N. Marmell]

IIA - Austin Chapter: *Management Controls: Best Practices* [K. Mory]

KEY LEADERSHIP POSITIONS

Organization	Position	Auditors
Institute of Internal Auditors - International	Public Sector Committee	K. Mory
	North American Board's "Increasing Public Sector IIA Internal Audit Participation" Task Group	K. Mory
	Regional Conference Advisory Board	R. Elizondo
Institute of Internal Auditors - Austin Chapter	President Elect	R. Snell
	Board of Governors	K. Mory
		R. Elizondo G. Rodriguez
	Academic Relations Committee	J. Cruz H. Katumwa G. Rodriguez, Chair
	Regional Conference Committee	R. Elizondo, Co-Chair
Certification Committee	O. Ovcharenko, Chair	
Association of Local Government Auditors	Treasurer	C. Stokes
	Professional Issues Committee	K. Mory
	Publication Committee	C. Stokes M. Wilson
	Awards Committee	J. Hadavi
	Survey Committee	N. Marmell
	Long-term Conference Planning Committee	K. Harrison
Texas State Board of Public Accountancy	CPE Committee	C. Holder

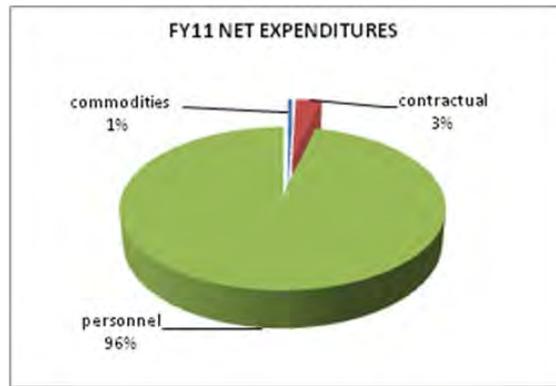
FINANCIAL PERFORMANCE

While we had an unusually high number of recruitments, vacancies and careful stewardship of expenditures resulted in OCA's expenses being about 10 percent less than budget, as shown in the table.

OCA NET EXPENDITURES		
	\$000	FTEs *
FY11 Budgeted	\$ 2,412	25
FY11 Actual	\$ 2,164	25

* OCA also hires subject matter experts on a temporary basis, as well as interns from local colleges and universities.

OCA FY 2011 NET EXPENDITURES



Kenneth J. Mory,
CPA, CIA, CISA, CMA,
City Auditor

OCA STAFF

Kenneth J. Mory, CPA, CIA, CISA, CMA, City Auditor
Corrie Stokes, CIA, CGAP, Deputy City Auditor
Angie Guerrero, Department Executive Assistant

In alphabetical order:

Matthew Cornwall, Auditor
JoJo Cruz, CICA, Auditor
Robert Elizondo, CIA, CGAP, CICA, QA Coord., Acting
Jason Hadavi, CPA, CFE, Assistant City Auditor
Kathie Harrison, CGAP, CFE, CICA, Auditor
Clayton Hoskinson, CFE, CISA, CFCE, Investigator
Charles Holder, CPA, Temporary Auditor
Ben Leffler, Intern
Patrick Johnson, CICA, JD, Auditor
Henry Katumwa, CGAP, CICA, Auditor
Naomi Marmell, CGAP, CICA, Auditor
Kay McAllister, CIA, CGAP, Auditor
Olga Ovcharenko, CGAP, CICA, Auditor
Walt Persons, CPA, CICA, Assistant City Auditor
Niki Raggi, CGAP, CICA, Assistant City Auditor
Gus Rodriguez, CIA, CISA, CGAP, Auditor
Neha Sharma, CIA, Chartered Accountant, Auditor
Karl Stephenson, CGAP, Auditor
Rachel Snell, CIA, CFE, CICA, Assistant City Auditor
Rebecca Takahashi, CGAP, Auditor
Anthony Thomas, CFE, Investigator
Margot Wilson, CFE, CGAP, CICA, Investigator

We assist the City Council and citizens in ensuring that City government is accountable, transparent, and cost-effective.



Office of the City Auditor Contacts

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