

Protecting Tax Dollars

Audit Division presentation to the Budget & Fiscal Affairs
Committee

October 3, 2023

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Agenda

Office of the City Controller - Audit Division (AD)

- City Charter - Article VII, Section 7
- AD Charter & Responsibilities
- AD Organizational Structure
- AD's Audit Process

FY23 Audits

- Report #2023 - 09: GSD Building Security

FY24 Audits

- Report #2024 - 01: Annual Audit Plan FY24
- Report #2024 - 02: Houston Parks (HPARD) Follow-Up Audit

Questions/Discussion



City Charter

Section 7. - Audits.

The City Controller shall be responsible for conducting internal audits, in accordance with professionally recognized auditing standards, of the operations of all City departments, offices, agencies and programs. The scope of internal auditing shall encompass an objective and systematic examination of evidence to provide an independent assessment of the efficiency and effectiveness of the city's system of internal controls and the quality of performance based on quantifiable criteria in meeting objectives. Nothing in this section shall extend the authority of the City Controller to initiate or implement policy beyond the financial oversight already granted by the Charter. (Added by amendment November 2, 2004)



Audit Division Charter

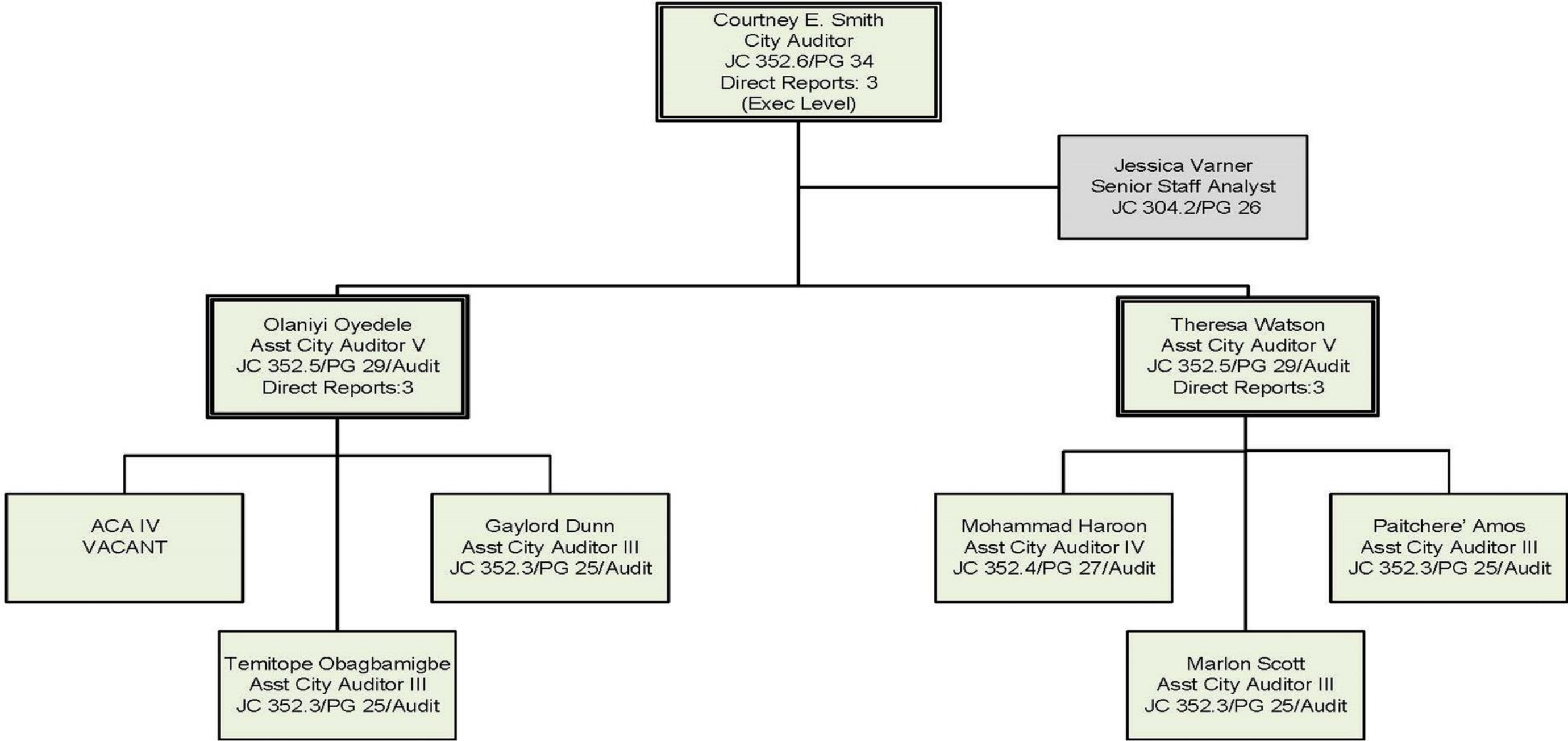
The International Standards for the Professional Practice of Internal Auditing (The Standards) as issued by the Institute of Internal Auditors (IIA) requires the Audit Organization to: define the mission, scope, authority, responsibility, and accountability of the Internal Audit (IA) function using a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes, and incorporating a Code of Ethics of the IIA by adopting an Internal Audit Charter. The [Audit Division \(AD\) Charter](#) is the commitment by all relevant parties to support and execute these activities correlated to items specified within this document and as expressed in the City of Houston's (City) Charter, [Article VIII, Section 7](#). This qualification pertains to limiting scope of operational control over Departments outside of the City Controller.



Professional Affiliations



Audit Division



**As of August 7, 2023*



Audit Division Responsibilities

- **Internal Audits**
- **Follow-up Audits**
- **Enterprise Risk Assessment (ERA)**
- **Quality Assurance (QA)**
- **Annual Audit Plan**
- **Fraud Hotline**
- **Contract Administration**
- **Controller's Pay or Play (POP) Liaison**

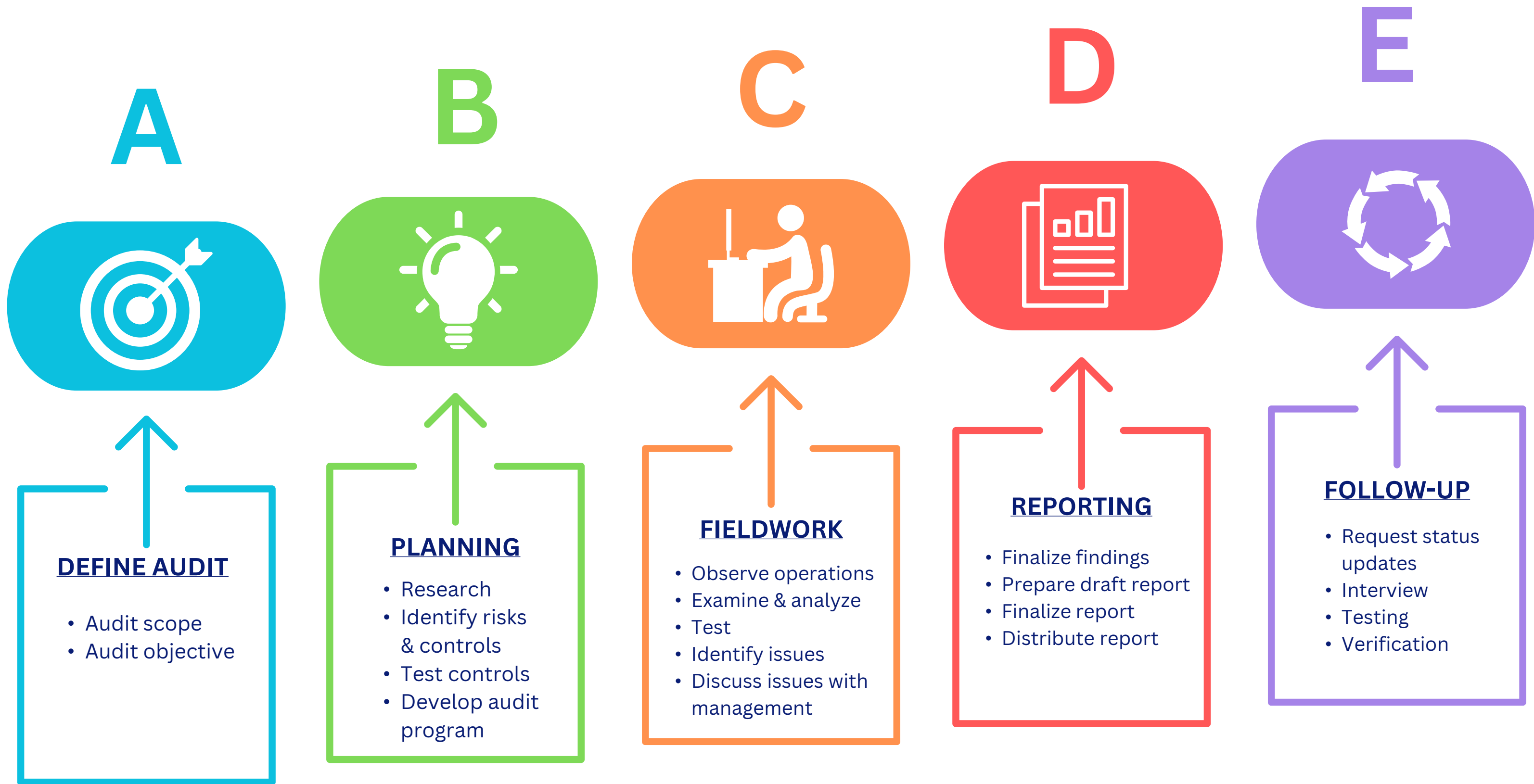


Audit Division Fraud Report

Fiscal Year 2023			
Quarter	Received	Closed	Outstanding
Q1	39	36	3
Q2	41	41	0
Q3	59	57	2
Q4	30	30	0
Total	169	164	5



The Audit Process



Audit Results

- **Direct Financial Impact**
- **Indirect Financial Impact**
- **Non-Financial Impact**



Audit Report #2023-09

General Services (GSD) Building Security

Objective/Scope:

- **To determine the existence of policies, procedures and practices currently in place to ensure the security of City facilities, employees and the public.**
- **To determined whether the contracted security service is performing in accordance with the security services agreement.**
- **Added to the Audit Plan in FY 2021.**

Findings:

- 1. Former employees not deleted from security badging system.**
- 2. Security contractor training not occurring as required in the services agreement.**
- 3. Unauthorized building access through unsecure entrance.**
- 4. Security contractor “Daily Logs” incomplete.**



Audit Report #2023-09

General Services (GSD) Building Security Continued...

Recommendations:

- 1. Perform a system audit of the badging process to determine deficiencies in the process;**
- 2. Coordinate with HR to develop a process to ensure timely termination of access for employees who separate from the City;**
- 3. Enhance monitoring of security officer training by implementing a continuous review process;**
- 4. Maintain documented evidence of security officer training;**
- 5. Reiterate expectations and the requirement that security officers complete electronic logs and/or rounds daily; and**
- 6. Review contractor logs periodically to verify contractor compliance with the security services agreement.**



Audit Report #2024-01

FY 2024 Annual Audit Plan

Objective/Scope:

- A flexible commitment that establishes areas to be prioritized for audits in accordance with the responsibility and authority identified in the City Charter.

Process:

- Annual Enterprise Risk Assessment (ERA);
- Input from City Council;
- Input from department management;
- Input from constituents; and
- Results from previous audits.

**Audit Plan monitored and revised as necessary due to requests for audit services, required testing and strained budgetary capacity.*



Audit Report #2024-02

Houston Parks (HPARD) Follow-Up Audit

Follow-Up Audit Basics:

- Procedures to ensure corrective actions are taken related to issues reported in previous audits which include the status of each open item/finding and the adequacy of the department's remediation to resolve open finding(s).

Objective/Scope:

- Evaluate remediation efforts taken by GSD in response to Audit Report #2009-02 (“Vehicle Allowance Program Audit”) and Audit Report #2017-09 (“Cash Handling Processes - Performance Audit”).

Findings:

1. Finding for Report #2009-02 has a status of “Not Implemented” and will remain open.
2. Findings for Report #2017-09 have a status of “Fully Implemented” and are considered closed.

Audit Report #2024-02

Houston Parks (HPARD) Follow-Up Audit Continued...

AUDIT REPORT 2009-02

Report # 2009-02: Original Audit Report
4 Findings

Report # 2012-08: Follow-Up Report
1 Finding Closed, 3 Findings Remain Open

Report # 2014-07: Follow-Up Report
1 Finding Closed, 2 Findings Remain Open

Report #2020-08: Follow-Up Report
1 Finding Closed, 1 Finding Remains Open

Discussion



Thank You

Chris B. Brown

City Controller

Courtney Smith, CPIA, CIA, CFE

City Auditor

Audit reports can be found at:

www.houstontx.gov/controller/audit

