AUDIT REPORT

DALLAS COUNTY

PUBLIC WORKS- CONSTRUCTION AND OTHER DIVISIONS WALKTHROUGH

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County Auditor

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Public Works- Construction and Other Divisions Walkthrough

TABLE OF CONTENTS

Public Works- Construction and Other Divisions Walkthrough 2

MANAGEMENT LETTER 3

EXECUTIVE SUMMARY 4

INTRODUCTION 5

DETAILS 6

User Charges 6

County Vehicles 8

Cash Control 10

Indefinite Delivery-Indefinite Quantity (IDIQ) Vendor Selection 11

This report is intended for the information and use of the agency/department. While we have reviewed internal controls and financial reports, this review will not necessarily disclose all matters of a material weakness. It is the responsibility of the department to establish and maintain effective internal control over compliance with the requirements of laws, regulations, and contracts applicable to the department.

DALLAS COUNTY
COUNTY AUDITOR

MANAGEMENT LETTER

Alberta Blair
Director of Public Works
Dallas, Texas

Attached is the County Auditor's final report entitled "**Public Works- Construction and Other Divisions Walkthrough**" Report. In order to reduce paper usage, a hard copy will not be sent through in-house mail.

If you prefer that released reports be emailed to a different (or additional) recipient, please inform me of the name and the change will be made.

Respectfully,

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County Auditor

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EXECUTIVE SUMMARY

A review was performed in accordance with statutory guidelines on the records of Public Works for fiscal year 2023. Priority areas of risk that need consideration by management are:

Summary of Significant Observations:

- **Cash Control:** Checks are not endorsed with the department's "For Deposit Only Public Works" stamp immediately upon receipt. There is a potential risk for the misappropriation of funds.

- **User Charges:** Formal procedures are not in place to ensure payment of past due invoices.

    - If an invoice is still unpaid and becomes delinquent, the contract support assistant continuously contacts the partnering city and request payment. No further action is taken to collect the payment.

Repeat Observations from Previous Audits:

- Not previously reviewed.

Only those weaknesses which have come to our attention as a result of the audit have been reported. It is the responsibility of the department management to establish and maintain effective internal control over compliance with the requirement of laws, regulations, and contracts applicable to the department.

INTRODUCTION

Dallas County Auditor's Office mission is to provide responsible, progressive leadership by accomplishing the following:

- Comply with applicable laws and regulations.
- Safeguard and monitor the assets of the County utilizing sound fiscal policies.
- Assess risk and establish and administer adequate internal controls.
- Accurately record and report financial transactions of the County.
- Ensure accurate and timely processing of amounts due to County employees and vendors.
- Set an example of honesty, fairness and professionalism for Dallas County government.
- Provide services with integrity.
- Work in partnership with all departments to resolve all issues of the County.
- Strive to utilize the latest efficient and effective technology in the performance of tasks.
- Provide technical support and training in the development, implementation, and maintenance of information systems.
- Hold ourselves accountable to the citizens of the County at all times.
- Be responsive to the elected officials and department heads of Dallas County.

The objectives of this audit are to:

1. To gain an understanding of processes and identify risks
2. Evaluate internal controls
3. Review controls over safeguarding of assets

This audit covered the period of October 1, 2022 through September 30, 2023.

The audit procedures included interviews with key process owners and review of current processes. The main system used may have been reviewed and incorporated as part of the testing of transactions.

DETAILS

User Charges

Criteria

Per Dallas County Code Sec. 70-271, "the county is to maintain a stable revenue system by establishing user charges and fees as permitted by law at a level related to the cost of providing that service, including indirect costs."

Per Dallas County Code Sec. 102-7, "contracts executed for the purpose of providing financial participation or to directly perform road and bridge district services for maintenance and improvement projects on type B, C, and E projects shall meet specific criteria. All projects shall be billed either monthly or on completion of work, as directed by the commissioner of the district in which the work is performed. All invoices are due upon receipt. Additionally, the contract shall be certified as consistent with policy by the county director of public works."

Per Dallas County Code Sec.102-42, "for all projects within cities and special purpose districts in which reimbursement to the county has been contractually committed, the appropriate road and bridge district official shall notify the department of public works immediately upon completion of the project (or monthly, if a continuing project) of the actual amount payable to the county and authorize the issuance of the invoice."

Per Public Works contracts, invoices are due upon receipt.

Review

Risks identified during the walkthrough of the Public Works Department internal controls and procedures revealed:

Engineering and Construction (E&C):

- Currently, there are no set fee schedules for engineering review or survey services provided to other County departments.
    - However, coordination between Program Engineering and Management Division (PEMD) and the Office of Budget and Evaluation is in progress regarding the creation of fee schedules. If the in-house team provides any services to other County departments, the number of hours worked are tracked for future compensation.

Program Engineering and Management Division (PEMD):

- Formal procedures are not in place to ensure payment of past due invoices.
    - If an invoice is still unpaid and becomes delinquent, the contract support assistant continuously contacts the partnering city and request payment. No further action is taken to collect the payment.

Cause/Effect

This is due to the department not establishing a standard fee schedule or formal written procedures to handle past-due invoices.

Lack of procedures to handle past due invoices may result in financial losses due to monies being owed to Dallas County for services provided to partnering agencies.

A potential risk for inaccurate assessment of fees for services requested by other departments exists without standard fee schedules.

Recommendation

User Charges

Management should:

- Establish fees which include proper assessment of interdepartmental engineering, survey, and appraisal services provided by the Public Works Department.
- Finalize efforts with the Office of Budget and Evaluation regarding the assessment of fees to coordinate prompt payment for past interdepartmental services rendered by the Public Works department.
- Establish formal procedures to ensure payment is promptly received for past due invoices.

Management Action Plan

- The first risk identified above regarding fee schedules is a situation that varies by the nature of the request; however, an estimate for each request can be developed with the Project Management And Planning Status (PMAPS) form that Public Works uses to tabulate an estimated amount of labor costs based on hourly rates of Public Works personnel and estimated duration of each position involved in the project.

- The Public Works department is currently investigating further ways to more effectively work with cities, such as Dallas, on being consistently responsive on all payments owed

to the County. One possibility being considered is some general parameters for how and when to most effectively escalate the issue to upper levels of management if there continues to not be a response by the city on delinquent payments. Another approach being pursued on larger projects is for a city such as Dallas to provide advance deposits to mitigate the risk of large outstanding balances due to delayed payments from a city.

Auditor's Response

- None

County Vehicles

Criteria

Per Dallas County Code Sec. 86-711, "employees may be eligible for reimbursement of incidental expenses incurred from use of a personal vehicle while conducting official county business. Employees are eligible to receive reimbursement for mileage, parking, or toll fees if the following criteria are met: (a) Official County business only (b) Must be of benefit to the citizens of the county; (c) Must not be for political, commuting, or personal reasons; and (d) employee does not receive a car allowance."

Per Dallas County Code Sec. 90, "it is the policy of the county commissioners court that all personal property be accounted for and controlled in a manner to ensure the safeguard of public assets. Additionally, personal property means any equipment or furniture which is purchased at a cost of $5000 or more or TDH grant purchases of $1000 or more. It is noted that these items are often referred to as "capital items"."

Per Dallas County Code Sec. 90-136, "it will be the responsibility of the department to ensure that vehicles are serviced, fueled, repaired, and cleaned as needed."

Standard internal control procedures indicate fuel credit cards should be kept in a secure location and be accessible only to authorized personnel.

Review

Risks identified during the walkthrough of the Public Works Department internal controls and procedures related to the assignment of County vehicles revealed:

Property Management and Utility Coordination (PMUC)

- Routine inventory of vehicles assigned to Public Works was not conducted by the department.
- Fuel credit cards are not kept in a secure location.
- Per department, any out-of-pocket expenses for fuel or expenses related to County business are not reimbursed to the employee.

Cause/Effect

There was a lack of department oversight and compliance with Dallas County Codes related to inventory of vehicles and reimbursement of employees, as well as inconsistent internal control procedures related to fuel cards.

This has resulted in a potential risk for incomplete and inaccurate vehicle inventory records and the loss or misuse of vehicle fuel credit cards. Additionally, department personnel may not be receiving reimbursement for qualifying business expenses paid out-of-pocket.

Recommendation

County Vehicles

Management should:

- Conduct routine (at minimum yearly) inventory of vehicles to ensure the department's records are accurate.
- Ensure vehicle fuel credit cards are kept in a secure location to prevent loss or unauthorized use of the card.
- Review the Dallas County Code to determine if out-of-pocket expenses associated with the use of a personal vehicle qualify for reimbursement. If appropriate, establish formal procedures for submitting reimbursement requests.

Management Action Plan

- Routine inventory of vehicles has been effectively conducted when the Utility Manager and the DCPW Fleet Management Matrix Team periodically reviews vehicle usage in GeoTab, observing general trends in usage of each vehicle. This practice will be continued on a monthly review interval.

- Vehicle users that have been assigned fuel cards are responsible for the card per the relevant code (Sec. 90-199). In those instances where a vehicle is shared by a team, there will be one person responsible for storing the fuel card in a secured location, not

inside the vehicle. Per code, a lost or stolen fuel card must be immediately reported to the credit card company to cancel the card.

- Out-of-pocket expenses for fuel could be reimbursable if there is an emergency situation in which there are no fuel card options available to the driver or if the fuel card is malfunctioning. To help verify, a logging system will be used each time a vehicle is used to track usage and fuel levels. Furthermore, a malfunctioning card should be replaced at the earliest opportunity since fuel costs should be primarily facilitated with the use of fuel cards for County work. Other eligible out-of-pocket expenses related to County business are subject to the standard process for Court authorizing operational expenses.

Auditor's Response

- None

Cash Control

Criteria

Standard internal control procedures require that the department's mail logs accurately reflect data for invoices and/or payments received by mail.

System controls require limiting modification of prior entries to ensure accurate and complete mail records.

Standard internal control procedures require that all checks be restrictively endorsed with the official "For Deposit Only" department stamp immediately upon receipt.

Review

Risks identified during the walkthrough of the Public Works Department internal controls and procedures revealed:

Program Engineering and Management Division (PEMD)

- The department's mail log system has a built-in feature which allows editing of previous mail entries.
- Checks are not endorsed with the department's "For Deposit Only Public Works" stamp immediately upon receipt.
    - Checks are receipted in CWR and returned to the department's lockbox unendorsed until the deposit is prepared at which time the stamp is applied.

Cause/Effect

Delays in endorsing checks were due to incomplete controls related to the processing of payments received by mail.

This has resulted in an ability to override department internal controls without authorization. This may lead to a delay in detecting the loss or misappropriation of funds.

Recommendation
Cash Control

Management should:

- Ensure checks are individually endorsed immediately upon receipt.
- Implement system controls to limit changes to previous mail entries or require review and approval by a supervisor for necessary changes.

Management Action Plan

- Updates to the mail log system commenced very soon after this risk was identified during the Internal Audit walkthrough. The ability to edit previous mail entries is now restricted to only select upper level PEMD personnel. Now, if the Senior Secretary or anyone else notices something that needs to be updated in the mail log, then a request will need to be submitted to the Program Manager overseeing the mail log.

- For incoming checks, within 1-2 days of check arrival, the Senior Secretary coordinates with the Financial & Outreach Manager or the Program Manager to determine as to how the checks are to be processed, specifically if a check is to be stamped.

Auditor's Response
- None

Indefinite Delivery-Indefinite Quantity (IDIQ) Vendor Selection

Criteria
Per Government Code Sec. 2254.027, "a state agency shall select consultants based on the following: (a) its choice on demonstrated competence, knowledge, and qualifications and on the reasonableness of the proposed fee services, and (b) if other considerations are equal, give preference to a consultant whose principal place of business is in the state or who will manage the consulting contract wholly from an office in the state."

Per Dallas County Code Sec. 110-62, "the procurement of right-of-way services shall conform to V.T.C.A Government Code sec 2254.001. The firm selected for these services shall be

selected on based on demonstrated competence, qualifications, and not to exceed fee for services to be performed. After selection, an indefinite quantity contract shall be executed at a not to exceed price with the most highly qualified firm."

Per terms stated in the executed indefinite delivery indefinite quantity (IDIQ) contracts, selection of consultants for professional services should be made on a rotational or qualifications basis.

Review

Risks identified during the walkthrough of the Public Works Department internal controls and procedures revealed:

Engineering and Construction (E&C)

- The division is permitted to request a preferred consultant for the project from the pool of awarded IDIQ contracts.
    - The preferred consultant is considered but selection of the preferred consultant is not guaranteed.
    - The final selection is made by the director with input from the assistant directors.

Cause/Effect

This is due to inconsistent adherence to written policies and procedures related to the selection of consultants.

There is a risk the same consultant could continuously be awarded projects based on management preference instead of each previously approved IDIQ vendor being given a fair opportunity to complete projects.

Recommendation

Indefinite Delivery-Indefinite Quantity (IDIQ) Vendor Selection

Management should:

- Establish formal procedures for the selection of consultants that ensure certain consultants are not receiving preferential treatment or being awarded the majority of work orders.

Management Action Plan

- In FY23, there were two different IDIQs that E&C relied upon; and one expired in September 2023. For the IDIQ that provides Construction Materials Testing & Geotechnical Engineering services a rotational assignment approach was possible due to the typically routine nature of the work for which there is standard pricing and fees defined in the master contract.

- In FY23, the Engineering Services IDIQ contract ended in September 2023. Then in January 2024 the Court approved the new Professional Specialty Services IDIQ. This new IDIQ features four different service lines that covers most of the activities from the Engineering Services IDIQ plus adding some new activities. Due to the four different service lines and other key considerations, it is not viable to give assignments on a purely rotational basis. Similar to the previous Engineering IDIQ there is an assignment system to help confirm the assignment by evaluating various factors, including prior experience working on earlier project phases and the amount each firm has received during the current IDIQ contract timeframe to help balance workload. Also reviewed is the work experience of the firms in that area/region and experience with other agencies in the project. The Assistant Directors and the Director review the request form and system output to finalize the assignment. The signed forms are compiled, and the data is tracked.

Auditor's Response

- None

cc: Darryl Martin, Commissioners Court Administrator