

City Auditor's Office
Tarrant Regional Water District
Contract Follow-Up Audit

August 2019

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City Auditor's Office

August 12, 2019

Honorable Mayor and Members of the City Council:

The City Auditor's Office has completed the Tarrant Regional Water District Contract Follow-Up Audit. The audit objective was to determine the implementation status of the audit recommendations presented in the original audit report.

Management concurred with all recommendations in the original report. Audit follow-up procedures indicate management fully implemented all prior audit recommendations.

We would like to thank staff from the City Manager's Office and the Arlington Water Utilities department for their assistance and cooperation in completing this audit.

Lori Brooks Jaquess

Lori Brooks Jaquess, CPA, CIA, CGAP, CRMA
City Auditor

cc: Trey Yelverton, City Manager
Jim Parajon, Deputy City Manager
Gilbert Perales, Deputy City Manager
Jennifer Wichmann, Assistant City Manager
Craig Cummings, Director, Arlington Water Utilities

Tarrant Regional Water District Contract Follow-Up Audit

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Background

As part of the 2019 Annual Audit Plan, the City Auditor’s Office conducted a follow-up audit of the Tarrant Regional Water District Contract Audit completed in January 2018. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. The audit objective was to determine the implementation status of the prior audit recommendations.

Audit Scope and Methodology

The scope of the project was limited to following up on management’s implementation of the previous audit recommendations. Our methodology included obtaining updated status reports from management regarding the implementation of the audit recommendations and reviewing relevant supporting documentation.

The matrix on the following pages illustrates the results of the follow up procedures.

Status of Prior Audit Recommendations

PRIOR AUDIT RECOMMENDATION	CONCUR/ DO NOT CONCUR	PRIOR MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE	CURRENT MANAGEMENT RESPONSE/ IMPLEMENTATION STATUS	AUDIT CONCLUSION
<p>1. <i>The City Auditor's Office recommends that the City Manager consider initiating discussions with TRWD and local State representatives to initiate possible revisions to State and local law and the TRWD contract to increase representation of the citizens of Arlington and improve their position to influence financial decisions and management of TRWD.</i></p>	<p>See next page</p>					

PRIOR AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	PRIOR MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE	CURRENT MANAGEMENT RESPONSE/IMPLEMENTATION STATUS	AUDIT CONCLUSION
<p>a. The City Auditor recommends that the City Manager initiate communication/education about the lack of representation of Arlington on the TRWD Board and consider devising a plan to encourage qualified individuals to run for a seat on the Board.</p>	<p>Concur</p>	<p>Concur with the recommendation and propose to initiate discussions with the City Council to recommend adding an item to the upcoming City's 2019 Legislative Agenda that addresses the lack of opportunities for a qualified, Arlington resident to be a representative on the TRWD Board. We will also be initiating discussions with the TRWD Board and the Chief Operating Officer to notify them of our intent and to seek their support.</p>	<p>City Manager</p>	<p>6/2019</p>	<p>This has been investigated and determined that representation on the Board may come with the unintended consequence of additional taxation upon Arlington residents.</p>	<p>Implemented</p>

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<p>b. The City Auditor recommends the City Manager consider initiating discussions with TRWD and/or local state representatives to make the necessary changes in the TRWD Voting Boundary that will grant Arlington citizens a right to vote in elections of TRWD Board Members.</p>	<p>Concur</p>	<p>Concur. Boundary changes require legislative action and will be included in efforts on response above.</p>	<p>City Manager</p>	<p>6/2019</p>	<p>Discussions were initiated on this matter and based on the discussions, boundary changes require legislative action and may have the same unintended consequence as noted on response above.</p>	<p>Implemented</p>
<p>c. The City Auditor recommends that the City Manager initiate contract renegotiations to include an audit clause in the contract.</p>	<p>Concur</p>	<p>Concur. The City Manager requested that the Water Utilities Director contact the Chief Operating Officer of the District to commence discussions relative to including an audit clause in the existing TRWD contract. This meeting will be scheduled in February 2018.</p>	<p>Water Utilities Director</p>	<p>2/2018</p>	<p>The City Manager requested that the Water Utilities Director contact the Chief Operating Officer of the District to commence discussions relative to including an audit clause in the existing TRWD contract. This has been requested and the Director and the COO are working on a mutually agreeable meeting date.</p>	<p>Implemented</p>

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<p>2. <i>The City Auditor recommends that the City Manager communicate the need for more information/discussion between the TRWD Board, Advisory Committee, and City management about pertinent TRWD decisions and actions affecting the City's budget and citizens' utility costs.</i></p>	<p>See below</p>					
<p>a. The City Auditor recommends that the City Manager encourage the Advisory Committee member or the Water Utilities Director to request copies of any internal audit reports prepared by the TRWD Internal Audit function.</p>	<p>Concur</p>	<p>Concur. The City Manager has requested that the Water Utilities Director request copies of internal audits prepared by TRWD staff. Information will be attained in February 2018.</p>	<p>Water Utilities Director</p>	<p>2/2018</p>	<p>The Water Utilities Director has requested copies of internal audits prepared by TRWD staff and will be corresponding with them as necessary.</p>	<p>Implemented</p>

PRIOR AUDIT RECOMMENDATION	CONCUR/DO NOT CONCUR	PRIOR MANAGEMENT RESPONSE	RESPONSIBLE PARTY	DUE DATE	CURRENT MANAGEMENT RESPONSE/IMPLEMENTATION STATUS	AUDIT CONCLUSION
<p>b. The City Auditor recommends that the City Manager work with the City's Advisory Committee member and Water Utilities Director to encourage more examination and discussion of TRWD's budget and financial/operational decisions; and to communicate results and related concerns to the TRWD Board via the Advisory Committee.</p>	<p>Concur</p>	<p>Concur. The current City Advisory Committee Member will not be running for re-election in May 2018. Therefore, the City Manager will be meeting with the new representative and the Water Utilities Director to outline expectations for oversight and participation in the development of the District's annual budget and any other pertinent financial decisions. This meeting will be scheduled in June 2018.</p>	<p>City Manager</p>	<p>6/2018</p>	<p>The City Manager will be meeting with the new representative and the Water Utilities Director to outline expectations for oversight and participation in the development of the District's annual budget and any other pertinent financial decisions.</p>	<p>Implemented</p>