

City Auditor's Office
Trinity River Authority
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 Trinity River Authority 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 six 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

Trinity River Authority 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 Trinity River Authority Contract Audit completed in July 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 the Director of Water Utilities establish requirements for staff to exercise the City’s rights to monitor the Authority’s activities, as allowed by the contract.</i></p> | <p>Concur</p> | <p>AWU will establish monitoring procedures. AWU has already implemented a dual sampling procedure for all periodical sample collections.</p> | <p>Joe Gildersleeve</p> | <p>7/1/18</p> | <p>The Water Utilities Department has implemented an ongoing process to monitor TRA activities whenever there are indications that surcharge parameters (Total Suspended Solids and Biochemical Oxygen Demand) are likely to be exceeded and on a periodic basis when surcharge parameters are not likely to be exceeded. The surcharge parameter condition is reported by water plant residuals discharge conditions and/or collection system indications.</p> | <p>Implemented</p> |

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|---|-----------------------|--|-----------------------|---------------|---|---------------------------|
| <p>2. <i>The City Auditor's Office recommends the Director of Water Utilities include a preferred methodology for calculating wastewater flows in written procedures and require that alternate methodologies/calculations be adequately documented for justification and future reference.</i></p> | <p>Concur</p> | <p>AWU will establish a base methodology which will be used and only adjusted for known changes in conditions.</p> | <p>Craig Cummings</p> | <p>9/1/18</p> | <p>The preferred methodology to calculate the projected flows of wastewater to Trinity River Authority for treatment is to take a 5-year average of the actual and projected flows of the most recent fiscal years available, including the current fiscal year. Once the average is completed, a reasonableness assessment is made based upon known factors, such as changes in customer habits, data from customer cities, and increases/decreases to customers in the system. Any deviations from the standard 5-year average are notated in the projection model for future references.</p> | <p>Implemented</p> |
| <p>3. <i>The City Auditor's Office recommends the City Manager request staff to perform periodic inspection of the financial and operational books and records of the Authority, as allowed by the contract.</i></p> | <p>Concur</p> | <p>AWU will schedule periodic reviews.</p> | <p>Craig Cummings</p> | <p>1/1/19</p> | <p>Staff currently performs inspections of the financial and operational books of the Authority. This is generally done after the financial reports have been audited and released, although mid-year inspections take place at Committee meetings.</p> | <p>Implemented</p> |

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|---|----------------------|---|-----------------------|---------------|---|---------------------------|
| <p>4. <i>The City Auditor’s Office recommends the City Manager encourage the Advisory Committee member or the Water Utilities Director to request copies of any internal audit reports prepared by the Authority’s Internal Audit function.</i></p> | <p>Concur</p> | <p>AWU will periodically request audit reports prepared by the Authority’s Internal Audit function.</p> | <p>Craig Cummings</p> | <p>7/1/18</p> | <p>Staff has requested and received a copy of the most recent internal audit report of the Authority and will continue to receive and review internal audit reports from TRA.</p> | <p>Implemented</p> |
| <p>5. <i>The City Auditor’s Office recommends the City Manager consider establishing a mechanism (i.e. group or consortium) for recurring discussion and analysis among the City leaders of the contracting parties, regarding significant financial and operational investments, activities, and other decisions of the Authority.</i></p> | <p>Concur</p> | <p>Staff will seek interest for appropriate discussions and analysis with contracting parties.</p> | <p>Trey Yelverton</p> | <p>5/1/19</p> | <p>We have spoken with other cities that are contracting parties with TRA and have attempted to create a cohesive group, but that has not been successful. This is a disparate group, sometimes with competing interests. Lacking a group or consortium, discussions are generally done during budget or advisory meetings, but can take place at any time there is a subject that would be of interest to several contracting parties.</p> | <p>Implemented</p> |

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|--|----------------------|--|--------------------------|----------------|--|---------------------------|
| <p>6. <i>The City Auditor's Office recommends the City Manager consider initiating dialogue with appropriate elected officials regarding the lack of an Arlington citizen on the Authority's Board of Directors.</i></p> | <p>Concur</p> | <p>Legislative staff will coordinate to seek Arlington representation.</p> | <p>Jennifer Wichmann</p> | <p>5/31/19</p> | <p>As the Governor makes the Authority's appointments, legislative staff has contacted the appropriate parties in Gov. Abbott's office. The City has provided the Governor's office with some nominations to consider. City Legislative staff has provided all needed information and is waiting direction from the Governor's Office.</p> | <p>Implemented</p> |