

OFFICE OF THE CITY CONTROLLER



**HOUSTON FIRST CORPORATION
(FKA CONVENTION AND ENTERTAINMENT FACILITIES
DEPARTMENT)**

FY2012 AUDIT FOLLOW-UP PROCEDURES

Ronald C. Green, City Controller

David A. Schroeder, City Auditor



OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
TEXAS

RONALD C. GREEN

February 10, 2012

The Honorable Annise D. Parker, Mayor

**SUBJECT: REPORT #2012-09
HOUSTON FIRST (FORMERLY KNOWN AS CONVENTION AND ENTERTAINMENT FACILITIES
DEPARTMENT/CEFD) – FY2012 AUDIT FOLLOW-UP PROCEDURES**

Dear Mayor Parker:

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2011 remediation efforts performed by management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.¹

During FY2011, the Audit Division (Division) changed the Audit Follow-Up Process to utilize a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

Based on the procedures performed, we obtained sufficient and appropriate evidence to render our conclusions related to Houston First/CEFD as follows:

- There were a total of 11 findings contained in the two (2) reports issued during the scope period. Our testwork determined that all 11 had been "Closed" (remediated).
- Of the 11 findings, the process Houston First/CEFD has in place to remediate, all were deemed adequate, yielding an overall assessment of **Adequate**.

We appreciate the cooperation and professionalism extended to the Audit Division during the course of the project by personnel from Houston First/CEFD.

Respectfully submitted,

Ronald C. Green
City Controller

cc: City Council Members
Chris Brown, Chief Deputy City Controller, Office of the City Controller
Waynette Chan, Chief of Staff, Mayor's Office
Dawn Ullrich, President, Houston First Corporation
David Schroeder, City Auditor, Office of the City Controller

¹ IIA Standard 2500 - requires a process that "...auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."

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BACKGROUND

The Office of the City Controller's Audit Division has completed its follow-up procedures related to the FY2011 remediation efforts performed by management. As part of providing independent and objective assurance services related to efficient and effective performance, compliance, and safeguarding of assets, we also perform follow-up procedures to ensure that corrective actions are taken related to issues reported from previous audits.¹

During FY 2011, the Audit Division (Division) changed the Audit Follow-Up Process to utilize a risk-based approach, which contains two primary components:

- Management Status/Self-Reporting
- Fieldwork Testing/Verification

MANAGEMENT STATUS/SELF REPORTING:

During the 3rd quarter of the fiscal year, the current list of findings is reviewed and ranked according to three levels of risk (high, medium, and low). They are organized and identified by department and sent for management's self-reported status as to progress of remediation based on their responses in the Audit Report. This information is then assessed by the audit team considering (1) responsiveness to the original issue and (2) resolution of issue identified.

FIELDWORK/TESTING VERIFICATION PHASE:

During the first quarter of the subsequent fiscal year, the information obtained through the management status phase is used as a basis to select departments for follow-up testing. Using the results of weighted risk-ranked findings, while also ensuring complete review of all City Departments, 4-5 are then selected for follow-up. All findings for those departments are then tested for status (Ongoing, Closed, or Disagreed) and assessment of remediation process (Adequate or Inadequate), with consideration of the accuracy of management's self-reported status.

AUDIT SCOPE AND OBJECTIVES

We identified **all** findings issued in **all** reports through the Office of the City Controller **since FY2009** (this includes reports issued by outside professional services firms as well as those performed and issued exclusively by Audit Division professional staff).

Based on the Process described above the four departments selected were:

- Convention and Entertainment Facilities Department (now a component unit as part of Houston First)²

¹ IIA Standard 2500 - requires a process that "...auditors evaluate the adequacy, effectiveness, and timeliness of actions taken by management on reported observations and recommendations...."

² Prior to the initiation of fieldwork, the CEFD was made a component unit of the City, combined with the Houston Convention Center Hotel Corporation and renamed Houston First. As a result, the original 16 findings were

- Houston Fire Department (HFD)
- Information Technology Department (ITD)
- Parks and Recreation Department (PARC)

This report provides the results of the Follow-up process as it relates to CEFD and includes 11 individual findings issued via two (2) formal audit report(s) during the period July 1, 2008 through June 30, 2010.

Prior to the initiation of fieldwork, the Convention and Entertainment Facilities Department was made a component unit of the City of Houston (City) and renamed Houston First. As a result, the original 16 findings were reviewed and a subset consisting of 11 safety and emergency operations findings were identified for review. The findings identified affected the entire City.

The objectives of our Follow-Up Procedures were to determine:

1. Status of remediation for each open item and
2. A process is in place to resolve the department's universe of findings.

PROCEDURES PERFORMED

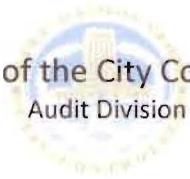
Audit procedures performed to meet the audit objectives and provide a basis for our conclusions were as follows:

- Obtained and reviewed the management's self-reporting of findings status;
- Determined and requested the documentation necessary to support the status reported by management;
- Performed Interviews with Management and relevant staff; and
- Reviewed supporting documentation and other evidence provided for sufficiency and appropriateness.

AUDIT METHODOLOGY

We conducted Follow-Up Procedures in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Government Accountability Office (GAO) and The International Standards for the Practice of Internal Auditing as promulgated by The Institute of Internal Auditors. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained meets these standards to support our findings and conclusions based on our audit objectives.

reviewed and a subset consisting of 11 safety and emergency operations findings were selected for review based on their continued direct impact on the City.



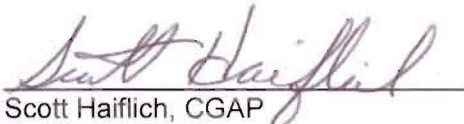
CONCLUSIONS

Based on the procedures performed above, we obtained sufficient and appropriate evidence to render our conclusions as follows:³

- There were a total of 11 findings contained in the two (2) reports issued during the scope period. Our testwork determined that all 11 had been "Closed" (remediated) (Objective 1).
- In reviewing the remediation process associated with the 11 findings previously reported, all were deemed adequate, yielding an overall assessment of **Adequate** (Objective 2).

ACKNOWLEDGEMENT AND SIGNATURES

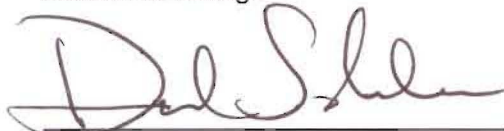
The Audit Team would like to thank CEFD (Houston First), specifically: Susan Tucker, Chief Auditor, for her efforts throughout the course of the engagement.



Scott Haiflich, CGAP
Auditor-in-Charge



Arnie Adams, CFE, CIA
Audit Manager



David Schroeder, CPA, CISA
City Auditor

³ See Exhibit 1 for the Detailed Remediation Assessment – "FY2012 Audit Follow-Up Procedures Matrix"

Exhibit 1 - Detailed Remediation Assessment, 12-09 Audit Follow-Up Procedures

Report Number	Title	Finding	Management Status As of 9/30/2010	Conclusion	
				Ongoing/Closed	Remediation Process
2010-07	1. Security Patrols	SEE ATTACHMENT #1 BELOW	Under section 1.4.5 of the Wackenhut contract, security personnel check all elevators, stairwells, and recessed hiding places on a scheduled basis, not on a hourly basis. Enclosed areas must be checked as per Post Orders. Management conducts periodic audits (See Exhibit 5 as an example) of these reports to ascertain compliance by Wackenhut.	Closed The Daily Activity Reports (DARs) document the security patrols and the Report of Button Stations Visited and the time of the visits demonstrate that all 40 stations are routinely visited at unscheduled intervals.	Adequate
2010-07	2. Security Post Locations	Security Post locations in the Theater District Garage were not covered at all times as required in the contract with the City. MFR randomly selected 12 days of DARs. Of the 164 DARs requested: - 28 were not provided. - 19 indicated the guard left their post for various reasons, but no indication was given as to who covered the post during their absence. - 117 indicated the guard worked their complete shift without a break or lunch, sometimes eight hours or more. During the fieldwork phase of the audit, MFR observed security guards eating in the back break area of the Security Office while stationed at the front desk, leaving the post unmanned.	Section 2.10, entitled "Mandatory post Coverage", in the Wackenhut contract addresses coverage of security post locations. All security officers are assigned to a specific post. A break officer is provided to give assigned officers lunch breaks and other breaks as specified in the contract. The break officer takes on the duties and responsibilities of the officer whom is on break. They also document on the daily activity report ("DAR") that a break was given for the guard. Designated areas are provided for officers to take their breaks. Random audits and security post checks are performed at each venue by the supervisor on duty. Random inspections are also done by Security Managers. Supervisors or rover security officers shall relieve security officers for all breaks and meal breaks. Security Officers shall be allowed two (2) 15 minute breaks and one (1) 30 minute meal break, per eight hour shift and shall be on call during the breaks and meal periods. These breaks and meal periods will be paid for by the City.	Closed There were DARs for each of the shifts and guard posts during the period August 1 - 14, 2011. Breaks were documented in the DARs and the three most recent inspection reports were available and documented each guard's Uniform Appearance, DAR completion, knowledge of Post Orders, Job Knowledge, knowledge of Emergency Procedures, presence of Equipment, and availability of the CRR and Security License.	Adequate
2010-05	3. 24-Hour Emergency Response Procedures of Maintenance Contractor - TDI	The TDI emergency response procedure does not ensure certified personnel respond in one hour and supplement the on-site coverage staff.	See Exhibit 5 for the current emergency procedures.	Closed The TDI Project Manager, Operations Managers, Plant Operations Supervisor, and Maintenance Supervisor are all available for call out seven days per week, 24 hours per day, and 365 days per year.	Adequate

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Report Number	Title	Finding	Management Status As of 9/30/2010	Conclusion	
				Ongoing/Closed	Remediation Process
2010-07	4. Limitations on Security Officers' Hours	MFR randomly selected six weekly work schedules for the audit scope period. For the selected six weeks, MFR reviewed each security officer's scheduled work hours. Of the officers reviewed, 33% were scheduled to work over the hour limitations set forth in the contract.	CEFD has a new security contractor, The Wackenhut Corporation, that began providing security services on March 1, 2009. Work schedules are sent to the Contractor Project Manager and Director of Security, Louis Elliott, for review and approval. All weekly hour reports (See Exhibit 2) are sent to the Director of Security the following week to review for compliance.	Closed Verified that the last two (2) scheduled work weeks did not schedule guards over 40 hours per week.	Adequate
2010-07	5. Minimum Requirements to provide security	MFR randomly selected personnel files for 20 security officers assigned to the Theater District Garage. The files were reviewed at the Houston corporate office of AlliedBarton. At the time of the review, MFR noted the following issues: <ul style="list-style-type: none"> - 15 files contained background checks dated after MFR's request to review the files. - Two of the files did not contain adequate information to support that the security officer was a high school graduate. - 13 files did not contain evidence that a drug test had been completed at any time during the security officer's employment. - Three files did not contain evidence that the security officer had six months previous experience providing guard service. 	All officers are pre-screened prior to employment on the City of Houston contract. They must have met at least the minimum criteria in the contract to be hired to work under this Wackenhut contract. The officers also undergo a background check. All officers assigned to the Wackenhut contract must have a shadow file (see previously provided Exhibit 1) in place on site for the Director of Security to review any items in reference to hiring security staff.	Closed Selected five (5) personnel files for review and each one contained documentation to support that the guard met the minimum standards to be hired as a security officer.	Adequate

Exhibit 1 - Detailed Remediation Assessment, 12-09 Audit Follow-Up Procedures

Report Number	Title	Finding	Management Status As of 9/30/2010	Conclusion	
				Ongoing/Closed	Remediation Process
2010-07	6. Minimum Training Requirements for Security Personnel	<p>MFR randomly selected a sample of 20 AlliedBarton HR Compliance Tracker Reports (CTR) for completion of the On-the-Job Training (OJT) course. The OJT was used to satisfy the contract requirement of a minimum of eight hours of job-specific on-site training. The HR CTR was a computer generated report for each security officer to track various Human Resource items, including training courses. Two of the HR CTR did not indicate the OJT had been completed. In addition, MFR noted the following issues:</p> <ul style="list-style-type: none"> - 100% of the reports did not contain evidence the security officer received the contract required medical training. - 100% of the reports did not contain evidence the security officer received the contract required annual training on eyewitness identification. <p>MFR also randomly selected and reviewed 20 personnel files at the Houston corporate office of AlliedBarton and noted the following issues:</p> <ul style="list-style-type: none"> - 100% of the files contained an incomplete OJT checklist - Nineteen of the 20 OJT checklists reviewed were dated after MFR's request to review the files. 	<p>The forty (40) hours of additional contractor training required in the Allied Barton contract is not included in section 2.2 of the Wackenhut contract. Wackenhut uses their applicant/employee file checklist (See previously provided Exhibit 1) to verify the applicant met the minimum hiring criteria set in the contract. Wackenhut also maintains a shadow file system in order to have a complete and updated personnel file kept onsite at the Theater District Parking Garage for guards assigned to work at this location. This file will also include training and testing information for each security guard as applicable. These files constitute another way for CEFD management to monitor Wackenhut's compliance with contract requirements. Additional internal controls implemented under Wackenhut include detailed records documenting the licensing as well as the medical (See Exhibit 3 as an example) and security training received by guards as required under this contract.</p>	<p>Closed</p> <p>Reviewed the same five (5) files from the previous finding and determined that all required training had been provided to the guards whose files were reviewed.</p>	<p>Adequate</p>
2010-07	7. Security Officer Uniform	<p>MFR observed 20 security officers at various post locations within the Theater District Garage facility during April 2008. The security officers were checked for a uniform, photo identification, a whistle, a scanner wand, a radio, and to ensure they were not carrying a weapon. The security officers observed did not consistently wear the uniform or maintained all the required accessories. During the observations, MFR noted:</p> <ul style="list-style-type: none"> - 13 officers did not wear photo identification; instead they only wore a name badge. In addition, one of the 13 officers did not have a name badge. The Captain on duty during the initial uniform review advised MFR the photo identification was not necessary as long as the officer wore a name badge. - Eight of the 20 officers were not equipped with the required whistle. In addition, two of the eight officers advised MFR they were never issued a whistle. 	<p>Section 2.1.24 in the Wackenhut contract provides that a security guard shall not carry a weapon of any kind unless specified by the Director. Sections 3.1 and 4.0, respectively, deal with communications equipment and uniforms in the Wackenhut contract. Section 3.2.5 of the Wackenhut contract provides that all security officers must have handheld whistles. All security staff are provided a complete uniform including a whistle. Officers are required to have photo identification badges. Radios are assigned to all posts according to the contract. Random audits (See Exhibit 4) of equipment and uniforms are performed by management to ensure compliance.</p>	<p>Closed</p> <p>The three most recent inspection reports were available and documented each guard's Uniform Appearance, DAR completion, knowledge of Post Orders, Job Knowledge, knowledge of Emergency Procedures, presence of Equipment, and availability of the CRR and Security License.</p>	<p>Adequate</p>

Exhibit 1 - Detailed Remediation Assessment, 12-09 Audit Follow-Up Procedures

Report Number	Title	Finding	Management Status As of 9/30/2010	Conclusion	
				Ongoing/Closed	Remediation Process
2010-07	8. Required Equipment for Security Personnel	AlliedBarton security officers assigned to the Theater District Garage were not equipped with all required equipment set forth in their contract with the City. According to Exhibit A, paragraph 3.4 of the contract, "the contractor shall provide a minimum of four (4) scanner wands and position approximately twenty-five scanner locations throughout the Theater District Parking Garages to ensure a constant and effective security patrol." According to an AlliedBarton Captain, AlliedBarton security officers used only one scanner wand to complete their button rounds throughout the Theater District Garage. The wand is passed back and forth between guards during the rounds.	In section 3.2.4, entitled "Scanner Wands and Buttons", Wackenhut shall provide a minimum of three (3) scanner wands and position approximately forty (40) scanner button locations (See Exhibit 6) throughout the Theater District Parking Garage. Wackenhut security guards are utilizing different handheld equipment by SecureTrax to document this patrol function.	Closed	Adequate
2010-07	9. Daily Activity Reports for Security	Allied Barton security officers were not consistently completing daily activity reports (DAR). MFR randomly selected 12 days of DARs and Incident Reports. For each day selected, MFR reviewed the DAR and any submitted Incident Reports for each security officer that worked. Of the 164 DARS requested: - 28 were not provided. - 138 were not filled out completely. Incomplete items in the DARs included missing post locations, missing incident times, and missing signatures. Of the eight Incident Reports reviewed: - Four documented incidents were not documented on that particular day's DAR. - One Incident Report time was different when compared to the corresponding DAR.	In section 6.3, entitled "Reports", Wackenhut guards submit a daily activity report for every eight (8) hour shift. Wackenhut guards receive training on writing reports. Security supervisors review all daily activity reports at the end of each shift to ensure compliance. All supervisors are required to complete a checklist (See Exhibit 7) for all posts they manage to document officers are filling out a daily activity report.	Closed	Adequate
2010-05	10. Daily Inventory Logs for Parts and Materials	MFR obtained and reviewed inventory logs that were submitted monthly. However, daily logs were not maintained for parts and materials used.	In 2010, TDI changed its work order software system from Maximo to Maintenance Edge (See Exhibit 6 as example(s) of inventory reports).	Closed	Adequate

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Report Number	Title	Finding	Management Status As of 9/30/2010	Conclusion	
				Ongoing/Closed	Remediation Process
2010-05	11. Daily Maintenance Logs	The daily maintenance logs required of Access Data Support Services (ADSS) by contract to document various maintenance procedures performed were not maintained for parts and materials used.	See the following Exhibits 7, 8, 9 and 10 as examples of forms in use at the TDPG: ADSS Daily Inspection Report, Tunnel Maintenance Schedule, Preventive Maintenance Log - Parking Equipment and Service Call Log.	Closed Reviewed Daily Facility Inspection Reports, Civic Center Tunnel Maintenance Schedules, Preventive Maintenance Logs - Parking Equipment, and the Service Call Log covering September 5, 7, and 9, 2011. All reports reviewed adequately documented daily maintenance activity for the period.	Adequate