OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON

2014 ENTERPRISE RISK ASSESSMENT

Ronald C. Green, City Controller

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Report No. 2015-08

OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
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RONALD C. GREEN

June 17, 2015

The Honorable Annise D. Parker, Mayor and City Council Members
City of Houston, Texas

SUBJECT: REPORT #2015-08
CITY OF HOUSTON – 2014 ENTERPRISE RISK ASSESSMENT

Mayor Parker and City Council Members:

I'm pleased to submit to you the Enterprise Risk Assessment (ERA) performed by the Controller's Office Audit Division during Fiscal Year (FY) 2014. As you are aware, this is a process that supports our efforts in developing the Annual Audit Plan (see Report #2015-01) and deploying the necessary resources to execute.

As noted in last year's ERA report (#2014-05) the Risk Assessment process is being performed annually by selecting and updating five to seven departments each fiscal year. This approach provides full coverage of all City Departments over a four to five year period rather than a complete annual performance. Our methodology is consistent with professional standards and considers available resources and cost-benefit while allowing us to advance the quality of the assessment each cycle.

In selecting the departments to update, we identified and considered several factors, including "Notable Changes since the Previous Risk Assessment" (See Executive Summary, p.2) and length of time since the last assessment. Based on this, the departments selected and updated for the FY2014 ERA were:

- Administration and Regulatory Affairs Department (ARA)
- Controller's Office (CTR)
- Houston Airport System (HAS)
- Houston Information Technology Services (HITS)
- Houston Parks and Recreation Department (HPARD)
- Human Resources Department (HR)

The ERA Report contains two sections: Executive Summary and Separate Risk Profiles organized by key business processes within each department. There are two primary perspectives that are graphically presented within the Executive Summary, and shown in detail within each Risk Profile. These perspectives are described as follows:

KEY BUSINESS PROCESSES – analyzed by common functions performed across the organization, which can reveal potential efficiencies, overlap, redundancies, synergies, and leverage of resources. This perspective is looking at activities that the City performs without consideration of its organizational structure; and

DEPARTMENTAL - analyzed in terms of the impact and likelihood of risk associated with the organizational design in executing the City's overall mission and objectives.

We appreciate the cooperation and professionalism extended to the Audit Division during the course of the project by personnel from ARA, CTR, HAS, HITS, HPARD and HR.

Respectfully submitted,

Ronald C. Green
City Controller

xc: City Council Members
Chris Brown, Chief Deputy City Controller
Christopher Newton, Chief of Staff, Mayor's Office
Kelly Dowe, Chief Business Officer, Mayor's Office
Harry Hayes, Chief Operating Officer, Mayor's Office
Andy Icken, Chief Development Officer, Mayor's Office
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EXECUTIVE SUMMARY

PURPOSE AND INTRODUCTION

The Audit Division within the Office of the City Controller adheres to professional standards issued by the Government Accountability Office (GAO's *Yellowbook*) and the International Standards of the Professional Practice of Internal Auditing (*Redbook*) per the Institute of Internal Auditors (IIA). Both organizations set professional standards that require a risk-based approach to identify the scope and objectives of audit planning and to properly design auditprocedures. The *Redbook* specifically requires an Enterprise Risk Assessment (ERA) process be performed annually as a primary driver to support the annual audit plan, while the *Yellowbook* requires that risk be considered at the engagement/process level.

In compliance with those professional standards, the Audit Division applies risk-basedmethodology in the following manner:

- Annual ERA on all major processes forfive to seven departments, which then provide a basis for input to the Audit Plan (See Report # 2015-01 FY2015 Controller's Audit Plan);
- Risk Assessment procedures at the Engagement/Audit project level; and
- Risk Consideration in rendering conclusions and determining the impact and magnitude of findings and preparing the final audit report.

BACKGROUND AND METHODOLOGY

Previous to 2010, the Audit Division outsourced its risk assessment process to external consultants and utilized the results provided in a report to assist in developing the annual audit plan. The previous risk assessments had been performed in 1994, 1999, and 2004 respectively. In FY2010, the Audit Division conducted an ERA internally using approximately three full-time equivalents (FTEs) and assessed all City of Houston (City) Departments. Since then, the process is being performed annually by selecting Departments on a rotational basis for efficiency and to ensure full coverage of all City Departments over a four to five year period. The ERA process has also expanded to include additional considerations along with the Department Risk Profiles. The FY2014 ERA began with preliminary planning, a review of FY2010's risk assessment report, consideration of Audit Reports issued during the fiscal year, and the following components as impacted during the fiscal year.

COMPONENTS OF THE ANNUAL ERA PROCESS:

- Notable Changes
  - Significant Events and
  - Structural and Operational Changes (new departments, creating new entities, changes to processes, consolidation, etc.)
- Consideration of Significant Information Technology and Systems
- Department Risk Profile Updates

NOTABLE CHANGES

Applying the risk based methodology as noted above in preparation of the FY2015 Annual Audit Plan,the Audit Division considers significant changes of events, operational and/or business processes, as well as changes in departmental leadership that have occurred since the last risk assessment update. These changes, whether individually or collectively, may have an effect on the way the City conducts business operationally and the resources available. The Audit Division considers these factors in preparation of the Annual Audit Plan.

SIGNIFICANT EVENTS AND OPERATIONAL CHANGES OCCURRING IN FY2014- included the following:

- In July 2014, the City's Houston Parks and Recreation Department (HPARD) and Houston Public Library (HPL) announced plans and have since implemented a ban on smoking and tobacco products at all of their properties. The new policy is an expansion of Code of Ordinance #2006-1054 (Chapter 21, Health, Article IX Smoking) Sec. 21-243, and will apply to both interior and exterior spaces. HPL is believed to be among the first large library systems in the country to implement this type of policy and a smoke free park system will keep recreation areas and natural spaces clean, healthy, and safe for all to enjoy, according to the HPARD Director.
- On May 30, 2014, the Mayor announced the City's partnership with CenterPoint Energy to convert approximately 165,000 streetlights from high pressure sodium, mercury vapor and metal halide to light-emitting diode (LED) technology over a 5 year period. This replacement project, the largest in the nation, will reduce the City's streetlight energy usage by approximately 50 percent, reduce the City's municipal greenhouse gas emissions by five percent and save the City in excess of $28 million over the life of the project.
- In May 2014, the Cityreached an agreement with CenterPoint that will allow hike and bike trails along CenterPoint's utility Right of Ways (ROWs). The agreement was facilitated by the passage of legislation that allows CenterPoint to grant recreational users access to the corridors without increasing its liability for injuries. The legislation also provides a framework for the parties to select, construct and maintain trails into the future. CenterPoint has committed $1.5 million to build the first leg of the trails.
- The Mayor, in April 2014, presented a Hire Houston First (HHF) progress report that showed more than $1 billion of city business has been awarded to designated HHF firms and 20,000 jobs have been sustained since the program began in late 2011.
- In February 2014, the Mayor announced the City is expanding its municipal energy efficiency program to retrofit libraries and other City facilities. The City will be using Qualified Energy conservation Bonds (QECBs) to fund this work. QECBs are federally-subsidized bonds that enable state, tribal and local government issuers to borrow money to fund a range of energy conservation projects at very low borrowing rates. This project phase will upgrade systems for 18 library facilities, the Dalton Street Property Maintenance facility and the Houston Emergency Center (HEC).
- The Mayor and Wells Fargo & Company, one of America's leading community banks and the nation's largest home mortgage announced in October 2013 the company will make donations totaling $760,000 over three years for two Houston-based nonprofits to help the Mayor's goal of ending chronic homelessness. The local grant recipients, The Corporation for Supportive Housing will receive $450,000 and The Coalition for the Homeless Houston/Harris County will receive $310,000 over the three years.

STRUCTURAL CHANGES TO THE RISK UNIVERSE -

Changes to the Risk Universe are considered when for example: there are Departmental and/or management structure changes; functions/responsibilities/processes are added,or eliminated; and consolidation, centralization or decentralization occurs between Departments or on a City-wide basis. In addition, the Audit Division must consider the Risk Universe of the increasing number of Local Government Corporations (LGC) being created on the City's behalf, as well as other forms of Component Units (**See description below**).

AUDITABLE ENTITIES–Auditable Entities for risk assessment purposes are defined as areas upon which audits or reviews can be conducted by internal or external auditors. These functions or activities may also be considered key business processes or defined organizational structures. Changes that occurred in the risk universe included:

- In August 2013, the Mayor appointed the City's new Chief Procurement Officer who will lead day-to-day procurement operations across all City Departments as head of the Strategic Procurement Division (SPD), reporting to the City's Finance Director;
- In FY2013, a new Director was appointed and confirmed for the Administration and Regulatory Affairs Department (ARA); and
- The independent crime lab, The Houston Forensic Science LGC, Inc., established by the Mayor and the Houston City Council has selected its President and CEO. The independent city-chartered organization is to assume the operations of the current Houston Police Department Forensic Division.

COMPONENT UNITS - Component Units are defined by the Governmental Accounting Standards Board (GASB)[1] as a related entity whose leadership/management is controlled and/or appointed by a primary government (e.g. the City) and who is dependent on the primary government financially or who would not exist if the primary government did not exist. In determining whether a particular legally separate entity is a component unit of a primary government, there are three specific tests that involve:

- Appointment of the unit's governing board;
- Fiscal dependence on the primary government; and
- The potential that exclusion would result in misleading financial reporting.

Most Component Units of the City are responsible for obtaining and issuing audited financial statements, which are submitted to the City for reporting purposes. Component Units are reported in the City's Comprehensive Annual Financial Report (CAFR).Blended component units (although legally separate entities) are, in substance, part of the City's operations and they provide services exclusively or almost exclusively for the City. In addition, both governmental and business-type component units are presented in the CAFR.

The City considers a Component Unit to be major, thus presented discretely, if assets, liabilities, revenues or expenses exceed 10% of that Component Unit's class and exceed 5% of all Component Units combined.

[1] GASB Statement No. 14, *The Financial Reporting Entity;* GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units;* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*.

One major third party entity formed during FY 2014 was the Lake Houston Redevelopment Authority (LHRA). The LHRA was created to aid and assist the City in implementing capital improvement projects identified in the Lake Houston Tax Increment Reinvestment Zone Project Plan.

ADMINISTRATIVE POLICIES AND PROCEDURES, EXECUTIVE ORDERS, AND MAYOR'S POLICIES– The City Charter, Article VI gives the Mayor power and the duty to exercise administrative control over all departments of the City, which include the authority to sign into effect Administrative Policies and Procedures (APs), Executive Orders (EOs), and any Mayor's Policies (MPs). The Code of Ordinances states that ARA has been designated by the Mayor as having the responsibility for the development and implementation of City-wide policies, regulations, and procedures.

Using the risk criteria shown below, the Audit Division performed an initial review and risk ranked the APs, EOs, and MPs based on their significance or level of impact of the policy to City-wide operations. Each department was then risk rated based on the level of the department's operational risk exposure. These ratings were combined to determine the overall risk rating for each of the policies and these policies were then categorized by: 1) Administrative, 2) Public Service, 3) Development and Maintenance, Human & Cultural and Other. A total of 117 policies were reviewed:

RISK CRITERIA

- Complexity of Operations
- Council & Public Interest
- Financial Impact/Concerns
- Human Resources Concerns
- Regulatory and/or Compliance Risk/Concerns
- Technology Concerns
- Time Since Last Audit
- Mission Criticality
- Internal Control Consideration (as reported by management)
- Legal Claims
- Public and Employee Safety Concerns

Procedures have been put in place to perform audits to determine the level of compliance and effectiveness of selected City policies based on the assessment of risks related to those policies.

CONSIDERATION OF SIGNIFICANT INFORMATION SYSTEMS

Utilizing a risk-based approach as required by the standards, the Audit Division considers the City's information technology systems that have been implemented, as well as the technology initiatives that are being developed, which affect operational/business processes. The Audit Division took into consideration Information Technology projects and initiatives being developed for City-wide and department use. Projects and initiatives in various stages of development during FY 2014 were:

- Municipal Courts Case Management System (C Smart)**;
- Utility Customer Service Billing System (Hansen);
- Data Center Consolidation;

- Enterprise Resource Planning System (ERP);
- Clinical Management Information System;
- Telecom Expense Management;
- Houston Police Department (HPD) Record Management System (RMS)**;and
- Network Telephony & Call Center.

***NOTE:** Projects Municipal Courts Case Management System (CSmart), Telecom Expense Management, and HPD Record Management System are listed in the current report for purposes of continuity. However, the noted projects have been completed and subsequently implemented.*

DEPARTMENT RISK PROFILE UPDATES

Departmental assessment update candidates were selected based on available resources, time constraints, and cost-benefit considerations. The departmental portion of the ERA performed during FY2014utilized professional staff from the Audit Division who performed reviews of the selected Department's responses from prepared questionnaires and any follow-up questions, and interviews with key operational and management personnel from the following sixCity Departments:

- Administration and Regulatory AffairsDepartment (ARA)
- Controller's Office (CTR)
- Houston Airport System (HAS)
- Houston Information Technology Services (HITS)
- HoustonParks and Recreation Department (PARD)
- Human Resources(HR)

Theprocess was performed using three basic components: Data gathering, Analysis, and Output as shown in Table 1 and further explained the remaining sections

Table 1 – Department Risk Profile Update - Components

DATA GATHERING	ANALYSIS	OUTPUT
Previous Risk Assessments ***Changes to the Dept Structure/Operating Unit Process since Last ERA*** *Mission Statement* *Organizational Structures* ***Business Objectives*** ***Develop Questionnaires*** Financial Data City and Department Websites ***Interviews***	**Analyze Questionnaire responses and follow-up with questions/interviews/discussions** ***Identify Key Business Processes and related changes*** ***Identify Potential Risks*** ***Identify Risk Management techniques as stated by management*** *Map identified risks to stated risk management techniques* *Evaluate process significance to the Department and overall City operations* *Perform Department-level risk assessments and validate with management*	***Updated City-wide business risk profile*** ***Audit Division Planning tool***

KEY BUSINESS PROCESSES –

In context of the ERA, "Key Business Process" (KBP) is defined as a vital business procedure, function or activity on which a Department spends a significant amount of financial or personnel resources to perform, or an activity over which they have primary responsibility within the City.

Key Business Processes also represent areas upon which audits or reviews can be conducted by internal auditors or external consultants.

While the City-wide analysis identified 141 total key business processes, it was discovered that 19 of them were *common* throughout most Departments, so they were grouped together for more efficient analysis. Thus Graph 2 provides a perspective to see potential efficiencies, overlap, redundancies, synergies, and leverage of resources when looking at activities that the City performs without consideration of its organizational structure[2](*For a contrasting perspective, see Graph 1*)*.*

The common KBPs are identified as follows:

- Administration
- Communications
- Compliance
- Customer Service
- Disaster Recovery
- Facilities Management
- Financial Management
- Fleet Management
- Grant Management
- Human Resources (HR)
- Inventory/Materials Management
- Information Technology (IT)
- Payroll
- Procurement
- Project/Construction Management
- Public Safety
- Records Management
- Revenue Generation (and Collection)
- Security
- ***Specific Operational***

NOTE: 'Specific Operational' *is made up of processes that are unique to the operations of the various Departments (e.g. "Call-Taking" for the HEC center, "Certification" for MWDBE for OBO, "Collection" for Solid Waste, etc.). For purposes of the report '**Security'** was combined primarily within '**Public Safety'**.*

RISK IDENTIFICATION AND RATINGS –

It is important to clarify the factors used in determining the levels of risk as presented in the departmental risk assessments. For audit purposes, risk is evaluated by distinguishing between types of risk. For purposes of the ERA and its support for the Annual Audit Plan, the following definitions are provided:

INHERENT RISK – the perceived likelihood and impact associated with an entity or activity that exists simply from the perspective of its current environment. This assumes no significant actions taken by management to mitigate (address) those risks. For example, the City has *inherent risks* associated with its geographic location, funding sources, population, global economy, structure of federal and state government, etc. This can then begin to be refined to the Departments within the City government.

CONTROL RISK – the perceived likelihood and impact of deficiencies in management controls put in place to ensure the achievement of objectives, protection of assets, financial reporting, etc. These are based on managerial decision-making, risk management techniques and strategy, which are generally within the accountability and control of operational management.

[2]The ratings were determined by applying each KBP within each Department to the weighted criteria identified in the ERA Process Section. A "High" rating indicates that conditions and events which prevent the City from achieving its objective(s) within that process could have a significant impact. This is measured in terms of disruption to essential services, financial loss, ability to protect public health and safety, impediments to economic development, or negative perception. In contrast, a "Low" rating indicates that the impact of such an occurrence would be minimal or the likelihood of occurrence is remote.

For example the design of the organizational chart, structure of reporting lines, and development of major processes to execute the mission and objectives are high-level examples of management controls and risk management techniques.

RESIDUAL RISK – the level of impact and likelihood of an adverse event occurring to impede the City, Department, and/or Key Business Processes from achieving success *after identifying and testing of management (internal) control structure*.

AUDITOR RISK – this is the probability that the Auditor will render erroneous conclusions to the audit objectives based on; insufficient and/or inappropriate evidence, lack of reasonable auditor judgment, lack of proficiency or competency, lack of sufficient resources or tools to perform substantive procedures. This risk category comes into play during audits of Departments, Sections, Divisions, or Key Business Processes.

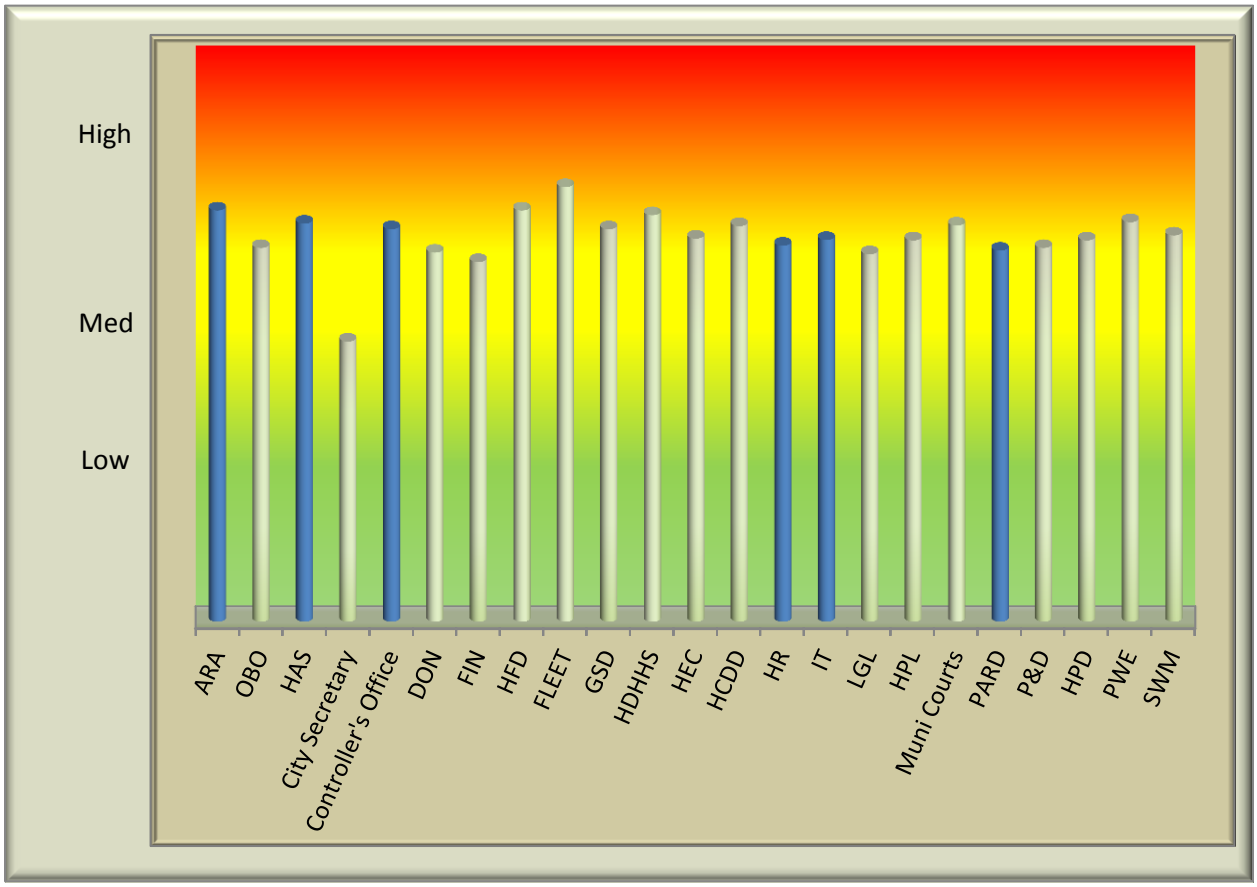
The ERA considered primarily inherent risks, with limited identification of control risk as self-reported by management. We did not substantively test specific management controls in detail and therefore, do not render an opinion on the effectiveness of design nor the efficiency in implementation or existence. The ratings do not imply a judgment on how management is addressing risk and thus is not a specific assessment of management performance nor concludes on 'Residual Risk'. The actual projects[3] performed will allow us to test more comprehensively where necessary. Additionally, as we continue the annual ERA, we will be able to bring the assessment to a deeper level, and thus help us to effectively adjust our course and focus our efforts.

The ratings were determined by applying each Key Business Process within each Department to the weighted criteria identified below. For example, a "High" rating indicates that conditions and events which prevent the City from achieving its objective within that process could have a significant impact in terms of disruption to essential services, financial loss, ability to protect public health and safety, impediments to economic development, or negative perception. In contrast, a "Low" rating indicates that the impact of such an occurrence or aggregated occurrences would be minimal.

The following graphs summarize the Audit Division's assessment of risk from two different perspectives: (1) Department and (2) Key Business Process (KBP). *Each KBP was evaluated within each department and then rated based on the same weighted criteria as shown on page 5*.

[3] NOTE: Where the term 'projects' is used in the Audit Plan, this includes audits, reviews, monitoring, and other ongoing procedures, etc.

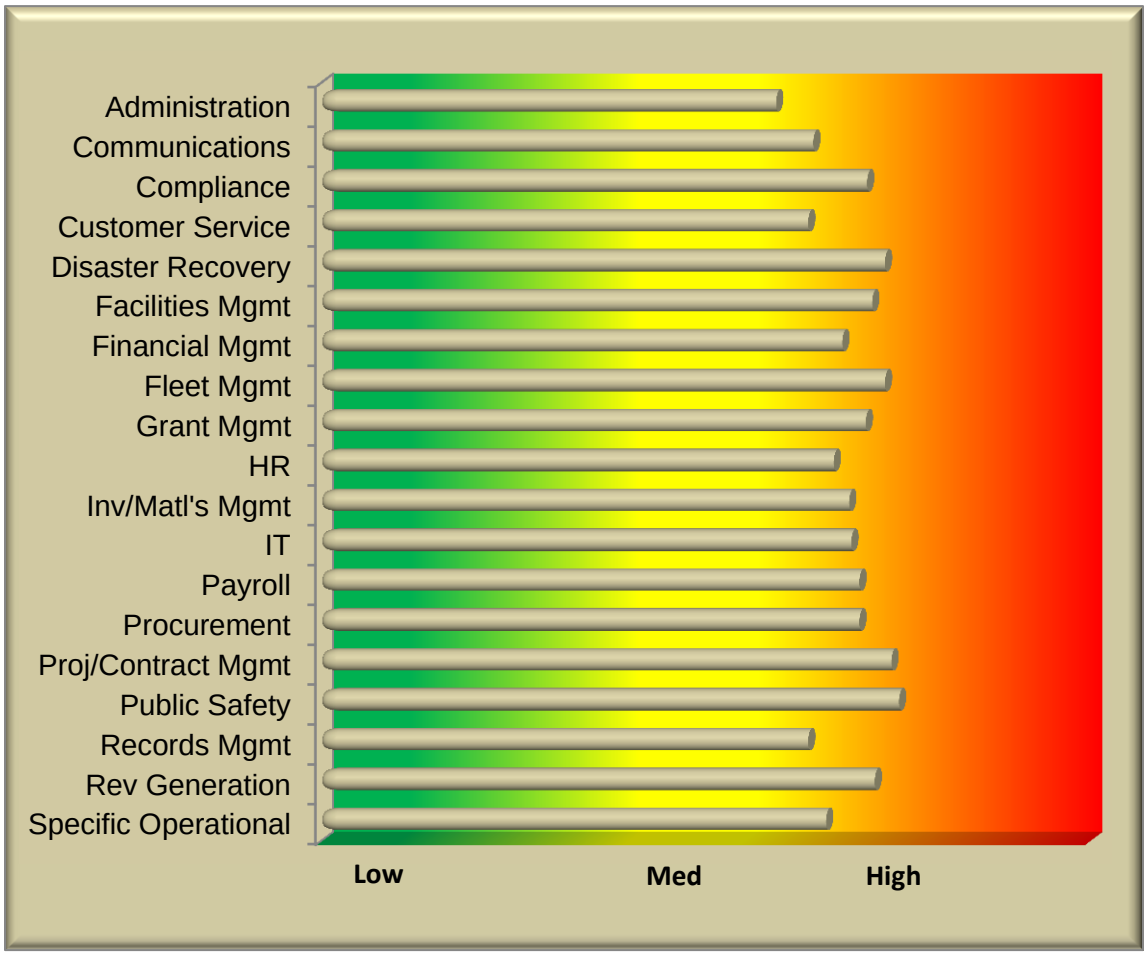
GRAPH 1 –OPERATIONAL RISK PROFILE BY DEPARTMENT[4]–



Evaluating these various factors provides indicators on prioritizing the potential projects for the upcoming year. In other words, this points us in the direction of "*what*" to audit. We then identify the available resources to determine the volume of activity to include in our plan.

[4] The blue vertical bars represent the 6 departments updated for the FY2014 ERA.

GRAPH 2 – OPERATIONAL RISK PROFILE BY KEY BUSINESS PROCESS[5] –



The risk assessment revealed that the areas of Disaster Recovery, Facilities Management, Fleet Management, Project/Contract Management, Public Safety, and Revenue Generationfall within the high risk category (See *Graph 2 above*).

[5]**'Specific Operational'** is comprised of those key business processes that are unique to the operations of the various Departments (e.g. "Call-Taking" for the Houston Emergency Center (HEC), "Certification" for Minority, Women, and Disabled Business Enterprise (MWDBE) for Mayor's Office of Business Opportunity (OBO), "Collection" for Solid Waste, etc.)[6] See **REPORT 2015-01 FY2015 CONTROLLER'S ANNUAL AUDIT PLAN,** which was released in October 2014.

OUTPUT –

The primary output of the ERA is to utilize the risk profile as one of the catalysts in designing the Controller's Office Annual Audit Plan (See Report 2015-01Controller's Fiscal Year 2015 Audit Plan). As the risk profile of the City changes, it is reflected in the selection of some of the Audits to perform for FY2015. Projects that the Audit Division will audit from the Annual Audit Plan include High Risk business processes identified above, for example: Compliance, Project/Contract Management, Public Safety and Revenue Generation, which reside within the followingDepartments: General Services (GSD); Fleet Management (FMD); Houston Airport System (HAS); Police (HPD); Administration & Regulatory Affairs (ARA); and Public Works & Engineering (PW&E).[6]

ACKNOWLEDGEMENT AND SIGNATURES –

The Project Team would like to express our appreciation to the participating Departments and their representatives who gave their time and efforts. Their input was and is critical to the success of this annual assessment by actively responding to questionnaires, interviews, discussions, and review of data presented in this report. It was evident throughout the process that the City continues to have a significant number of qualified professionals who serve the constituency by providing quality services in an economically challenged environment and who are proud of the work that they do.

Carolyn Y. Armstead
Lead Auditor

Courtney E. Smith, CPA, CFE, CIA
City Auditor

[6] Where the term "Projects" is used in the Audit Plan, this includes audits, reviews, and other ongoing procedures, etc.

UPDATED DEPARTMENT RISK PROFILES

Administration & Regulatory Affairs Department (ARA)

Mission and Objectives

Administration and Regulatory Affairs (ARA) provides efficient and logical solutions to administrative and regulatory challenges. The goal is to provide increasing value to Houston via a customer-driven team that pursues continual improvement to operational efficiency and service excellence.

Notable Changes since the Previous Risk Assessment

A previous risk assessment of ARA took place in Fiscal Year 2010. Since that assessment the following changes have occurred: 1) The Houston Permitting Center opened in June 2011; 2) A new Director for ARA was appointed and confirmed in May 2013; 3) City-wide payroll administration was consolidated into ARA; 4) The Department managed the rollout and city-wide implementation of the Kronos Time and Attendance system; 5) Enhanced online tools were developed to allow citizens to submit service requests to 3-1-1 (the City's non-emergency site), apply for or pay permits, or pay parking tickets; and 6) The Division managing procurement of goods and services for City Departments (Strategic Procurement Division) was transferred out of ARA into the Finance Department.

Significant Activities

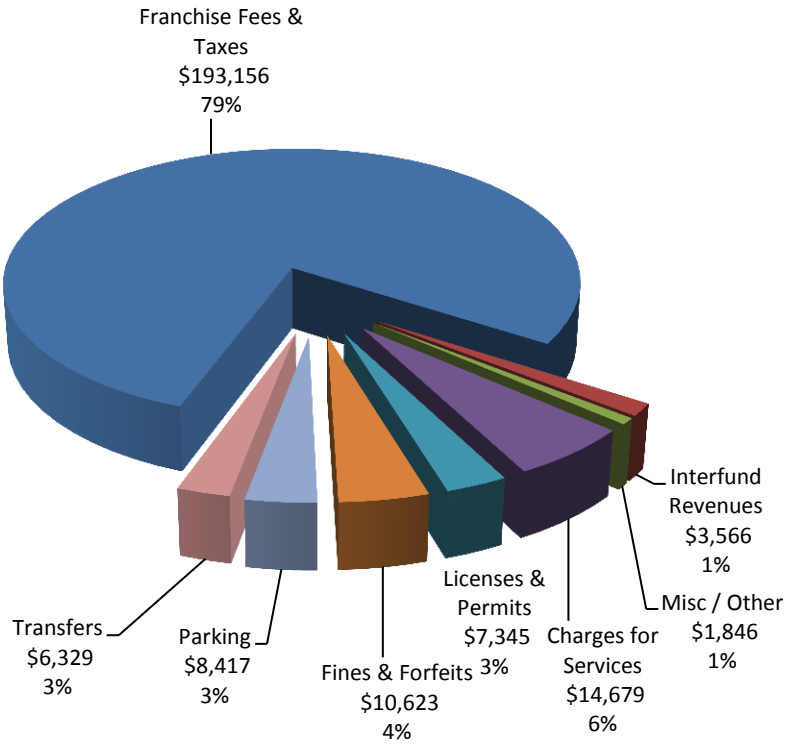
ARA provides centralized management of payroll, insurance management, and records management services. Regulatory services consist of transportation, franchise administration, parking management, and commercial permitting services. Specific departmental activities include:

- Administration of permitting activities for commercial business and vehicles-for-hire;
- Enforcing compliance with ordinances governing business permits;
- Administering payroll operations and administration for all city employees;
- Providing records management services including archival, retrieval, and disposal in accordance with retention policies;
- Administration of City-wide policy and procedures;
- Managing asset disposal operations;
- Managing the City Animal Shelter and Adoption Facility and Animal Control efforts through BARC;
- Managing 311, the City's non-emergency department directory and self-service city request line;
- Managing over 9,000 curb side parking spaces and 19 surface parking lots; and
- Administering on-street parking City regulations as codified in Chapter 26 - *Parking* from the City Code of Ordinances.

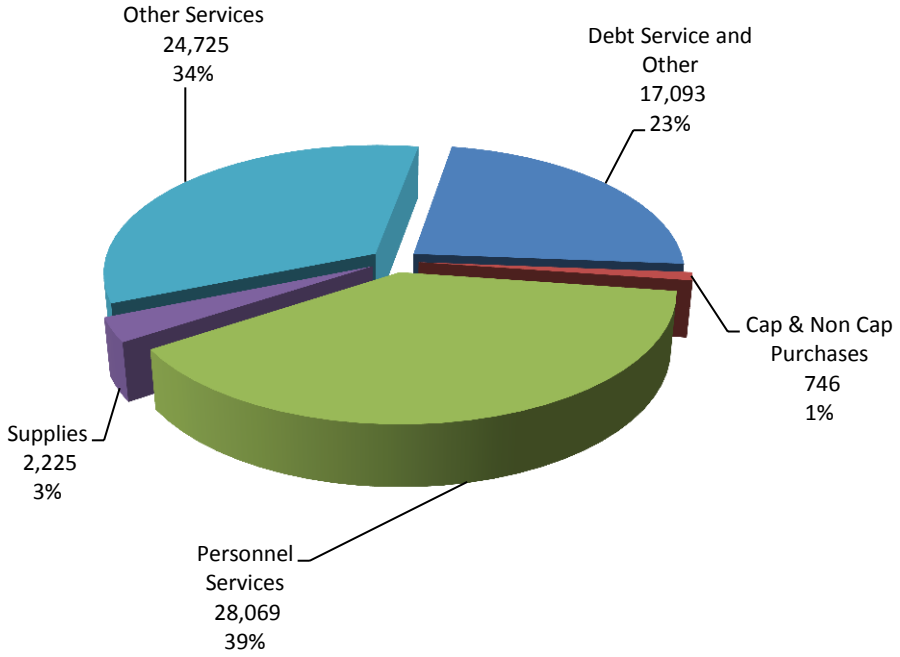
Fiscal Year 2013 Financial Data

During fiscal year 2013, the department generated more than $240 million in revenue for the City. Revenues consisted of fees from franchises, licensing, permitting, parking, fines, and a variety of other services. Department expenditures for the same time period were just under $73 million. Graphical representations of the revenues and expenditures depict the amount and source of each.

Revenue (000s)



Expenditures (000s)



Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Compliance	▪ Inconsistent and/or non enforcement of city ordinances and codes/ state statues ▪ Insurance coverage does not meet bond covenant requirement ▪ Lack of enforcement of COH hiring / contracting policies or procedures ▪ Lack of personnel to ensure regulatory compliance	▪ Analytical procedures to monitor contracts and bid procedures ▪ Use of systems controls to assist in monitoring ▪ Annual survey of assets to determine required insurance coverage ▪ Improved hiring and staff training practices ▪ Usage of temporary personnel during the time of year additional help is needed	High
Revenue Generation	▪ Website / portal transactions are not entered into SAP ▪ Lack of procedures for permitting ▪ Lack of trained personnel ▪ Insufficient controls over revenue transactions ▪ Access to collected cash ▪ Insufficient parking ▪ Irregular and/or lack of parking meter maintenance ▪ Citation reductions ▪ Inconsistent/lack of timely cash reconciliations	▪ Hired personnel skilled in accounting and collection procedures in franchise administration ▪ Enhanced internal legislative staff ▪ Formally documented cash handling procedures ▪ Analysis and reconciliation of periodic reports ▪ Audit capacity built into systems ▪ Information system monitor and report meter maintenance needs ▪ Division guidelines on citation reduction ▪ Regular/consistent reconciliations for revenue generating areas.	High
Financial Management	▪ Actual expenditures not reflected properly against budget line items	▪ Monthly accounting and budget reports ▪ Periodic audits	Medium
Payroll	▪ Failure to report payroll and applicable tax withholding to appropriate authorities ▪ Payroll fraud ▪ Inaccurate payroll	▪ Biweekly Payroll Report ▪ Biweekly meeting with ERP support team ▪ Integrate time and attendance system with SAP	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Records Management	▪ Lack of procedures ▪ Inability to process Open Records or discovery requests ▪ Failure to adhere to retention policy ▪ Failure of electronic/data system(s)	▪ Clear procedures and process for record archival and destruction ▪ Staff training ▪ Backup procedures in place	Medium

City Controller (CTR)

Mission and Objectives

The City Controller (Controller or Controller's Office) is an independently elected official that serves as the City's Chief Financial Officer. The Controller's duties include properly accounting for the assets, revenues, and expenditures of the City, conducting monitoring, and other activities which allow supervision of the City's fiscal affairs.

Notable Changes since the Previous Risk Assessment

A previous risk assessment of the Controller's Office took place in Fiscal Year 2010. Since that assessment, the following changes have occurred: 1). Payroll was centralized city-wide into the Administration & Regulatory Affairs Department (ARA), however, the payroll control function in the Controller's Office Operations Division remains; 2) Implemented Kronos Time and Attendance system;3) Human resource function was transferred to the Human Resources Department; 4) Implementation of City Investor Conference in FY2013; and 5) A new City Auditor in the Audit Division was appointed by the City Controller in 2014.

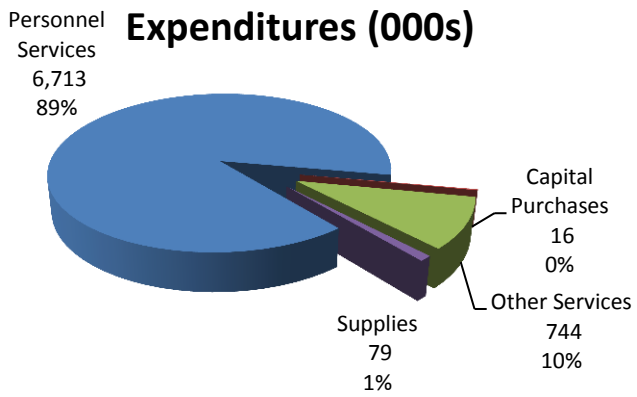
Significant Activities

The Controller accomplishes the fiscal responsibilities of the office through management of financial reporting, operational and technical services, investments and debt, and internal audits. Specific activities of the department include:

- Certifying the availability of City funds prior to City Council approval of City commitments
- Performing supplemental allocation of funds prior to actual expenditure
- Processing and monitoring disbursements exceeding 1 billion dollars annually
- Performing bank reconciliation activities
- Investing the City's funds
- Conducting internal audits of City departments and federal grant programs
- Operating and maintaining the City's official book of record
- Conducting the sale of the City's public improvement and revenue bonds
- Preparing the Comprehensive Annual Financial Report (CAFR) and Monthly Financial and Operational Reports
- Responding to public information requests related to contractual or financial matters

Fiscal Year 2013 Financial Data

During fiscal year 2013 the Controller's Office had expenditures totaling $7.5 million. Eighty-nine percent of the budget expenditures were for personnel services. A graphical representation of the expenditures is shown below.



Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Compliance	▪ Insufficient resources ▪ Non-compliance with laws and regulations ▪ Inadequately trained staff ▪ Insufficient audit planning or audit scope ▪ Vague or unclear city-wide policies or procedures ▪ Errors in financial reports ▪ Inadequate review or approval process ▪ Increased reporting or oversight requirements ▪ Non-compliance with debt covenant or arbitrage requirements	▪ Training / cross training for employees ▪ Employ risk-based audit planning ▪ Ability to co-source audit services ▪ Provide input to policy making process ▪ Detailed analysis and review of financial data ▪ Established review and approval policies and procedures in place ▪ Continuously monitor financial position ▪ Utilize outside legal and financial expertise	High
Financial Management	▪ Loss of access to financial management system ▪ Loss of financial data ▪ Complex debt transactions ▪ Inefficient processes ▪ Insufficient reporting functionality ▪ Inability to access key financial data ▪ Financial data inaccurate or not received timely ▪ Erroneous or accounting entries ▪ Budgetary constraints	▪ Daily data backups performed ▪ Utilize more robust financial management system ▪ Train and cross train staff as needed ▪ Periodically review processes ▪ Established procedures to analyze financial reports / data	Medium

Houston Airport System (HAS)

Mission and Objectives

We exist to connect the people, businesses, cultures, and economies of the world to Houston. Objectives include: more direct flights to major cities; improve customer satisfaction; improve critical asset performance; and change to a more collaborative organization culture.

Notable Changes since the Previous Risk Assessment

A previous risk assessment of HAS took place in Fiscal Year 2010. Since that assessment, the following changes have occurred: 1) Completed a re-organization of the department to better focus on core values of relationships, innovation, service, and excellence; 2) Established an airport system internal audit function and hired an Internal Auditor; 3) Established a partnership with Southwest Airlines to facilitate processes needed to establish international flight capability at William P. Hobby Airport; and 4) Became a charter member of the Texas Commercial Airports Association.

Significant Activities

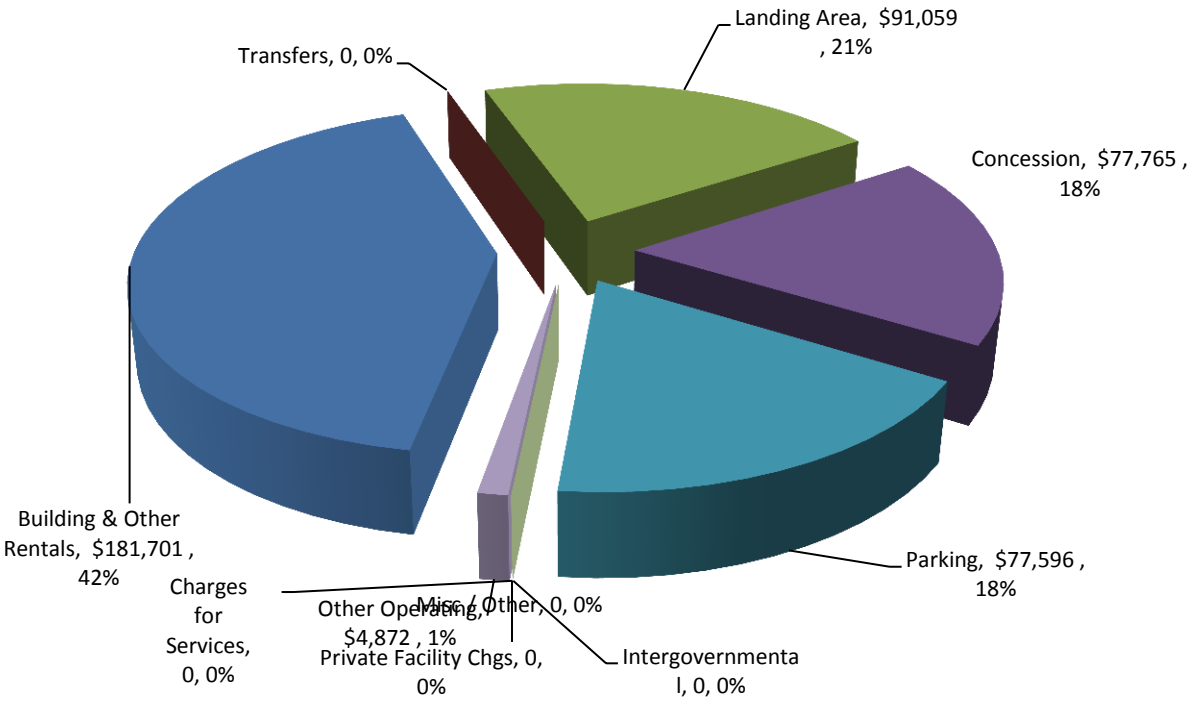
HAS is responsible for the following activities:

- Maintaining the operational condition of all airport facilities, airfield, and grounds, including electrical support and managing multi-airport maintenance contracts
- Building and maintaining partnerships and lines of communication with federal agencies to address implementation solutions for new regulation requirements
- Providing and implementing a risk based audit plan, which includes audits, investigations, and special projects as requested by management
- Performing mandated daily inspections of the airside and landside
- Managing warehousing and inventory for $1.655 million in commodities and parts for airport system usage
- Providing IT support for 260 network devices, 206 physical and virtual servers, and Help Desk support for over 950 desktop locations
- Performing project management oversight services for the scope, design and construction of airport system projects
- Administering and managing security and emergency preparedness as prescribed by federal regulations
- Providing financial and accounting stewardship over compliance and reporting activities
- Ensuring compliance with mandated regulations and training to airport personnel
- Developing relationships at local, state, federal, and international levels to highlight attributes of HAS and the City of Houston

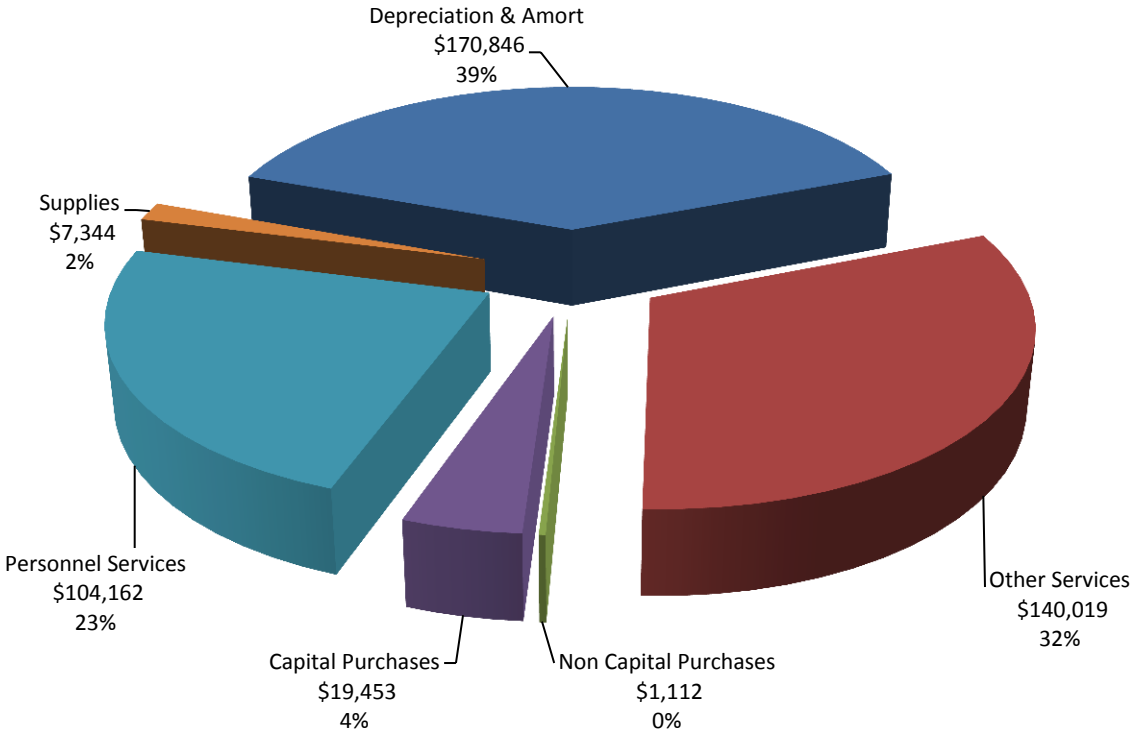
Fiscal Year 2013 Financial Data

The financial data shown below reflects the external sources of revenue generated from HAS as well as the expenses associated with operating the airport system during fiscal year 2013. Actual revenue for the fiscal year was $432.9 million. Total expenses were $442.9 million.

Revenue (000s)



Expenditures (000s)



Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Compliance	▪ Lack of contract enforcement ▪ Lack of compliance with local, state, and/or federal regulations ▪ Changes to regulations ▪ Inability to monitor contractual performance ▪ Inability to comply with federal mandates ▪ Environmental impact not considered ▪ Insufficient staffing	▪ Comprehensive policies and procedures ▪ Inspectors monitor contract compliance ▪ Monitor legislation ▪ Performance measurement process in place ▪ Contract renewal language is reviewed ▪ Audit clause in contracts ▪ Partnerships with federal agencies for implementation solutions ▪ Implementing a unified contracts management system to improve tracking, accountability, and make monitoring of schedules and budgets more transparent thus providing a complete tool for managing projects ▪ HAS Internal Audit implemented a cursory review process upon project close-out in conjunction with release of any retainage balance	High
Facilities Management	▪ Unsafe facilities ▪ Untimely repairs ▪ Inadequate comprehensive maintenance ▪ Budgetary constraints ▪ Natural disaster or other catastrophic event	▪ Landside inspections of facilities/roadways/fences ▪ Weekly Terminal walk-through inspections ▪ Irregular Operations Plan (IROP) in place ▪ Contingency Plans for disasters in place ▪ Daily Airfield Part 139 Inspections ▪ Preventive maintenance program and continuous facility enhancements	High

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Facilities Management (con't)		▪ Corrective Maintenance Trouble Tickets ▪ Design process considers maintenance needs ▪ Disaster/Continuity of operations plans are reviewed internally and with Air Carriers, tested periodically through drills and exercises to improve and integrate emergency response plans and communication protocols ▪ Designed and constructed an Emergency Operations Center with a response plan and new interconnected computers, redundant phone systems including satellite phones, highly visible display systems, and interactive hardware and software systems ▪ Designed, constructed, and developed response plans for Friends and Relatives Center with capacity to shelter and process 300 people ▪ Prepared and updated publicly available evacuation maps	
IT	▪ Data corruption ▪ Loss of data ▪ Loss of communication services ▪ Outdated systems ▪ Inadequate system interfaces ▪ Inadequate staffing for critical systems ▪ Inadequate funding for upgrades	▪ Implement malware protection, web filtering and other security measures ▪ HAS Technology Division has reduced administrative privileges to systems; increased IT security, and policy/governance, implemented intrusion	High

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
IT (con't)	▪ Unauthorized access to HAS systems	detection & prevention, purchased a governance / risk / compliance tool, and implemented application whitelisting ▪ Extensive redundancy built in to our telecommunications systems and telco circuits ▪ Critical systems and most administrative systems (including desktop PCs and laptops) are on a scheduled replacement cycle and funded ▪ Implemented vulnerability scanning to identify contractor systems connected to our network that are out of compliance or pose significant risk and ensure mitigation steps are taken as needed ▪ Outsource support for certain key systems ▪ Established IT security roles, and continue to recruit for these hard-to-fill positions ▪ Increased budget requests for IT Security related efforts ▪ Successfully secured federal funding to contribute to IT security procurement ▪ In the process of finalizing a 3-year IT Security Master Plan ▪ Data reconciliation procedures ▪ Frequent back-ups stored off-site	

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Security	▪ Changes to federally mandated security protocols ▪ Unfunded mandates ▪ Inadequate monitoring ▪ Insufficient staffing ▪ Unidentified/unauthorized persons in secured areas	▪ Maintain relationships with our Federal partners to facilitate open discourse on protocol changes and plans of action ▪ Work with industry partners and stakeholders to develop standards to mitigate unfunded mandates ▪ Collaboration with other airports ▪ Enhanced security features installed at strategic locations including secured areas, checkpoints, gates, and perimeter locations ▪ Increased emphasis on identification badge validation and display procedures ▪ Installation of upgraded Closed Circuit TV throughout IAH and HOU which is monitored 24/7 and allows audits of entry portals ▪ Alarm monitoring and tracking identifies trends/patterns ▪ Telephone Bridge-Line allows simultaneous contact between all Passenger Screening Checkpoints and Airport Communication Center ▪ Proactive IAH security review by 3rd party contractor to evaluate current security measures and recommend future needs	High

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Security (con't)		▪ Security personnel assigned to major terminal reconstruction projects to define security measures required of contactors working in construction areas and to ensure security requirements for hardware/programming are met ▪ HPD staffing at 100% of budget allocation ▪ All security personnel trained in Airport Security Coordinator standards via American Association of Airport Executives training module ▪ Training of new protocols and procedures for employees	
Communication	▪ Insufficient resources ▪ Untimely / inaccurate communication ▪ Computing system / server failure ▪ Non-compliance with City Charter or City Ordinances ▪ Public notification system failure	▪ Meeting dates and deadlines are communicated ▪ Meetings are recorded ▪ Two personnel attend meetings ▪ In-house training for Meetings are recorded ▪ Public staff	Medium
Financial Management	▪ Inaccurate or inadequate financial management system ▪ Changes in grant requirements ▪ Inadequate reporting systems ▪ Financial analysis inadequate for management decision making ▪ Destruction of data	▪ Monthly Budget vs. Actual analysis ▪ Grant activity and costs are preapproved ▪ Track and reconcile data from SAP reports ▪ Comprehensive budget analysis ▪ Rates & Charges development ▪ Strategic financial planning	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
		▪ Technology safeguards to ensure redundant data exist	
Inventory Management	▪ Ineffective and/or inaccurate inventory verification counts ▪ Inefficient distribution of inventory ▪ Inaccurate inventory records	▪ Perform cycle counts. ▪ Daily deliveries from warehouse to sites ▪ Inventory records in SAP are accessible by authorized personnel only ▪ On-line inventory reservation system	Medium
Procurement	▪ Inefficient procurement process ▪ Lack of controls over purchasing ▪ Bid-rigging or bogus bids ▪ Ineffective PCard oversight	▪ Procurements completed in strict accordance with COH procurement process, AP 5-2, EO 1-14, and Texas Local Government Code ▪ Training is provided to all staff with procurement responsibilities ▪ Review contracts to reduce costs ▪ Purchase orders are reviewed by supervisors prior to release ▪ Pricing for contract purchases are verified and contract spending is monitored on a monthly basis by management ▪ PCard distributed only to those with responsibilities that warrant card use ▪ PCard transactions monitored and reviewed	Medium
Project Management	▪ Inadequately trained or licensed personnel ▪ Loss of key personnel ▪ Selection of unqualified professional design firm(s) / contractor(s) ▪ Ineffective project oversight	▪ Encourage PMP Certification ▪ Manage and deliver projects in alignment with Department's strategic direction ▪ Firms selected through steering committee ▪ Project managers monitor and manage construction through use	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
		of a Risk Management Log, Project Execution Plan, and Risk Mitigation Plan, which results in increased visibility and accountability	
Revenue Generation	▪ Financial strength (or weakness) of airlines and tenants ▪ Decline in economy ▪ Competition ▪ Ineffective marketing program ▪ Loss of federal funding ▪ Increase in fuel ▪ Untimely deposits	▪ Contractual agreements ▪ Conduct audits ▪ Proactive marketing and business development groups ▪ Maintain compliance with federal regulations ▪ Reconciliation and checklist(s) of cash collections	Medium

Houston Information Technology Services (HITS)

Mission and Objectives

The mission of the Houston Information Technology Services Department (HITS) is to provide innovative service delivery supporting our customer's customer with a vision to be a collaborative organization that enables employees, partners, and citizens get the utmost value from our technology investments now and in the future.

Notable Changes since the Previous Risk Assessment

A previous risk assessment of HITS took place in Fiscal Year 2010. Since that assessment, the following changes have occurred: 1) Consolidation of Information Technology (IT) functions City-wide with some exceptions; 2) Restructuring of the IT Department with a new executive management team, which included new Divisions, Infrastructure and Information Security; 3) A new Chief Information Officer (CIO) was appointed and confirmed in 2012; 4) A new Chief Information Security Officer (CISO) was hired in August of 2014; and 5) Developed as the IT framework the City Information Technology Services Strategic Plan 2014-2016.

Significant Activities

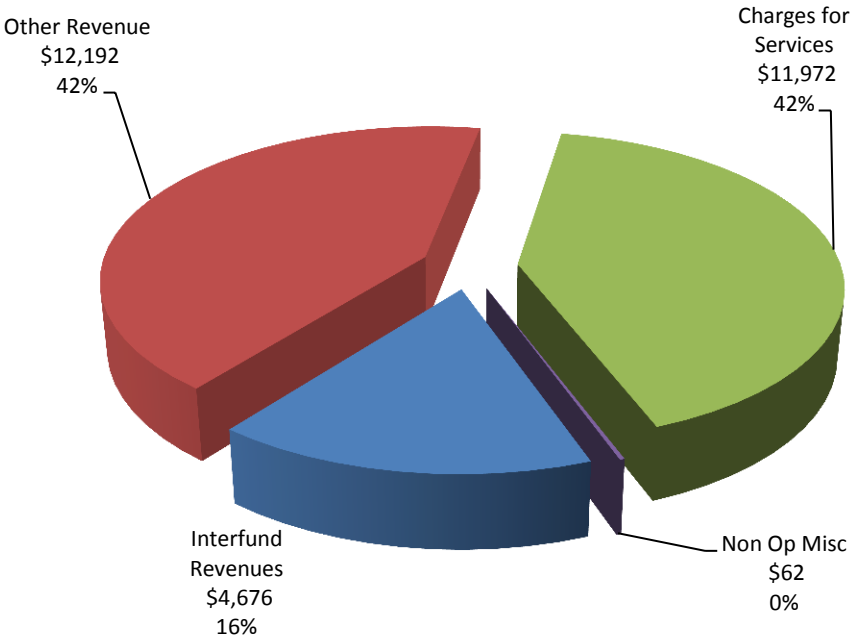
HITS helps ensure that City-wide the technology needs of the business units and operations are addressed. Activities include:

- Supporting a centralized e-mail system of over 17,000 users and another federated 7,000 users;
- Development and management of over 100 essential applications within the City;
- Performing desktop and laptop support services;
- Maintaining the infrastructure (switches, servers, routers, storage, etc.) and core connections;
- Providing cybersecurity services (security incident management, Antivirus & malware protection) and overall management of the City's information security program and activities for information andinformation systems;
- Maintaining over 50 radio sites, 7 Dispatch Console sites and more than 15,000 radios in the field;
- Wide area network connecting over 450 sites across the city including, Library, Police, Fire and Public Works and Engineering Departments;
- Supporting the Enterprise Resource Planning (ERP)/SAP system, Data Warehouse, Enterprise GIS, and Application Operations;
- Providing voice, data, and other telecommunication infrastructure services to all departments; and
- Developing and implementing various information technology special projects.

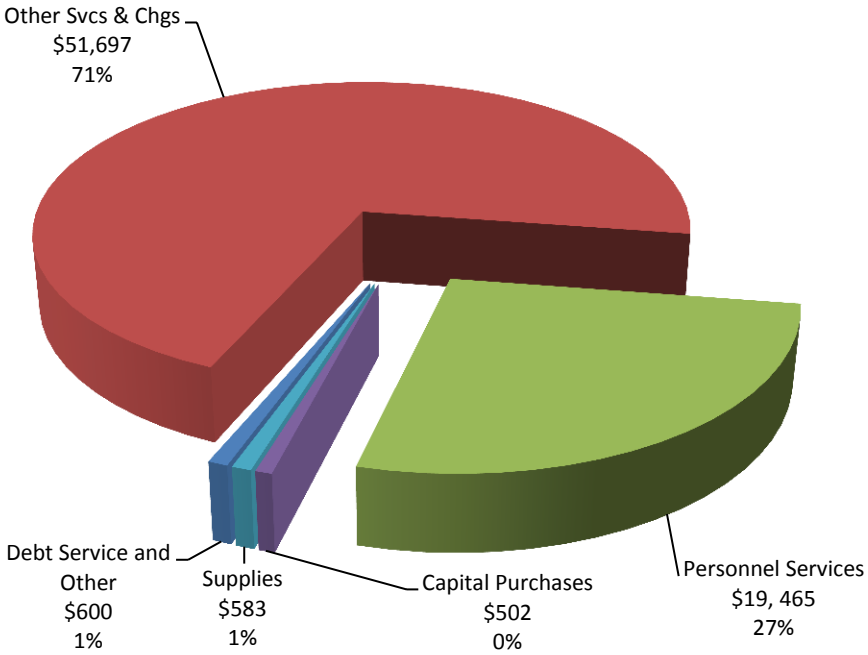
Fiscal Year 2013 Financial Data

During fiscal year 2013, HITS reported expenditures of approximately $72.8 million, which included personnel, and other services. Most of the revenues reported were for interfund billing. Graphical representations of the revenues and expenditures depict the amount and source of each.

Revenue (000s)



Expenditures (000s)



Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Applications	▪ Poorly integrated systems ▪ Obsolete and unsupported applications ▪ Inadequate funding ▪ Over dependence on Consultants ▪ Inadequate reporting mechanism ▪ Lack of job-specific application training	▪ Enterprise Resource Planning Committee prioritizes project selection, funding, and implementation ▪ ITOC provides standardization of technology practices through IT governance ▪ 3-year Information Technology I Continuous Planning, which is aligned to Finance CIP and General Fund processes. ▪ Manage relationships with consultants that focuses on acceptance testing for interim deliverables ▪ HITS three year Strategic Plan with one year operational updates, that communicates a clearand strategic action plan, which includes “knowledge transfer” requirement in project contract knowledge to further enhance staff skills and reduce dependence on consultants ▪ Requests have been made for funding to accommodate training dollars so vendor reliance can be diminished.	High
Security	▪ Inconsistent application controls ▪ Conflicting security layers ▪ Inadequate security measures ▪ Inconsistent and/or lack of password standards ▪ External vulnerability from hackers ▪ Exposure to virus, malware, spam, infections, etc. ▪ Unauthorized access	▪ Information Technology Operating Committee, as defined in Executive Orders 1-44 and 1-48 ▪ Provides standardization of technology practices through IT governance ▪ Hired CISO in August 2014 as part of HITS ▪ Risk Management and Vulnerability Assessments completed in January 2015	High
Client Services	▪ Unrealistic client demands ▪ Lack of understanding of customer needs ▪ Inconsistent customer satisfaction metrics ▪ Inadequate resources ▪ Fragmented solutions	▪ Education and training of employees during implementation of new products and enhancements of existing applications ▪ Help desk reporting mechanism to monitor issues and remediation	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
		▪ Implementing new Service Now system for better monitoring and management of client service ▪ Implementing customer satisfaction survey	
Infrastructure	▪ Loss of inter-connectivity and communication ▪ Lack of access to critical systems ▪ Loss of critical data ▪ Inadequate hardware to support organization objectives ▪ Lack of sufficient capacity	▪ Standardization efforts have been undertaken to consolidate platforms and reduce variance in hardware infrastructure. ▪ Reorganized functions to coincide with customer service along measurable product lines ▪ HITS to implement monthly reporting on KPI's ▪ Identify, implement, and manage initiatives that consolidate data centers	Medium
Special Projects	▪ Overspending budget ▪ Lack of clear and measurable product deliverables ▪ Insufficient skill set and/or lack of resource consistency (turnover) ▪ Poorly defined project goals	▪ Projects presented before the ITOC, ITGB and City Council for approval, based on City Procurement Guidelines ▪ The Project Management Playbook, supported by the IT Governance processes, ensures structured planning and oversight. ▪ Contract language structured with incentives/holdbacks ▪ Milestone and Deliverables based payment structured. Prioritization of special projects with realistic timelines	Medium
Administration	▪ Non-compliance with Policies and Procedures ▪ Inadequate funding for competent technology professionals ▪ Inaccurate accounting entries	▪ Adhere to existing City policies and procedures ▪ Review and revise internal policies and procedures as needed ▪ Manually review and correct chargeback metrics/schedules to ensure all financial information is accurate	Low

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Communications (Radio)/Public Safety	▪ Insufficient personnel ▪ Lack of resources and/or training ▪ System/equipment obsolescence	▪ Invested in the latest technology ▪ Continue to train and provide professional development to IT professionals ▪ Hire and retain skilled professionals	Low

Houston Parks and Recreation Department (HPARD)

Mission and Objectives

Created by city ordinance in 1916, the Houston Parks and Recreation Department's (HPARD) overall mission is to enhance the quality of urban life by providing safe, well-maintained parks and offering affordable programs for the community. The Department also seeks to encourage and promote healthy living.

Notable Changes since the Previous Risk Assessment

A previous risk assessment of HPARD took place in Fiscal Year 2010. Since that assessment the following changes have occurred: 1) City-wide consolidationofpayroll and human resource functions into Administration & Regulatory Affairs Department (ARA) and Human Resources Department respectively; 2) Fleet was rolled into the Fleet Management Department (FMD); and 3) Workforce was reduced and some Divisions were combined into existing Divisions within the Department, which currently consists of four core Divisions.

Significant Activities

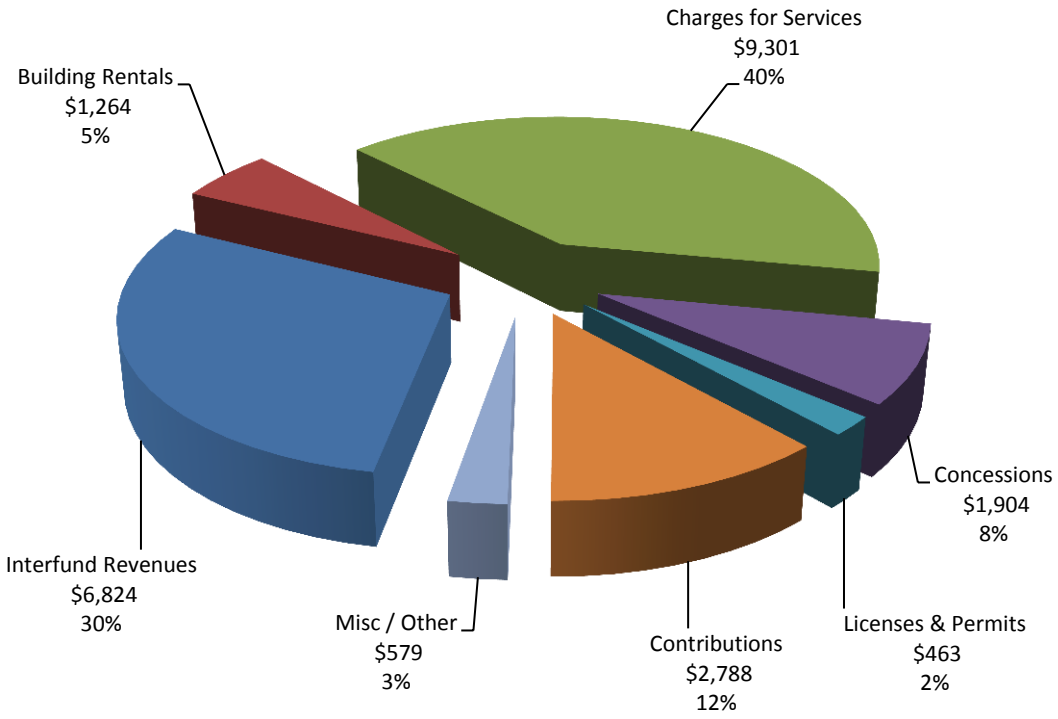
HPARD is responsible for the management, improvement, and maintenance of parks, which encompass parkways, esplanades, playgrounds, community centers, green space, urban forest, and multi-service centers belonging to or under the control of the City. The Department is accredited through the Commission for Accreditation of Park and Recreation Agencies (C.A.P.R.A). Activities include:

- Managing and maintaining operation of 60 community centers, and green spaces totaling more than 37,000 acres
- Maintaining the grounds for 39 City Libraries and 16 Multi-Service Centers
- Maintaining over 1,700 acres of esplanades
- Managing seven City golf courses (three City courses are managed by private contractors) and three tennis centers
- Operating and maintaining 37 swimming pool sites, water parks, 5 above ground skate parks and one 30,000 square feet in-ground skate park, dog parks and over 128.69 miles of hike and bike trails throughout the city
- Operating the Summer and After-School Meal Programs
- Managing youth, teen, adult and senior leisure and sports programs
- Responding to more than 22,000 calls from the City's 311 service each year
- Removing over 5,000 bags of trash from the park system each week
- Overseeing and coordinating park system improvements and expansion

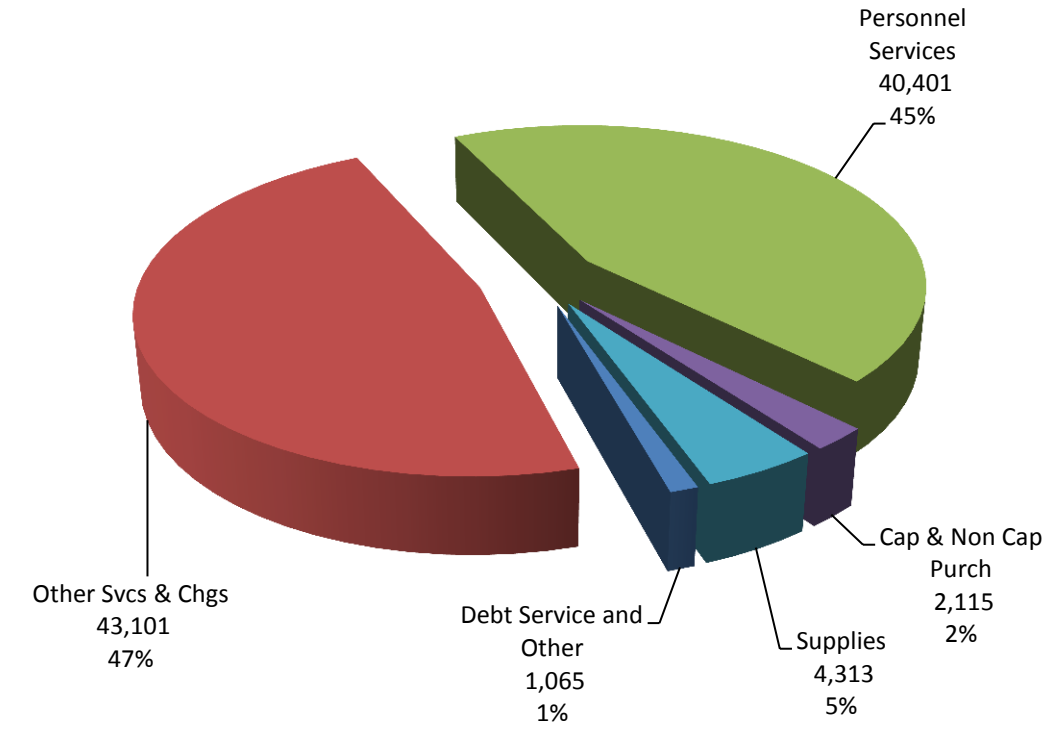
Fiscal Year 2013 Financial Data

Revenue generated during fiscal year 2013 totaled $23.1 million, which were primarily from various service fees, e.g., golf, open space, intergovernmental (grants), and concessions. Expenditures totaled $91 million, which included personnel, supplies and other service charges. Graphical representations of the revenues and expenditures depict the amount and source of each.

Revenue (000s)



Expenditures (000s)



Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Security and Safety	▪ Increase in crime rate ▪ Lack of funding for increased technology ▪ Lack of assistance from outside law enforcement agencies ▪ Inadequate staff resources for monitoring and/or guarding facilities ▪ No surveillance cameras at all facilities	▪ Deploy Urban Park Rangers on rotating schedule ▪ Maintain shift schedule to enable park coverage ▪ Utilize newer equipment for self protection/ technology for surveillance / monitoring ▪ Communication protocols established to increase transparency of staff actions to executive and mid-level management ▪ Area law enforcement support security efforts ▪ Self-Defense training ▪ All facilities are equipped with intrusion alarms ▪ Increased patrol frequency of “hotspots”	High
Customer Service	▪ Park facilities or programs do not meet citizen expectations ▪ Inability to respond to citizen requests ▪ Increasing acreage and facilities to maintain without a commensurate increase in funding	▪ Solicit community input through evaluations and surveys ▪ Respond to calls from the City’s 311 service in a 3 day response turn-around	Medium
Facilities Management	▪ Insufficient or ineffective preventive maintenance ▪ Increasing number of facilities to maintain without a commensurate increase in funding ▪ Vandalism and theft of City property ▪ Inadequate security ▪ Inability to share electronic data or other information among 100+ satellite sites	▪ Utilize preventive maintenance schedule ▪ Periodically review existing preventive maintenance schedule to improve system ▪ Deploy Urban Park Rangers on rotating schedule ▪ Additional funding for regular facility maintenance	Medium
Financial Management	▪ Lack of financial knowledge ▪ Inadequate funding ▪ Increased utilities and materials cost ▪ Inadequate systems and systems support ▪ Detailed grant reporting requirements	▪ More stringent hiring process ▪ Monitor and analyze expenditures ▪ Financial system allows improved oversight and analysis	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	▪ Financial system requires much manual intervention		
Grounds Maintenance	▪ Increased acreage to maintain without a commensurate increase in funding ▪ Outdated or inoperable equipment ▪ Insufficient data collection tools ▪ Insufficient work order maintenance scheduling systems ▪ Unaware of need to remove or trim certain trees endangering public safety or posing threat of property loss ▪ Ineffective enforcement of City's tree protection ordinance ▪ Inability to communicate with managers or crews in the field ▪ Shortage of grounds maintenance staff	▪ Maintenance scheduling procedures in place ▪ Monitor equipment and repair as needed ▪ Follow replacement schedule that lowers amount of obsolete or aged equipment ▪ Encourage adoption programs to facilitate reallocation of resources ▪ Respond to requests to remove or trim trees from the City's 311 service ▪ Enforce tree ordinance through permitting process ▪ Provide communication tools for managers	Medium
Marketing	▪ Inadequate or untimely communication from other departments ▪ Inability to inform citizens of events, programs, or activities ▪ Inadequate staff ▪ Negative perception	▪ Work with other departments to receive information timely ▪ Continuous updates to department website ▪ Staff experienced in media and marketing industry ▪ Respond to citizen questions received through "Ask Parks"	Medium
Recreation, Wellness, and After School Programs	▪ Lack of programs and services needed or desired by the public ▪ Inadequate funding ▪ Program staff not adequately trained ▪ Hiring process is untimely for seasonal staff ▪ Inadequate equipment	▪ Review survey results ▪ Monitor program and service utilization rates ▪ Monitor lifeguard qualifications and training ▪ Sponsorship opportunities	Medium

Human Resources Department (HR)

Mission and Objectives

To be a strategic partner by providing Human Resources programs that attract, develop, retain, and engage a skilled and diverse workforce. Our vision is to be universally recognized for Human Resources excellence and as a premier employer.

Notable Changes since the Previous Risk Assessment

A previous risk assessment of HR took place in Fiscal Year 2010. Since that assessment the following changes have occurred: 1) The City moved from an employee Health Benefit premium based plan to a self insured Health Benefit plan; 2) Expanded the Benefits Division by creating the HR Information System (HRIS) Section; 3) The Learning & Development Center was transferred to HR in 2014; 4) Implementation of a new employee assessment system was completed in 2014; 5) The City contracted with TALX Corporation to provide employment verification services; and 6) The human resource function city-wide was consolidated into the Human Resources Department in 2011.

Significant Activities

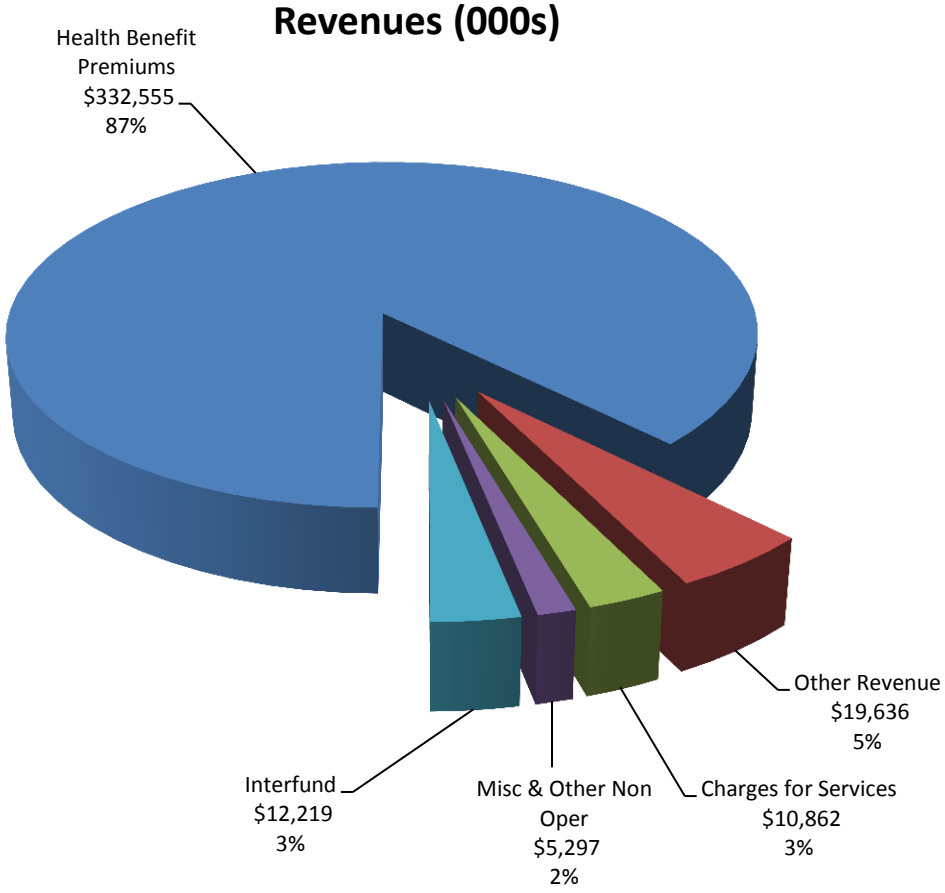
HR supports each City department by managing the administrative functions of hiring, coordinating core development courses, and the administration of benefit programs. The department's activities include:

- Managing the job posting, application and hiring process
- Maintaining employment applications and personnel records
- Administering the salary program
- Negotiating, implementing, and administering benefit programs
- Conducting analysis of existing programs
- Developing and administering promotional exams for Class A personnel in the Houston Fire Department
- Maintaining Health Benefits Fund plan eligibility records for over 68,000 customers
- Coordinating formal training / staff development programs
- Managing the Learning and Development Center (formerly E.B. Cape Center)
- Providing input to safety training and programs
- Processing motor vehicle record checks for all Departments except Houston Police Department and Solid Waste Management Department

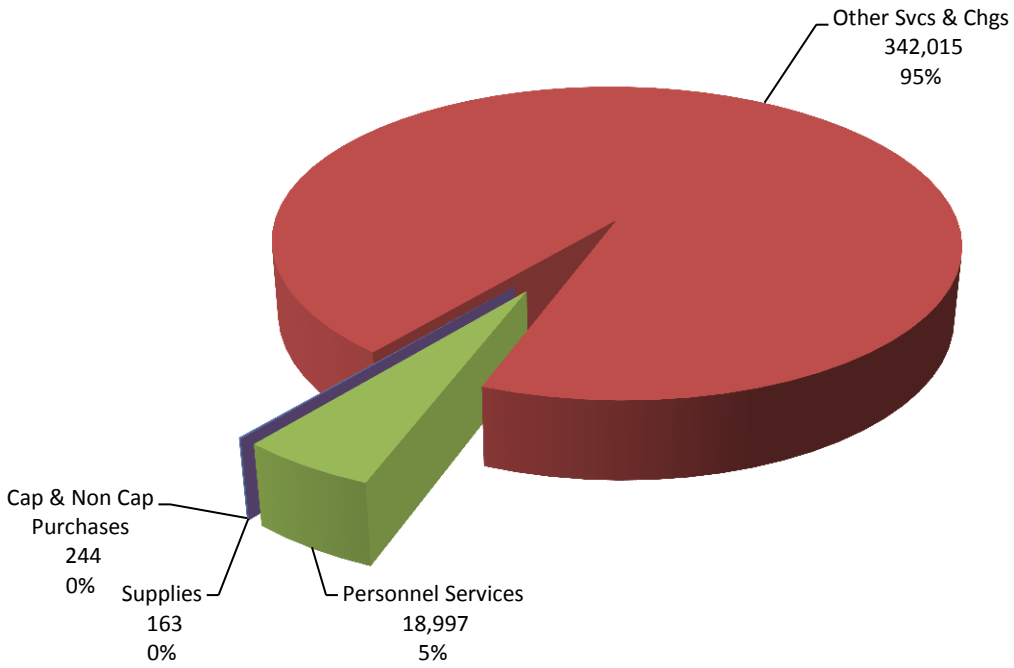
Fiscal Year 2013 Financial Data

During fiscal year 2013, the Department recorded revenue of $381 million. Eighty-seven percent of the Department's revenues representedthe receipt of health benefit premiums or payments. Insurance claims are funded substantially from the City with the remainder coming from employees via the payroll system and the 3 pension systems for retirees.Graphical representations of the revenues and expenditures depict the amount and source of revenue and expenditures.

Revenues (000s)



Expenditure (000s)



Key Business Risk Areas

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Compliance	▪ Inability to perform compliance reviews ▪ Non compliance with contract stipulations ▪ No comprehensive policies ▪ Inaccurate position descriptions ▪ Posted requirements incompatible with job needs ▪ Non compliance with HIPAA and other laws and regulations ▪ Changes in laws / regulations	▪ Audit clauses in all contracts ▪ Internal and external audits performed ▪ Collaborate with Legal Dept on new and revised policies ▪ Position descriptions reviewed / approved by departments ▪ Monitor compliance with HIPAA and other laws/ regulations ▪ Incorporate requirements in processes ▪ Monitor changes in labor / employment regulations	High
Records Management	▪ Lack of storage capacity ▪ Lack of retention policies ▪ Loss/destruction of physical and/or electronic or recorded information	▪ Dedicated space for physical records ▪ Minimum retention based on COH policy ▪ Approval process in place for record destruction ▪ Review by the Legal Department regarding retention records/information ▪ Availability of transcribed information and system backup	High
Administration	▪ Unfunded legislative mandates ▪ Lack of formal policies and procedures ▪ Non-compliance with policies and procedures ▪ Lack of transparency in decision making process	▪ Suggestions for new or revised policies are formally considered for approval ▪ Non-compliance issues or complaints are formally investigated	Medium
Financial Management	▪ Inadequate funding ▪ Untimely benefit roll reconciliations ▪ Financial instability of	▪ Reconciliations performed monthly ▪ Vendor financial standing considered in contracting	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	3rd party providers ▪ Catastrophic illnesses or injuries ▪ Security breach	phase ▪ Contracts in place to limit losses ▪ System access controls in place	
Human Resources	▪ Inability to recruit and retain qualified individuals ▪ Untimely recruiting / hiring process ▪ Noncompetitive compensation ▪ Inadequate training or cross-training ▪ Retirement / resignation of large pools of experienced personnel ▪ Reduction in workforce City-wide	▪ Staff receive class and on-line training ▪ Electronic application process ▪ Provide training through various mediums and cross-training	Medium
Information Technology	▪ Limited ability to produce reports ▪ Loss of eligibility data ▪ Lack of processing capacity ▪ Lack of training on system capability	▪ Work with HITS / ERP team to develop reports ▪ Redundant back-ups ▪ Staff receive formal and on-the-job training	Medium
Safety	▪ Inadequate safety programs ▪ Inability to provide safety training ▪ Lack of due diligence following an incident	▪ Offer safety specific training ▪ Provide monthly safety messages ▪ Perform periodic safety assessments/audits	Medium
Training	▪ Inadequate staff training ▪ Lack of inadequate/qualified instructors trainers/instructors ▪ Inadequate scheduling and/or inadequate training facility accommodations	▪ Comprehensive training solutions for the City's workforce and external clients ▪ Professional and skilled trainers/instructors ▪ State of the art training facility	Medium

DEPARTMENT RISK ASSESSMENT DATES

CITY OF HOUSTON DEPARTMENTS	LAST ASSESSMENT
ADMINISTRATION AND REGULATORY AFFAIRS	2014
CITY SECRETARY	2012
CONTROLLER'S OFFICE	2014
FINANCE	2012
FIRE	2013
FLEET MANAGEMENT	2013
GENERAL SERVICES	2011
HEALTH AND HUMAN SERVICES	2013
HOUSING AND COMMUNITY DEVELOPMENT	2011
HOUSTON AIRPORT SYSTEM	2014
HOUSTON EMERGENCY CENTER	2011
HOUSTON INFORMATION TECHNOLOGY SERVICES	2014
HOUSTON PARKS AND RECREATION	2014
HUMAN RESOURCES	2014
LEGAL	2011
LIBRARY	2012
MUNICIPAL COURTS	2013
NEIGHBORHOODS	2013
OFFICE OF BUSINESS OPPORTUNITY	2012
PLANNING AND DEVELOPMENT	2012
POLICE	2012
PUBLIC WORKS AND ENGINEERING	2011
SOLID WASTE MANAGEMENT	2012