OFFICE OF THE CITY CONTROLLER

CITY OF HOUSTON

2017 ENTERPRISE RISK ASSESSMENT

Chris B. Brown, City Controller

Courtney E. Smith, City Auditor

Report No. 2017-11

OFFICE OF THE CITY CONTROLLER
CITY OF HOUSTON
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CHRIS B. BROWN

June 26, 2017

The Honorable Sylvester Turner, Mayor
City of Houston, Texas

SUBJECT: REPORT #2017-11
**   CITY OF HOUSTON – 2017 ENTERPRISE RISK ASSESSMENT**

Mayor Turner:

I'm pleased to submit to you the Enterprise Risk Assessment (ERA) performed by the Controller's Office Audit Division during Fiscal Year (FY) 2017. This is a process that supports our efforts in developing the FY 2018 Annual Audit Plan and deploying the necessary resources to execute.

As noted in the FY 2016 ERA report (#2017-01) 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 re-perform the entire process every year. Our methodology is consistent with professional standards and considers available resources, cost-benefit, and will allow 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). Based on this, the six departments selected and updated for the FY2017 ERA were:

- Department of Neighborhoods (DON)
- Fleet Management Department (FMD)
- Houston Fire Department (HFD)
- Houston Health Department (HHD)
- Houston Public Library (HPL)
- Municipal Courts Department (MCD)

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 DON, FMD, HFD, HHD, HPL and MCD.

Respectfully submitted,

Chris B. Brown
City Controller

xc: City Council Members
      Marvalette Hunter, Chief of Staff, Mayor's Office
      Kelly Dowe, Chief Business Officer, Mayor's Office
      Harry Hayes, Chief Operating Officer, Mayor's Office
      Shannan Nobles, Chief Deputy City Controller
      Courtney Smith, City Auditor, Office of the City Controller

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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 sets of standards require a risk-based approach to identify the scope and objectives of the audit planning and to properly design audit procedures. 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 adherence to these Standards, the Audit Division applies risk-based methodology in the following manner:

- Annual ERA on all major processes within five to seven departments, which then provides a basis for input to the 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 –

The Audit Division conducts an annual process to update the ERA. Departments are selected on a rotational basis for efficiency and to ensure full coverage of all City Departments over a four to five year period. The 2017 ERA process includes other considerations in addition to length of time since the previous assessment. The process begins with preliminary planning, a review of prior risk assessment reports, 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 Operational Changes
    - Structural Changes (new departments, creating new entities, changes to processes, consolidation, etc.)
- Consideration of Significant Information Technology and Systems
- Department Risk Profile Updates

NOTABLE CHANGES

To apply the risk based methodology noted above, 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 when preparing the Annual Audit Plan.

SIGNIFICANT EVENTS AND OPERATIONAL CHANGES SINCE THE FY2016 ENTERPRISE RISK ASSESSMENT UPDATE (ERA) – include the following:

- On August 31, 2016, the City announced that as part of an agreement approved by the Houston City Council, Harris County Precinct 1 will pay for $45m of City Road Improvements.

- On September 28, 2016, City Council approved an agreement between the City and the Texas Water Development Board for the administration of the Federal Emergency Management Agency's (FEMA) Flood Mitigation Assistance Program. This particular program will elevate forty-two (42) flood-prone homes.

- On October 26, 2016, the City Council approved the Mayor's package of pension reforms. The plan was sent to the Texas Legislature and approved by the Texas Senate on May 1, 2017, and by the Texas House of Representatives on May 8, 2017.

- On November 30, 2016, the City released its audited Comprehensive Annual Financial Report (CAFR) for FY2016. The Report showed a net deficit of $95m arising from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 regarding unfunded pension liability. On December 30, 2016, Mayor Turner released a statement addressing the negative net position reflected in the fiscal year 2016 CAFR. The Mayor and City Controller, Chris Brown, stated in separate statements that this was the result of implementation of Governmental Accounting Standards Board Statements 67 and 68. However, both stated that it also indicated a critical need for pension reform among the City's three pension systems.

- In February 2017, the Mayor and City Council expanded the City's solar power purchase agreement from 30 megawatts to 50 megawatts, which is expected to provide 10.5% of the City's electricity needs with clean, affordable solar energy.

- In April 2017, Moody's Investors Service served a notice to downgrade the City's credit rating citing lack of a sustainable pension plan to address the growing pension liability.

- On May 9, 2017, the Mayor delivered his proposed FY 2018 budget to the City Council after closing a deficit of more than $120 million. The proposed General Fund budget of $2.38 billion represents a slight increase from current FY2017 spending levels, despite reductions of $39.6 million in operating costs.

- On May 24, the Texas Legislature approved the conference report for Senate Bill 2190; the Houston Pension Solution which will reduce the City's $8.2billion unfunded liability through future benefit reduction. Under the plan, which utilizes a more realistic 7 percent rate of return on investments, the City will be required to meets its annual contribution until the unfunded liability is fully paid off in 30 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, as described in more detail below. Changes that occurred in the risk universe included:

- In April 2016 the Fleet Management Department assumed responsibility for management of the City's auto part inventory, which was previously outsourced.
- C. J. Messiah as named interim director of the General Services Department in November 2016. He was confirmed as the Director on May 17, 2017.
- In November 2016, Mayor Turner named Art Acevedo, Samuel Pena and J. Elaine Marshall to the positions of Police Chief, Fire Chief and Director/Presiding Judge of Municipal Courts, respectively. All were subsequently confirmed by the City Council.
- In March 2017, Karun Sreerama was appointed as Director of the Public Works and Engineering Department and confirmed by City Council.

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. City of Houston) 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 discretely presented component units - governmental and business-type are presented in the CAFR.

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[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.*

A Component Unit is considered major, and 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.

**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 the Administration & Regulatory Affairs Department (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, 4) 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

CONSIDERATION OF SIGNIFICANT INFORMATION SYSTEMS

Utilizing a risk-based approach as required by the standards, the Audit Division considered 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(s) use. Projects and initiatives in various stages of development are:

- Geographically Redundant Prime Sites;
- Infor Community Development Regulations (CDR);
- Finance Budgeting Software;
- Contact Center Upgrade;
- Enterprise Voice Infrastructure Upgrades.

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 FY2017 utilized two 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 six City Departments:

- Department of Neighborhoods (DON)
- Fleet Management Department (FMD)
- Houston Fire Department (HFD)
- Houston Health Department (HHD)
- Houston Public Library (HPL)
- Municipal Courts Department (MCD)

The process 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. KBPs also represent areas upon which audits or reviews can be conducted by internal auditors or external consultants.

While the City-wide analysis identified approximately 145 total key business processes, it was determined 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 Houston Emergency Center (HEC), "Certification" of Minority, Women, and Disadvantaged Business Enterprise (MWDBE) for the Office of Business Opportunity (OBO), "Collection" for Solid Waste Management, 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.

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.

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[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.

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.*

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[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] –
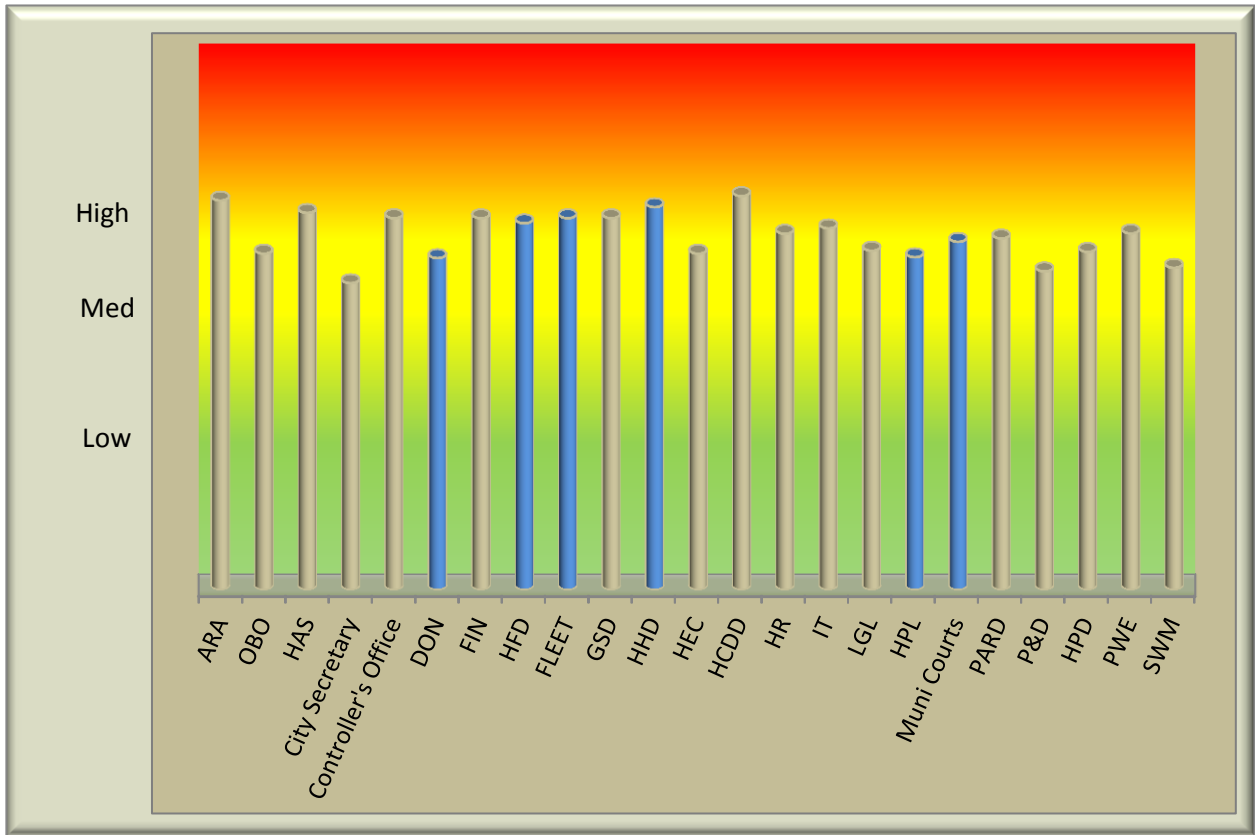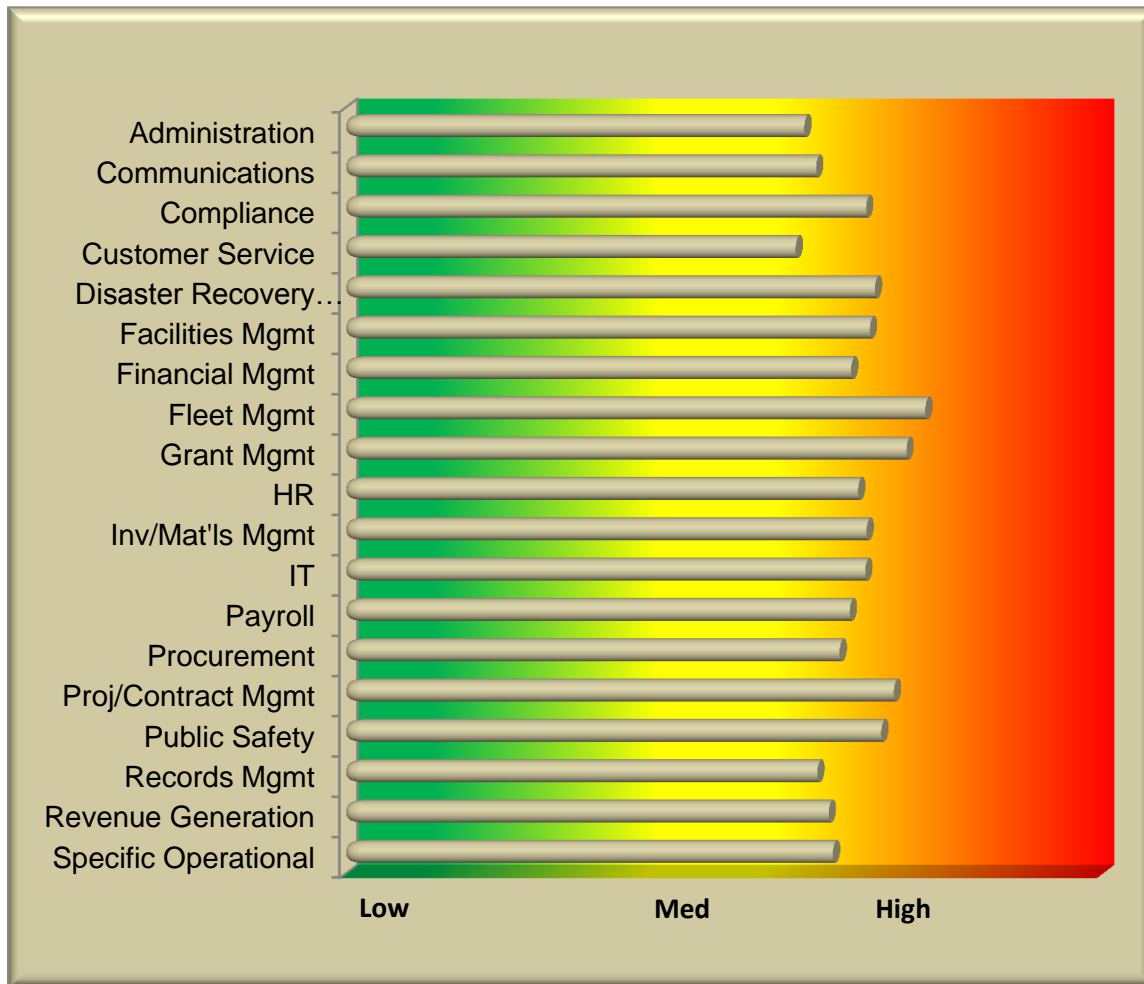

Evaluating all of these various factors provides indicators on prioritizing the potential projects for the upcoming year. In other words, this points us in the direction of "*what*" to audit. We then identify the available resources to determine the volume of activity to include in our plan.

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[4] The blue vertical bars represent the 6 departments updated for the FY2017 ERA.

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

The risk assessment revealed that the areas of Fleet Management, Grant Management and Project/Contract Management fall within the high risk category (See *Graph 2 above*).

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. As the risk profile of the City changes, it is reflected in the selection of some of the Audits to perform for FY2018. Projects that the Audit Division will audit from the Annual Audit Plan include High Risk business processes identified above, for example: Fleet Management which reside with the Fleet Management Department; and Grant Management and Project/Contract Management, which reside within the following Departments: Finance Department, Houston Health Department, Housing and Community Development Department, Houston Police Department, General Services Department, Houston Airport System and Public Works and Engineering.

ACKNOWLEDGEMENT AND SIGNATURES –
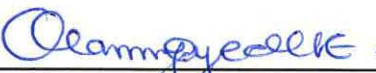
The Project Team would like to express our appreciation to the participating Departments and their representatives who gave their time and efforts. Their input was and is critical to the success of this annual assessment by actively responding to questionnaires, interviews, discussions, and review of 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.

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UPDATED DEPARTMENT RISK PROFILES

Department of Neighborhood (DON)

Mission and Objectives

The Department of Neighborhoods (DON) is an entity dedicated to improving quality of life in our neighborhoods through expanded outreach, stronger community partnerships and improved government responsiveness.

This constituent-based service concept creates a "one-stop-shop" for accessing City services and resolving neighborhood issues.

Notable Changes since the Previous Risk Assessment

The previous risk assessment took place in 2013. Since that time, the most significant change was the move to electronic based inspections. In 2013, the idea was explored, but implementation has begun of the Infor-mobile software for DON's Code Enforcement Officers.

The Bandit Sign Enforcement Section was transferred from Public Works and Engineering (PWE) to DON in 2014 and the Education Initiatives Division was transferred from DON into the Mayor's Office of Education in 2016. The current DON Director, TaKasha Francis, was appointed by the Mayor and confirmed by the City Council on March 25, 2016.

Significant Activities

Department of Neighborhoods (DON) was originally established by Ordinance No. 2011-697, in August 10, 2011. The Department responsibilities, include: 1) assisting citizens access to City services and to serve as a liaison between citizens of the City and City Departments; 2) assisting families, young adults, and communities in reducing the frequency and the effects of juvenile delinquency in general and gang participation in particular; and 3) reducing substandard living conditions in the City through enforcement of various statutes and City of Houston Code of Ordinances. Specific activities of the department include:

- Providing abatement services for dangerous buildings, weeded lots, and junk vehicles;
- Conducting investigations of dangerous buildings;
- Processing liens, applications for extensions of dangerous building orders;
- Maintaining records of inspection documents, hearings;
- Maintaining records for processed Texas Public Information Act requests;
- Providing outreach programs/events for various communities and promoting cultural diversity;
- Coordinating volunteer initiatives for projects with City Departments and community partners;
- Facilitating delivery of services to citizens with disabilities;
- Bandit sign enforcement; and
- Providing case management including intervention services for active gang members, gang related ex-offenders and high risk youth.

Department of Neighborhood (DON)

FISCAL YEAR 2016 Financial Data

During FY2016, the DON incurred actual expenditures totaling $16.4 million. They collected $2.8 million in revenues. Graphical representations of the revenues and expenditures depict the amount and source of each.

Revenue (000s)

Charges for Services, 1,717.00 61%

Other Fines & Forfeits, 950.00 34%

Non-Operating/Misc.Revenues, 43.00 2%

Transfers, 5.00 , 0%

Intergovernmental, 77.00 , 3%

Licenses & Permits, 1.00 , 0%

Expenditures (000s)

Supplies, 264.00 , 2%

Personnel Services, 10,867.00 , 66%

Real Estate Rental, 813.00 , 5%

Demolition Services, 1,291.00 , 8%

Other Services and Charges, 2,408.00 , 15%

Misc Support Services (Note 1), 707.00 , 4%

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Code Enforcement	- Insufficient resources/funding - Insufficient number of Inspectors/certified Code Enforcement Officers to inspect properties - Incorrect property to be demolished - Inability to monitor litigation deadlines - Missed deadlines for Hearing orders - Backlog of properties that are hazardous/dangerous to be demolished - Non-compliance of nuisances	- Internal case management system (FORMS) that tracks each inspection - Code Enforcement License and mandatory CPE training to keep inspectors abreast of current issues now operational. - Code Enforcement Officer (CEO) has extreme familiarity with the building at the site at the time the contractor is present - All legal descriptions are checked and re-checked - Review and re-review all legal descriptions - CEO is at the building site at the same time as contractor - Final reviews from Demolition Assessment Panel (DAP) Inspections conducted and citations issued	High
Compliance	- Non-compliance with laws, regulations, statues and/or City policies and procedures - Dangerous buildings are not demolished timely creating health, safety, and crime concerns - Non-compliance with asbestos regulations during building demolition - Inability to monitor litigation deadlines	- Multiple layers of approvals are required prior to destruction - Building inspectors assigned to resolve dangerous building cases - Contractors must be certified and insured to demolish a building including those with asbestos - Citations issued for no-compliance - Due process to property owners	Medium
Customer Service	- Lack of resources to meet the needs of constituents - Communication breakdown with citizens - Needs of communities are not met - Inadequate or ineffective outreach programs and/or initiatives to meet community needs - inadequate staff/partnership	- Attending and participating in neighborhood civic meetings - Promoting, sponsoring and co-sponsoring events and programs - Proactive in working with the various communities	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Records Management	▪ Natural disaster or other catastrophic events occur ▪ Loss of proprietary information (inspection documents, hearing decisions, etc.) due to system malfunction or failure ▪ Outdated equipment	▪ Daily backups ▪ Maintain hard copies ▪ Automated tracking	Medium

Fleet Management Department (FMD)

Mission and Objectives

The mission of the Fleet Management Department is to provide high quality, cost effective and sustainable fleet management and maintenance services to our customer departments.

Notable Changes since the Previous Risk Assessment

A previous risk assessment of FMD took place in Fiscal Year 2013. Since that assessment the following changes have occurred:

- The current Director, Victor Ayres was appointed by former Mayor Parker and confirmed by City Council in June 2015.

- On April 17, 2016 the FMD took over all parts management in house. Prior to this a vendor had been contracted to manage all parts.

- FleetShare was expanded with 45 additional vehicles and seven new sites. The software and website were also updated and a smartphone app developed for users.

Significant Activities

The Fleet Management Department was originally established by Ordinance No. 2010-803, Section 2, on October 13, 2010. The Department is responsible for the City's fleet of vehicles including, fire trucks, police vehicles, refuse trucks, tractors, dump truck and all other rolling stock. FMD manages approximately 12,000 vehicles with 25 maintenance locations. The Department was created to consolidate the City's fleet management and maintenance activities in an effort to drive cost reductions and introduce efficiencies into fleet processes. Specific activities include:

- Manages the City's fleet of vehicles for use by the City departments
- Specification and acquisition of new vehicles and other related equipment and preparation of any required capital planning to budget for such acquisitions;
- Managing the maintenance and repair for all vehicles and related equipment;
- Managing procurement, distribution and warehousing of inventory parts for all maintenance sites.
- Managing and maintaining all City-wide fuel facilities and requirements;
- Managing the procurement of fuel for all City vehicles;
- Providing oversight and managing the Fuel Card Program;
- Managing and providing oversight of 67 fuel sites and 4 body and paint shops;
- Providing oversight and support to Department Fleet Coordinators; and
- Managing a centralized shared motor pool

Fiscal Year 2016 Financial Data

During FY 2016, FMD generated $81 million in General Fund revenue from services. Total expenditures were $80.5 million. Graphical representations of the revenues and expenditures depict the amount and source of each.

Fleet Management Department (FMD)

Revenue (000s)

Interfund Fleet Maintenance (a), $22,168 , 27%

Interfund Vehicle Fuel, $22,587 , 28%

Interfund Vehicle Repair, $36,201 , 45%

Expenditures (000s)

Veh & Motor Equip Services, $5,845 , 7%

Miscellaneous Other Scv Charges, $6,358 , 8%

Other Supplies, $285 , 0%

Miscellaneous Parts & Supplies, $202 , 0%

Temporary Personnel Services, $255 , 0%

Personnel Services, $27,571 , 35%

Veh Repair & Maint Supplies, $21,687 , 27%

Fuel, $17,962 , 23%

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Facilities Management	▪ Deferred scheduled maintenance ▪ Catastrophic events like flooding, damages by tornadoes and other natural disaster occur ▪ Insufficient funding for proper upkeep ▪ Unauthorized access ▪ Violation(s) of regulations, i.e., Texas Commission on Environmental Quality (TCEQ)	▪ Tracking scheduled maintenance ▪ Daily inspection of fuel sites ▪ Coordinating with General Services Department (GSD) on preventive maintenance ▪ Review and update policies and new legislation	High
Fleet Management	▪ Aging vehicle fleet, thereby increasing overall maintenance and operating cost ▪ Failure of fleet management system ▪ Market Competitiveness for skilled mechanics ▪ Lack of funding to replace and repair vehicles ▪ Accidents of key vehicles ▪ Delay or not following preventive maintenance schedule ▪ Heavier usage than anticipated leading to more frequent failure ▪ Lack of available parts or needed supplies for aging fleet ▪ Loss of specialized/certified repair mechanics ▪ Weather events	▪ Automated fleet management system, (Asset Works-Fleet Focus M5, Fuel Force, and GPS) ▪ Preventive vehicle maintenance program in place ▪ Department fleet coordinators are in place ▪ Conduct monthly staff meetings ▪ Vehicle specific training for mechanics ▪ Regularly review of vehicle maintenance schedules ▪ ASC / EVT mechanic certification incentive	High
Inventory/Materials Management	▪ Lack of inventory availability to complete work orders. ▪ Failure of computerized system ▪ Inaccurate inventory counts and records. ▪ Inefficient large or high dollar or obsolete parts inventory. ▪ Theft of inventory.	▪ Integrated work order planning process. ▪ Cycle counts performed ▪ Annual inventory count performed ▪ Inventory on hand is limited to high use items. ▪ Storage areas/locations are secured with guards, cameras and controlled key access.	High
Customer Service	▪ Communication insufficient with department coordinators in response to special needs Delay in repair of vehicles due to personnel issues	▪ Review and monitor vendor contracts ▪ Weekly and monthly staff meetings with Shop and Division level Managers ▪ Assist City Departments with assessment of Department	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	and/or backlog of vehicle parts	needs regarding vehicle purchases and other related equipment ▪ Regular communication with department coordinators ▪ Routine reporting of equipment readiness	
Procurement	▪ Non-compliance with procurement laws, regulations, statutes and/or City policies and procedures ▪ Price volatility ▪ Unauthorized usage and/or users of fuel cards and procurement cards ▪ Slow response and lack of needed contracts for operations	▪ Managing City-wide contracts for vehicle parts ▪ Maintaining adequate supplies ▪ Weekly meetings with procurement division to manage and monitor contracts	Medium

Houston Fire Department (HFD)

Mission and Objectives

The mission of the Houston Fire Department (HFD) is to save lives, protect property, and serve our community with courage, commitment, and compassion.

Notable Changes since the Previous Risk Assessment

A previous risk assessment of HFD took place in Fiscal Year 2013. Since that assessment, the following changes have occurred:

- In 2014, as part of a citywide consolidation effort, Accounts Payable, Budget, Capital Management, and Procurement responsibilities were transferred to the City of Houston's (COH) Finance Department.

- In the fall of 2015, Fire Chief Terry Garrison resigned and Executive Assistant Fire Chief Rodney West served as interim Fire Chief.

- In December 2016, Fire Chief Samuel Peña was appointed by Mayor Turner.

Significant Activities

HFD is the third largest fire department in the United States and is responsible for preserving life and property to a population of more than 2 million citizens in an area totaling 654 square miles. The HFD is the largest fire department in the country to be rated Class 1 by the Insurance Service Office (ISO) and the world's largest accredited fire department by the Commission on Fire Accreditation International (CFAI). Significant activities of the Department include but not limited to:

- Provide continuous firefighting and first responder emergency medical services to citizens and residents of the City;
- Respond to hazardous materials and aircraft rescue incidents;
- Provide immediate treatment to those in need of urgent medical care; and
- Organize, support and coordinate the activities of the Life Safety Bureau.

Financial Data

During FY 2016, HFD collected $113.8 million in revenue, which included a total of $79.4 million in charges for services, and $5.1 million from other miscellaneous revenue. Service charges included Licenses & Permits and Ambulance Fees. The revenue collected for FY2016 went into the General Fund. Corresponding expenditures for the period were $535.7 million. Graphical representations below of revenues and expenditures depict the amount and source of each.

Houston Fire Department (HFD)

Revenue (000s)

Intfd Fire Protec Sv
$19,943, 18%

Ambulance Fees
$47,424, 42%

Other Fines &
Forfeits $673, 1%

Other Charges for
Services
$1,210, 1%

Misc & Other
$146, 0%

Intergov/Grants
$29,279, 26%

Non
Op/Misc.Revenues
$4,270, 4%

Licenses & Permits
$10,870, 10%

Expenditures (000s)

Personnel Services
$460,865, 86%

Fuel
$3,104, 1%

Supplies
$8,424, 2%

Other Services &
Charges
$40,980, 8%

NonCap Purchases
$3,056, 1%

Capital Purchases
$19,292, 4%

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Emergency Response	▪ Ineffective dispatch system ▪ Age of the front-line and reserve fleets ▪ Insufficient medical supplies ▪ Lack of support from partner agencies ▪ Loss of communication with control towers ▪ Major emergency situation that exhausts available resources ▪ Inability to meet response times expected by citizens ▪ Control and predictability of classified overtime	▪ Analysts are centralized to coordinate responses for consistent results ▪ Review and update call for service protocols as needed ▪ Coordinate with FMD and follow vehicles and apparatus replacement schedule as funding allows ▪ Standard supply levels for each apparatus type ▪ Redundancy capability built into communication center and systems ▪ Monitor call for service response times ▪ Review citizen survey satisfaction rates on emergency response ▪ Coordinate fleet needs with FMD Review vacation and time off policies, restrict holiday time during peak months, and graduate more new FF than attrition each year	High
Safety	▪ Unknown conditions at emergency sites ▪ Lack of support from law enforcement personnel ▪ Inability to communicate conditions to crew or command staff ▪ Lack of maintenance of Personal Protective Equipment (PPE) Lack of sufficient CQI (Continuous Quality Improvement) efforts.	▪ Install, maintain, operate and repair HFD radio and wireless communications ▪ Receive support from law enforcement ▪ Installed thermal imaging equipment on all engines and trucks ▪ Conduct initial and continuing education training ▪ Implement equipment upgrades to minimize injuries ▪ PPE inspected and issued to each individual Conduct fire prevention education to the public	High

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Compliance	▪ Inability to provide state mandated training hours ▪ Noncompliance with federal, state, and local regulations ▪ Noncompliance with labor contract ▪ Unfunded legislative mandates ▪ New FAA regulations ▪ Management unaware of regulatory changes ▪ Inadequate / untimely fire inspections ▪ Insufficient monitoring of inspections process	▪ Conduct initial and continuing education training ▪ Implemented online training where possible ▪ Training is monitored ▪ Participate in trainings held by other agencies ▪ Adhere to HFD's Standard Operating Guidelines which encompass federal, state and local regulations ▪ Integration Land Management System (ILMS) used to monitor inspections / permitting ▪ Perform bi-annual inspections of hydrants Maintain ISO and CFAI accreditation	Medium
Financial Management	▪ Inadequate financial management oversight ▪ High rate of uncollectible EMS billings ▪ Lack of funding for operational enhancements and replacement of PPE and EMS equipment ▪ Economic constraints prevent external entities assistance with prevention education and outreach ▪ Lack of oversight on PCard purchases ▪ Limited amount of grant funding available ▪ Inadequate monitoring and reporting on grant activities ▪ Inability to fund pension obligations ▪ Failure to understand the State of Texas and COH procurement laws and ordinances ▪ Inability to predict headcount ▪ Lack of inventory management	▪ Prepare budget and monitor it against actual expenditures ▪ Quarterly review of contracts ▪ Utilize dashboard to provide data to Executive Command ▪ Adhere to City's procurement policies and procedures ▪ Monitor PCard purchases and use of Petty Cash ▪ Report grant activities to funding agencies ▪ Prioritize operational enhancements and replacement of life safety equipment for funding • Conduct Procurement 101 classes for staff periodically • Finance takes the lead and provides headcount projections Regular meetings are scheduled with procurement, DC and analysts to foster a regular dialogue.	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Human Resource (HR)	▪ Lack of training funds ▪ Inability to attract qualified personnel ▪ Key personnel attrition ▪ Timely movement of attrition and new hires in/out of SAP ▪ Lack of formal succession plan ▪ Inability to fund pension obligations ▪ Inadequate communications with COH HR Department and access to resources	▪ Implemented career day events to attract recruits ▪ Implemented Classified Testing and Diversity Assurance ▪ Continue to express to HR the importance of timely information. ▪ Provide training and programs for officer development ▪ Customized module for personnel transfers to increase efficiency ▪ Provide Critical Incident Stress Management (CISM) Team counseling and Family Support services as needed	Medium
Information Technology (IT)	▪ Loss of critical data streams ▪ Loss of record management capabilities ▪ Lack of adequate systems enhancements ▪ Inadequate business continuity plan ▪ Increasing dependence on technological solutions for unique administrative and operational activities ▪ With consolidation of HITS, inadequate access to City IT resources	▪ Chief Technology Officer work with HITS ▪ Manage HFD desktop support, telecom, and application development ▪ Critical systems are maintained at HEC ▪ Increasing redundancy to minimize service disruption ▪ Developed and implemented hardware replacement policy	Medium
Materials Management	▪ Natural disasters, terrorist attack or weather conditions that block access to warehouse ▪ Inability to procure supplies and equipment timely ▪ Delivery of supplies or equipment to stations is impeded	▪ Perform inventory observation ▪ Inventory received at warehouse ▪ Supplies distributed from warehouse to stations ▪ Annual inventory performed	Medium

Houston Health Department (HHD)

Mission and Objectives

The mission of the Houston Health Department (HHD) is to work in partnership with the community to promote and protect the health and social well-being of all Houstonians.

The goals of the Department are to:
- Protect the community from disease**;**
- Prepare for, respond to and recover from disasters**;**
- Increase opportunities for health living**;**
- Give children a healthy start**;**
- Align services with national mandates and standards;
- Demonstrate organizational excellence;
- Reduce health disparities

Notable Changes since the Previous Risk Assessment

A previous risk assessment of HHD took place in Fiscal Year 2013. Notable changes that have occurred since the last risk assessment include:

- Formal name change from the "Houston Department of Health and Human Services" to the "Houston Health Department";

- Becoming the City's liaison for the Texas DSHS 1115 Waiver Project; 1115 Waiver funding allows HHD the opportunity to invest in initiatives that mitgate the impact of public health concerns, offset federal cuts for public health services, improve and expand services and avoid future costs to City of Houston by developing collaborative projects with Fire and Police.

- Serving as the backbone organization for My Brother's Keeper Houston; and

- A program development unit was added to the Planning area to ensure that services offered to the public are evidenced based and of highest quality.

Furthermore, since 2013, the department has undergone a re-organization. This new structure is intended to achieve the following:

- A focused effort on human services through a Human Services Division that includes the development of care coordination models and an expansion of adolescent health services.

- Better coordination across interconnected divisions with the consolidation of the Office of Surveillance and Public Health Preparedness into Community Health services to address disease prevention and control in a more uniform approach.

- More effective infrastructure support for the entire department with the consolidation of planning, program development, policy development, quality improvement and performance management into a single management structure.

The Department is currently in the process of updating its Strategic Plan and expects release a finalized plan in FY2018.

Houston Health Department (HHD)

Significant Activities

HHD accomplishes its mission through educational awareness, program services, and monitoring and regulatory activities. The Department activities include:
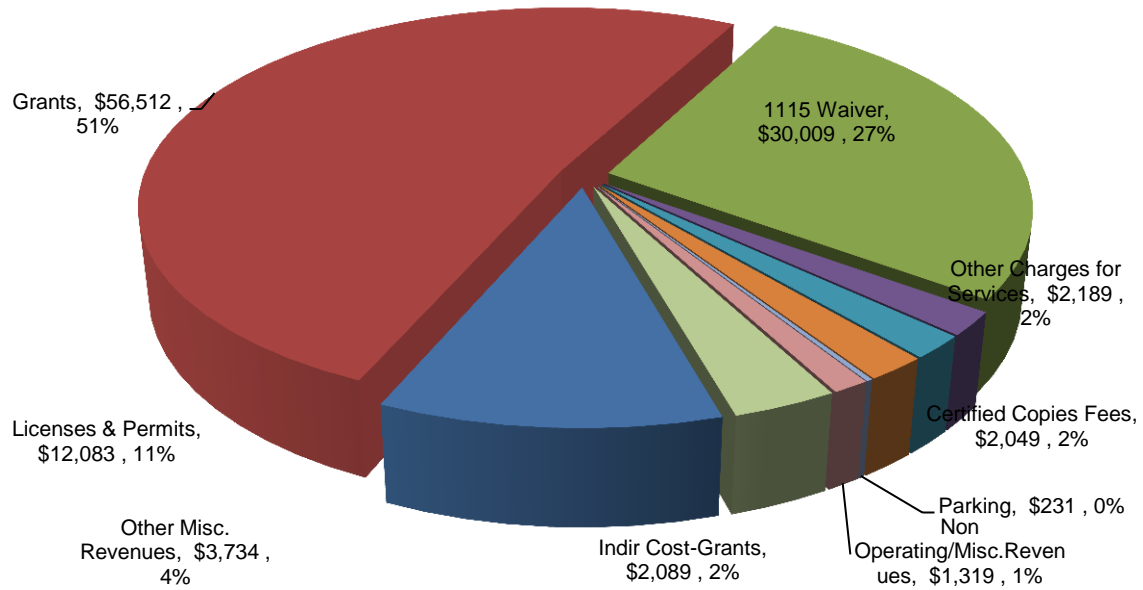
- Monitoring and enhancing integrated surveillance systems to identify and contain health issues and emerging health threats;
- Assessing, investigating, and analyzing health threats and hazards;
- Managing 5 health facilities and 11 multi-service centers, which provide family planning, preventive health care, dental care, and WIC nutrition services;
- Providing community disease control services including immunizations, tuberculosis (TB) control, sexually transmitted disease (STD) control, hepatitis C and HIV education and testing;
- Performing laboratory testing in support of emergency response, environmental, clinical and reference laboratory activities;
- Providing enforcement and protection related to outdoor and indoor air quality, water quality, waste issues regarding land, occupational health and safety inspections, food sanitation, lead poisoning prevention and lead-based paint reduction;
- Monitoring approximately 12,600 food service establishments including mobile food units and about 5,000 temporary food events by sanitarians who perform 33,000 inspections per year, and conduct training for 4,300 food establishment managers;
- Performing 3,900 public pool inspections per year and responding to citizens' complaints, including those concerning private residential pools;
- Providing senior citizen nutritional services and information referral respite, legal, dental, hearing and vision services;
- Developing IT solutions in collaboration with Houston Information Technology Services (HITS) to further enable data mining, grant reporting capabilities, case management and referral system, clinic/pharmaceutical inventory tracking, and medication management;
- Maintaining birth and death records and providing certified copies of those records;
- Managing vital statistics records dating back to 1833;
- Partnering with local universities to develop certificate in Public Health;
- Working with law enforcement agencies on joint environmental initiatives and task forces to combat criminal activity across jurisdictions;
- Responding to over 1,500 open records requests and coordinating media relations activity; and

Fiscal Year 2016 Financial Data

During FY 2016, HHD received a total of $110 million dollars in revenue; $56.5 million (51%) was in the form of grant funding and $30 million (27%) from 1115 Waiver funds. The 1115 Waiver funding is shown as both an expenditure and a revenue. The expenditure side is used as a 42% match to the Texas Health and Human Service Commission (HHSC). HHSC then returns the 42% match to the department with an additional 58% Incentive payment which is used to fund public health programs. Total expenditures were $151.6 million. Graphical representations of the revenues and expenditures depict the amount and source of each.

Houston Health Department (HHD)

Revenue (000s)

- Grants, $56,512 , 51%
- 1115 Waiver, $30,009 , 27%
- Other Charges for Services, $2,189 , 2%
- Certified Copies Fees, $2,049 , 2%
- Parking, $231 , 0%
- Non Operating/Misc.Revenues, $1,319 , 1%
- Indir Cost-Grants, $2,089 , 2%
- Other Misc. Revenues, $3,734 , 4%
- Licenses & Permits, $12,083 , 11%

Expenditures (000s)

- NonCapital Purchases, $807 , 1%
- Capital Purchases, $389 , 0%
- Misc Other Services and Charges, $20,358 , 13%
- 1115 Waiver , $12,884 , 9%
- Non-Subrec Contract Services, $5,169 , 3%
- Constr Site Work Services, $4,719 , 3%
- Architectural Services, $388 , 0%
- Subrecipient Contract Services, $13,070 , 9%
- Supplies, $6,979 , 5%
- Personnel Services, $86,823 , 57%

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Compliance	• Unfunded regulatory changes • Public unaware of permitting procedures • Permitting fees not fully compensating for costs • Public unaware of environmental regulations / hazards • Inability to control nearby jurisdiction's environmental violators • Increase in environmentally sensitive activities • Noncompliance with regulations • Bio-terrorist event	• Pursue external funding • Reassign resources • Define scope of permitting and related fees in ordinances • Online permitting information • Public awareness program • Enforcement through permitting and inspections • Collaborate with other jurisdictions • Increase City-wide inspectors and investigators enforcement activities • Conduct sampling and laboratory testing to monitor compliance • Develop/Expand Public Health Surveillance System	High
Grant Management	• Unaware of grant program or reporting requirements • Inability to meet grant data capture or reporting requirements • Grant accounting limitations in the City's financial accounting system • Limited support or infrastructure to rapidly implement new grant activities • Ineffective monitoring of grant programs and activities • Lack of sufficient staffing to reconcile all grant activities	• Increase monitoring of grant expenditures and compliance issues • Assign key personnel to manage activity for each grant • Reconcile grant activity • Work to resolve needs • Provide staff for manual effort required • Comply with grant activity reporting requirements • Work with COH Legal and HR departments to startup programs more quickly • Perform internal and external compliance audits • Assign grant funded staff to manage grant activities	High

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Human Resources (HR)	▪ Challenge to recruit and retain qualified individuals ▪ Noncompetitive compensation ▪ Loss of training funds ▪ Lack of depth in key positions	▪ Coordinate strategic recruitment and retention initiatives ▪ Develop recognition programs to reward and retain staff ▪ Promote the Department's mission, value, and flexible workplace to identify HDHHS as an employer of choice ▪ Train the Trainer Program ▪ Increase on-line LMS training ▪ Increase staff facilitated free webinar training ▪ Increase training opportunities ▪ Develop Manager and Supervisor level leadership academy ▪ Retiree Part-time Re-employment Program	High
IT	▪ Insufficient funding ▪ Loss of critical systems and/or information ▪ Inadequate or inefficient systems ▪ Limited selection of off-the-shelf clinical software packages ▪ HIPAA noncompliance ▪ Conflicts in alignment of external funding entities' standards and Citywide IT standardization ▪ Employee technical skill gaps	▪ Allocate IT cost based on usage ▪ Establish Continuity of Operations Plan ▪ Coordinate activities with Houston Information Technology Services (HITS) Department ▪ Collaborate with other Division programs to develop and fund multi-functional solutions ▪ Seek vendors with specific public health software implementation experience ▪ Use HIPAA specific encryption for personally identifiable data ▪ Fund projects to strengthen related network infrastructure and security ▪ Train and cross-train staff	High

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Public Health Services	▪ Insufficient funding and/or resources to respond to service demands ▪ Public unaware of programs and services offered ▪ Inadequate or inaccessible centers ▪ Inability to properly maintain facilities ▪ Loss of federal and/or state funding causes some critical services to go unmet ▪ Lack of preparation for contagious disease outbreak ▪ Leadership unaware of contagious outbreak ▪ Lack of preparation for bio-terrorist event	▪ Pursue external funding ▪ Develop and maintain strong relationships with local medical community and Centers for Disease Control and Prevention ▪ Implement a public information and marketing campaign ▪ Coordinate immunization activities with medical and community based organizations ▪ Develop and expand Public Health Surveillance System ▪ Coordinate facility maintenance with General Services Department (GSD) ▪ Move to enhanced clinical and environmental laboratory ▪ Put aggressive response protocols in place which include triggers based on statistical deviations ▪ Communicate and collaborate regularly with HEC, County , State and Federal officials regarding outbreaks ▪ Develop policy, training exercises, and plans to facilitate immediate response to bio-terrorist event	High
Financial Management	▪ Inadequate resources to perform required tasks ▪ Lack of awareness of policies and procedures ▪ Inadequate monitoring of expenditures against budget ▪ Incomplete or inaccurate financial records Transactions not posted timely	▪ Decentralize administrative processes and monitoring ▪ Increase training ▪ Review and update policies and procedures regularly ▪ Embed controls in financial system (SAP) ▪ Issue monthly reporting of grant funded programs ▪ Disseminate monthly financial reports ▪ Multi-level monitoring QA reviews ▪ Provide monitoring	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Procurement	▪ Noncompliance with state / local regulations or ordinances ▪ Inefficient process ▪ Lack of awareness of internal policies and procedures ▪ Ineffective contract management ▪ Procedural delays ▪ Inadequate inventory management controls	▪ Collaborate with Strategic Purchasing to develop contracts ▪ Enforce penalties for violations ▪ Centralized purchase requisition procedure to develop expertise and streamline process ▪ Ensure policies and procedures are in place ▪ Train and cross-train staff	Medium
Revenue Generation	▪ Inadequate revenue transaction controls ▪ Inadequate enforcement of permitting requirements ▪ Inability to identify establishments / entities requiring permits ▪ Non-compliance with cash handling procedures	▪ Record transactions systematically in financial system ▪ Ensure procedures are in place for permit and lab billing ▪ Perform inspections Cross train inspectors ▪ Embed permitting requirements in the licensing / registration process ▪ Use GIS to identify / track establishments ▪ Train on department policies and procedures ▪ Perform periodic unannounced review at cash handling locations	Medium

Houston Public Library (HPL)

Mission and Objectives

The mission of the Houston Public Library (HPL) is to deliver quality customer service by offering a broadly defined program of education, research, multi-cultural and multi-generational enrichment to meet the needs of Houston's diverse population.

HPL's short and long terms goals include but not limited to the following:

Short Term Goals:
1. Combine HPL's multiple existing modes in which citizens currently access information and resources into one new service model.
2. Establish a community based Information Clearinghouse for the City.
3. Establish international welcome centers in libraries that brand HPL as the City's focal point for welcoming and celebrating new immigrants to Houston.
4. Increase After School Zones by two locations

Long Term Goals:
1. Develop an ACCESS Center model that will provide virtual access to services of City of Houston (COH) Departments that will include COH Bill Pay Kiosks at Central and Regional Libraries.
2. Play an essential role in re-tooling and strengthening the City's Broadband access especially in areas of low connectivity.
3. Establish HPL as the City's focal point for out of School Learning.

Notable Changes since the Previous Risk Assessment

A previous risk assessment of HPL took place in fiscal year 2012. Since that time, notable changes that have occurred include:

- In 2013, HPL created Organization Development Division to focus on organization development
- In 2016, HPL created Community Education, Outreach & Cultural Initiatives Division to focus on literacy and education

Significant Activities

The Houston Public Library system includes the Central Library, Houston Metropolitan Research Center, Clayton Center for Genealogical Research, the African American Library at the Gregory School, the Mobile Express and 38 neighborhood branch locations. Some significant activities that are provided at these locations are:

- Developing and managing the circulation of library collections
- Operating 38 neighborhood branches
- Providing safe and secure facilities
- Implementing literacy and reading programs that include but, are not limited to digital (computer and internet) literacy and Adult Based Education (ABE)/GED preparation.
- Provide *Open Job Skills Labs* to jobs seekers needing assistance
- Obtaining and administering grants
- Managing IT access and back-up for 7 regional library systems (HALAN)
- Coordinating and recruiting volunteers
- Providing *Afterschool Zones* utilizing structured programming for 60,000 teens/ pre-teens in a school year
- Officially-designated passport application acceptance facility.

Houston Public Library (HPL)

- Served an estimated 3.8 million visitors during fiscal year 2017, a decrease of 900,000 from 2012. There has been a change in the users profile since FY12, as the Department witnessed an increasing number of virtual users. As a result, by the end of FY17, HPL is expected to have served over 3.8M visitors in-house and over 4M virtual visitors.
- 5.5 million Items checked out (2017), a decrease of 1.8 million items from 2012. In FY15, materials checkout period was changed from one (1) two-week checkout plus two (2) two-week renewals to one (1) three-week checkout plus one (1) three-week renewal. This has impacted the total circulation numbers, which is calculated by combining checkouts plus renewals.

Component Units

Component Units are defined by GASB 39 as a related entity whose leadership/management is controlled and/or appointed by primary government (City of Houston) and who is dependent on the primary government financially or who would not exist if the primary government did not exist.

HPL is associated with two governmental Component Units (CU):
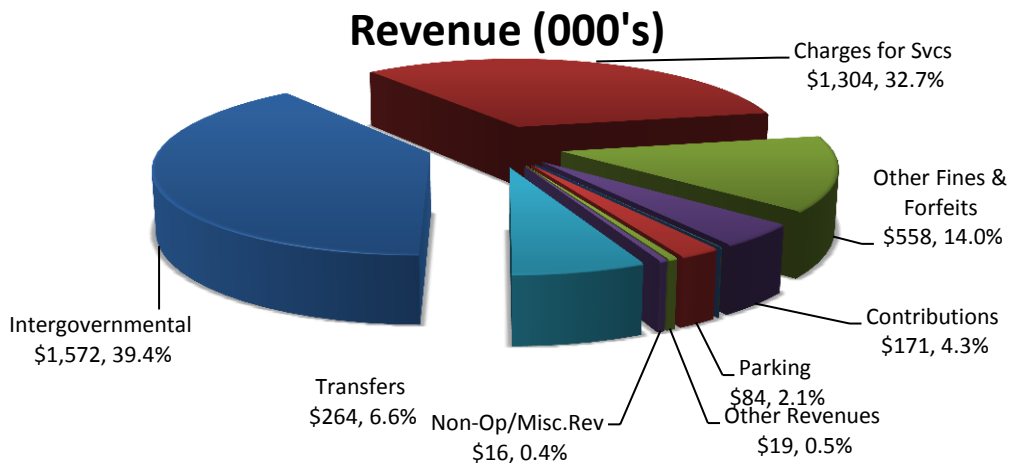
1. The Houston Public Library Foundation (HPLF) -

   In FY2016 HPL received $960,000 from HPLF, which is not reflected in the financial information shown below.

2. Houston Area Library Automated Network (HALAN) -

   HALAN is classified as a Component Unit in the City's Comprehensive Annual Financial Report (CAFR), but their revenue is included in the financial system (SAP) and thus shown on the chart below.

Fiscal Year 2016 Financial Data

HPL collected $4.0 million in operating revenues largely due to Intergovernmental revenue (HALAN and grants) and Charges for Services. Principal expenditures are for personnel related items and construction.

Revenue (000's)

- Charges for Svcs $1,304, 32.7%
- Other Fines & Forfeits $558, 14.0%
- Contributions $171, 4.3%
- Parking $84, 2.1%
- Other Revenues $19, 0.5%
- Non-Op/Misc.Rev $16, 0.4%
- Transfers $264, 6.6%
- Intergovernmental $1,572, 39.4%

Houston Public Library (HPL)

Expenditures (000's)

Personnel Svcs
$30,482, 54.4%

Supplies
$341, 0.6%

Capital
Purchases
$92, 0.2%

Other Svcs
& Charge
$19,075
34.1%

Non-Cap Purchases
$5,243, 9.4%

Debt Svc
& Other
$750, 1.3%

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Customer Service	▪ Failure to identify customer needs. ▪ Inability to respond promptly to patrons. ▪ Community unaware of program offerings. ▪ Programs not relevant to community needs. ▪ Insufficient hours of operation. ▪ Inadequate staffing levels. ▪ Lack of funding.	▪ Customer satisfaction and complaint tracking. ▪ Active marketing efforts. ▪ Staff cross trained. ▪ Unified Service Model (USM) - a single service point to provide assistance for a variety of library needs. ▪ HPL website. ▪ Programs developed for and provided to customers. ▪ Hours based on customer usage & feedback; branches located near each other rotate evening hours they are open. ▪ HPL has 24/7 online access that has helped minimize any negative effects of reduced hours. ▪ Grants/donations are received annually to help fund some programs. ▪ Endowments used to fund operations	Medium
Facilities Management	▪ Inadequate planning for facility needs. ▪ Lack of funding for building renovation. ▪ Ineffective preventative maintenance. ▪ Non-compliance with code requirements. ▪ Inadequate building security.	▪ The Communications Division tracks data on customer usage for planning purposes. ▪ Project specific funding from outside sources sometimes surface which initiate construction/renovation. ▪ Comprehensive records of preventive maintenance are maintained and used for scheduling.	Medium
Financial Management	▪ Reduced funding. ▪ Non-compliance with grant agreements. ▪ Inadequately controlled cash management. ▪ Inadequate accounts receivable collection process.	▪ Actively pursue grant funds ▪ Used books are donated to and sold by HPL as an additional source of funding. ▪ Significantly overdue fines for materials are turned over to a contracted collection agency. ▪ Points of Sale Systems (POS) are installed at each branch to enhance controls over cash management. ▪ POS accepts credit and debit cards as payments.	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Information Technology	- Theft of laptop computers for use by customers in library facilities. - Non-compliance with the Children's Internet Protection Act (CIPA) resulting in potential loss of "E-Rate" funds. - Customer services lag time generated by IT requirements. - Outdated technology (hardware/software). - Unreliable connectivity. - Lack of funding.	- Use of application software to track devices including laptops. - Website filters are set in accordance with CIPA requirements. - Actively pursue innovative technology solutions. - Actively pursue grants/private funds to replace old computers. - Working with HITS to improve response time. - Use of BTOP grant to update networks. - Microsoft license grant used for public facing computers. - As libraries are remodeled they are converted to the RFID system for inventory tracking.	Medium
Procurement	- Insufficient administration and monitoring of major vendor contracts. - Controlling purchasing activity related to the approximate 10 P-cards assigned to department employees.	- Segregation of duties within purchasing, receiving and payment functions. - Purchases over $3,000 have three quotes, while purchase bids over $5,000 are solicited through the E-bid system. - Purchase contracts over $25,000 are processed through SPD. - Weekly monitoring of printer usage to ensure HPL stays within Contract boundaries. - Acquisitions staff works with vendors on new coding to ensure materials are correctly invoiced. - The Purchasing Manager serves as the P-card coordinator for the department.	Medium

Municipal Courts Department (MCD)

Mission and Objectives

The mission of the Municipal Courts Department (MCD) is to provide an accessible legal forum for individuals to have their court matters heard in a fair and efficient manner, while holding to a high standard of integrity, professionalism and customer service. The Department represents the City of Houston's third branch of government and provides a legal venue for individuals charged with jurisdictional violations of State law and/or City Ordinance(s).

Notable Changes since the Previous Risk Assessment

A previous risk assessment of Municipal Courts Department (MCD) took place in Fiscal Year (FY) 2013. Since the last assessment, the following notable changes have occurred to the department:

- Gregory Prier appointed as Deputy Director/Clerk of the Court in 2015.
- Judge J. Elaine Marshall as Director and Presiding Judge appointed by Mayor Turner in 2016.
- Judge Esmeralda Garcia as Associate Presiding Judge in 2016.
- Members of the Executive Team received specific designations in FY 2016 including:
  - Chief Operating Officer/Compliance Officer (Charlotte Booker)
  - Chief Financial Officer (Nelly Santos)
  - Chief Technology Officer (Mark Norton)
- CSMART implemented to replace CourtView and subsequent reallocation of implementation team personnel
- State Decriminalization of Truancy
- Expansion of Homeless Recovery Dockets
- Implementation of fee-based wedding, notary, and printing services.
- Office of Court Administration Collection Improvement Program currently under work- in--progress expected to be completed in April 2017.
- Joint Processing Center Initiative with HPD/Harris County: Expected to go live 03/2018.

Significant Activities

The Houston Municipal Courts system is the largest in Texas with the greatest number of cases filed annually. The Department performs duties that provide due process and adjudication of matters before the City of Houston's judicial branch of government. The Department provides staffing in three shifts to provide 24-hour coverage to facilitate effective and efficient court operations. Court services to the public are provided by the Department's Divisions: Administrative Services, Court Operations, Public Services and Judicial Operations.

MCD is responsible for a variety of services to the public including:

- Complaint preparation
- Arraignment and trial dockets for 14 day courts, and 6 night courts; Full service courts are located at the Central, Southeast Command (Court 13/Court 14), Westside Command (Court 18), and North Command (Court 20).
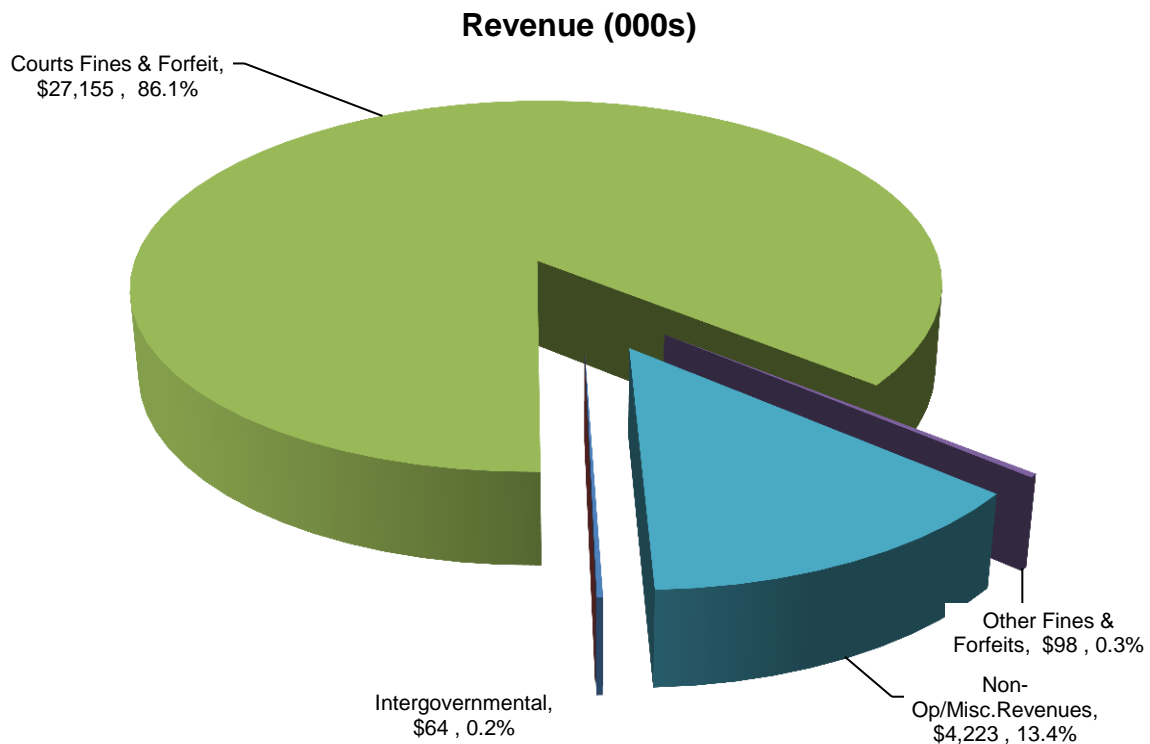
Municipal Courts Department (MCD)

- Annex court operations at satellite locations that handle off-docket matters include Kingwood and Clear Lake, each operating one day per week the Southeast, Westside and North Command locations operating Monday through Friday, and the Central location, operating Monday through Saturday.
- Processing all court actions and courtroom clerk support of the judicial staff.
- Collection of fines, fees and court costs for the State of Texas and the City of Houston,
- In-person, mail, on-line, IVR, and Kiosk payment processing and reconciliation.
- In-house collection efforts through the One Call Solution Center.
- Subpoena issuance and verification of warrants for law enforcement.
- Processing of bond forfeitures and appeals.
- Review bankruptcy requests and process expunction requests.
- Reporting of financial information and court performance standards to the appropriate local, state and national jurisdictions.
- Coordinating responses to Open Records requests.
- Teen Court initiative.
- Campus-based truancy prevention initiatives funded through the Juvenile Case Manager Special Revenue Fund at Houston Independent School District (HISD) and Spring Branch ISD target campuses.
- Provide a forum for:
    - Arraignments, bench trials and jury trials
    - Off docket matters
    - Adjudication of parking citations and appeals in partnership with ARA
    - Show Cause and Scire Facias Hearings
    - Jail arraignment and trial dockets held seven days per week at two court locations (Central/Southeast).
    - Magistrate services, including blood search warrants and out of county warrants provided by Judges for law enforcement 24/7/365 at 1400 Lubbock.
    - Civil Adjudication hearing process for Ordinance violators related to dangerous buildings in partnership with the Department of Neighborhoods
    - Ordinance violation hearings in partnership with ARA

- Specialized dockets including: Juvenile, Homeless Recovery, Property Disposition, Prostitution Diversion, and Impact.
- Oversight of juror summonsing process at two locations.
- Oversight of budgetary and operational functions of three Special Revenue Funds: the Building Security Fund, the Court Technology Fund, and the Juvenile Case Manager Fund,
- Provide mandated court services to the public including court appointed counsel, interpreters and court reporters.
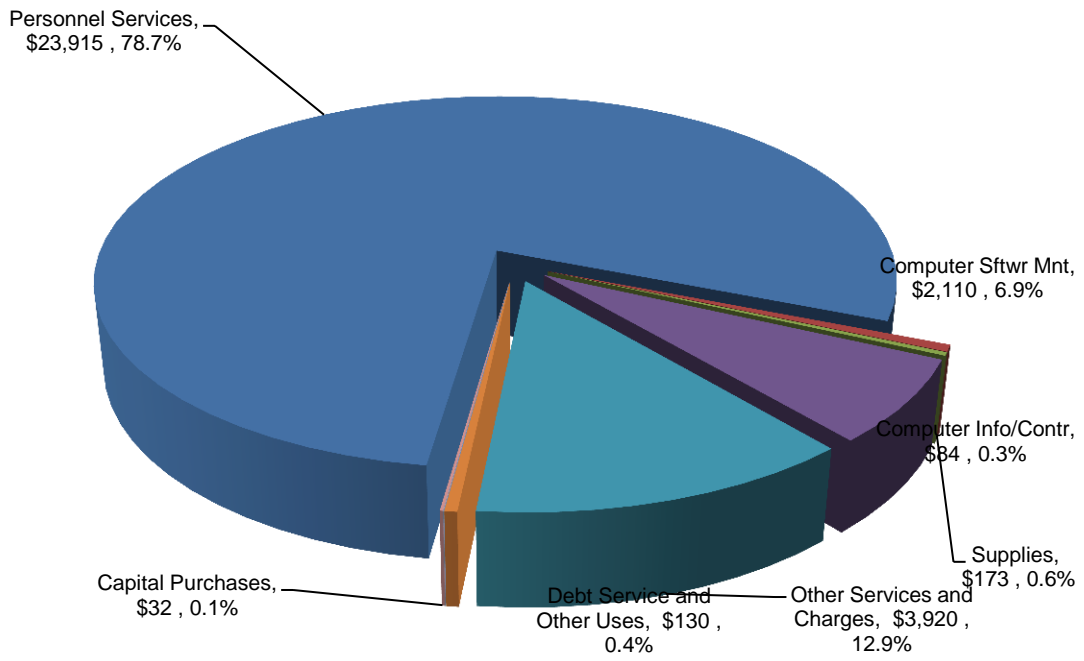
Municipal Courts Department (MCD)

FISCAL YEAR 2016 Financial Data

MCD collected $31.5 million in revenue for the City's General fund and Special funds during FY 2016. Court Fines and Forfeit revenue makes up approximately $27.1M (86% of collected revenue) and is composed of three parts; General Fund (1000) $25.7M, Court Technology Fund (2207) $946K from $4 fees collected from each paid conviction of a Class "C" misdemeanor offense, and the Juvenile Case Manager Fund (2211) $1.2M from $6 fees collected from each paid conviction of a Class "C" misdemeanor offense. Miscellaneous Revenue is composed of three parts; $2.6M (8.3% of total Revenue) went into the Child Safety Fund (2209) from vehicle registration fees (MCD collects the funds on behalf of and forwards the funds to the Houston Police Department for their specific safety initiatives), $813K (2.6% of total Revenue) went into the Municipal Court Security Fund (2206) from $3 fees collected from each paid conviction of a Class "C" misdemeanor offense, and the remaining Miscellaneous Revenue went into the General Fund. Total expenditures for the period were $30.4 million.

Revenue (000s)

Courts Fines & Forfeit, $27,155 , 86.1%

Other Fines & Forfeits, $98 , 0.3%

Non-Op/Misc.Revenues, $4,223 , 13.4%

Intergovernmental, $64 , 0.2%

Municipal Courts Department (MCD)

Expenditures (000s)

Personnel Services, $23,915 , 78.7%

Computer Sftwr Mnt, $2,110 , 6.9%

Computer Info/Contr, $84 , 0.3%

Supplies, $173 , 0.6%

Other Services and Charges, $3,920 , 12.9%

Debt Service and Other Uses, $130 , 0.4%

Capital Purchases, $32 , 0.1%

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Communications	• Lack of coordinated communication from Department • Non-compliance with Texas Public Information Act requests • Inadequate technical and staffing resources	• Developed more effective media protocols • Set up incident reporting standards • Established bulletin boards in each location • Developed internal communication tools for staff	Medium
Court Operations/ Management	• Insufficient staffing level • Inaccurate or untimely docket preparation • Subpoenas not issued timely • Inability to conduct mandated arraignments • Limited facility space and aging facility/infrastructure (built in 1976) • Limited record archival space • Disasters leave facilities inaccessible • Lack or inadequate physical security • Insufficient resources • Court room dockets are uneven • Facility capacity constraints • Inadequate staff training	• Cross training of staff • CSMART and increased use of other electronic processes have improved operational quality, accuracy, and efficiency • Coordinate facility repair and renovate existing spaces • Manage bailiffs to provide court room security • Participate in City-wide record storage contract to store court archived records. • Camera surveillance • Police presence in facilities • Decentralization of operations • Arraignment alternatives • Dockets are monitored and overruns are tracked to determine cause • Operational statistics are monitored • Staff are well trained through internal and external training opportunities • Deployment of CSMART application software to aid operations, streamline court processes and create efficiencies benefitting the staff and the public	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Customer Service	- Ineffective or inefficient interactions with customers - Insufficient staff to perform required tasks - Significant increase in workloads from any new initiatives - Court related processes can occur at any time	- Working with HITS in adding technological solutions to provide service alternatives - Developed initiatives for high volume clients (bondsmen, attorneys) - Provide services at central and satellite locations - Provide staffing in 3 shifts for 24 hour coverage	Medium
Financial Management	- Inadequate resources to perform required tasks - Lack of policies and procedures - Funding related to third party support not utilized on Departmental priorities - Incomplete or inaccurate recording	- Perform account reconciliations - Monthly monitoring of revenue and expenditures - Provide data for inclusion in Monthly Financial and Operations Report - Policies and procedures are regularly reviewed and updated - Tracking of funds allocated and expended	Medium
IT System Support	- Inadequate system response time - System breakdowns - Lack of system interfaces - Inability to retrieve records - Unreliable system backup processes - Aging/ outdated technology - Budget constraints - Support issues with court software	- Developed new court management system (CSMART) - Developed emergency procedures manual - Acquiring updated technical devices - Legislative liaison provides information on activities - Documented service requests for activity in court software	Medium

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Revenue Collection	▪ Citations not properly controlled or processed ▪ Ineffective collection procedures ▪ Unsecured and/or untimely deposits of cash collections ▪ Theft / Fraud ▪ Incomplete or inaccurate recording of transactions ▪ Lack of cash handling controls • Inadequately trained personnel	▪ Automated system increases accuracy and control of citations ▪ Collection processes established ▪ Expansion of in-house collection program ▪ Follow-up on delinquent accounts for collection ▪ Employees are bonded ▪ Reconciliation of cases processed and cash receipts performed daily ▪ Segregation of duties ▪ Formal cash handling policies in place and communicated • Employees are well trained	Medium

DEPARTMENT RISK ASSESSMENT DATES

CITY OF HOUSTON DEPARTMENTS   LAST ASSESSMENT

CITY OF HOUSTON DEPARTMENTS	LAST ASSESSMENT
ADMINISTRATION & REGULATORY AFFAIRS	**2014**
CITY SECRETARY	**2015**
CONTROLLER'S OFFICE	**2014**
FINANCE	**2016**
FIRE	**2017**
FLEET MANAGEMENT	**2017**
GENERAL SERVICES	**2015**
HEALTH AND HUMAN SERVICES	**2017**
HOUSING AND COMMUNITY DEVELOPMENT	**2015**
HOUSTON AIRPORT SYSTEM	**2014**
HOUSTON EMERGENCY CENTER	**2015**
HOUSTON INFORMATION TECHNOLOGY SERVICES	**2014**
HOUSTON PARKS AND RECREATION	**2014**
HUMAN RESOURCES	**2014**
LEGAL	**2015**
LIBRARY	**2017**
MUNICIPAL COURTS	**2017**
NEIGHBORHOODS	**2017**
OFFICE OF BUSINESS OPPORTUNITY	**2015**
PLANNING AND DEVELOPMENT	**2016**
POLICE	**2016**
PUBLIC WORKS AND ENGINEERING	**2016**
SOLID WASTE MANAGEMENT	**2016**