

# ENTERPRISE RISK ASSESSMENT

FY2024

Report# 2025-02



## OFFICE OF THE CITY CONTROLLER

CHRIS HOLLINS  
CITY CONTROLLER

OLANIYI OYEDELE, CPA  
INTERIM CITY AUDITOR



**OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS**

**CHRIS HOLLINS**

The Honorable John Whitmire, Mayor

**SUBJECT: Office of the City Controller Fiscal Year 2024 Enterprise Risk Assessment**

I am pleased to submit the Enterprise Risk Assessment (ERA) that was performed by the Audit Division within the Office of the City Controller during Fiscal Year (FY) 2024 and early FY2025. The annual ERA process supports our efforts to identify and manage risks in a proactive manner. It also facilitates the development of the annual Audit Plan, including ensuring appropriate audit coverage of potential risks that may adversely affect the City of Houston's (City) ability to achieve its objectives. The risk assessment process is performed annually by evaluating departments on a rotational basis.

The ERA includes an overall assessment of six key components and a detailed risk evaluation of five departments that were most recently updated in FY2018. The five departments updated for the FY2024 ERA were:

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

The ERA results provide five key business process areas in which to focus the Audit Plan for FY2025. The top five risk areas identified were:

- Fleet Management
- Grant Management
- Payroll
- Project / Contract Management
- Public Safety

Respectfully submitted,

Christopher G. Hollins  
City Controller

xc: City Council Members  
Department Directors  
Chris Newport, Chief of Staff, Mayor's Office  
Aubrey Hooper, Chief Administrative Officer, Office of the City Controller  
Jennifer Pierce, Deputy Director, Office of the City Controller  
Olaniyi Oyedele, CPA, Interim City Auditor, Office of the City Controller

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## INTRODUCTION

The Audit Division is a division within the Office of the City Controller. We adhere to professional standards issued by the Government Accountability Office (Yellow Book) and the International Standards for the Professional Practice of Internal Auditing (Red Book) by the Institute of Internal Auditors (IIA). Both sets of standards require a risk-based approach to identify the scope and objectives of audit planning and to properly design audit procedures. The Red Book specifically requires an Enterprise Risk Assessment (ERA) process be performed annually as a primary driver to support the annual Audit Plan, while the Yellow Book requires that risk be considered at the engagement/process level.

To adhere to these standards, we apply risk-based methodology as follows:

- Conduct an annual ERA on all major processes of three to seven departments to provide a basis for input to the annual audit plan;
- Perform risk assessment procedures at the engagement/audit project level; and
- Consider risks to determine the impact and magnitude of findings and prepare the final audit report.

## BACKGROUND AND METHODOLOGY

City Departments are selected on a rotational basis for efficiency and to ensure full coverage of all departments over a six-year period. The FY2024 ERA process includes other considerations in addition to the 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 since the departments under review were last updated, and the six ERA components (listed in the Annual ERA Components section). A definition of terms contained in this report are listed in “Appendix 2: Glossary of Terms.”

Departments are selected for risk assessment updates based on available resources, time constraints, and cost-benefit considerations. For the FY2024 ERA, we utilized four Audit Division professional staff members who performed reviews of the selected departments’ responses from risk-based questionnaires and interviews with key operational and management personnel of each selected department.

Departments selected for ERA updates in FY2024 are shown below.

\*\* Houston Information Technology Services was not included in the FY2024 ERA due to staffing resource limitations.

FY2024 ERA Update Selections	
Department Name	Last Assessed
Administration & Regulatory Affairs Department	FY2018
City Controller’s Office	FY2018
Houston Airport System	FY2018
Houston Parks and Recreation Department	FY2018

FY2024 ERA Update Selections	
Department Name	Last Assessed
Human Resources Department	FY2018
Houston Information Technology Services**	FY2018

## ANNUAL ERA PROCESS COMPONENTS

There are six key components of the annual ERA:

### Notable Changes During FY2024

- Significant Events
- Structural Changes to the Risk Universe (Auditable Entities, Component Units, Policy and Procedure)

### Ethics Assessment

- See 2023 Ethics Report (Report #2024-04)

### Information Systems and Cybersecurity

- Implementation of new applications
- Upgrades of current applications

### Department Risk Profile Update

- See Appendix 3: Department Risk Assessment Update

### Enterprise Assessment Risk Analysis

- See Appendix 4: Enterprise Assessment Risk Analysis

### Key Business Processes

## **NOTABLE CHANGES DURING FY2024**

To apply the risk-based methodology noted in the introduction, we consider significant changes related to events, operational and/or business processes, and departmental leadership that occurred since the last risk assessment update. These changes, whether individually or in aggregate, may have influenced the way the City operates. We consider these factors when preparing the annual audit plan.

### **SIGNIFICANT EVENTS**

- In August 2023, the City of Houston implemented a formal policy for its Tax Increment Reinvestment Zones, known as TIRZ. The policy addresses how TIRZs are created, terminated, and the timeline of a zone.
- In October 2023, City Council approved emergency spending of approximately \$48 million towards a plan to continue addressing the water leak problem (the City had been addressing water leaks, with City workers repairing 32% of active leaks since February 2023). This plan was intended to ensure that Houstonians have safe, clean, and accessible drinking water and to update the related water infrastructure. The \$48 million funding was to be split among 11 contractors, with each slated to perform \$3 to \$12 million of work.
- In May 2024, a former Houston Public Works employee was criminally charged for allegedly defrauding more than \$700,000 in emergency City funds in a scheme related to water line repair and inspection contracts. The alleged fraud included bribery by at least four vendors and the receipt of kickbacks by the employee.

### **STRUCTURAL CHANGE: AUDITABLE ENTITIES**

Changes that occurred in the City's Auditable Entities during FY2024 include the Mayor's appointment of new or acting directors/leadership for the following City departments: Neighborhoods, Finance, Houston Airport System, Housing and Community Development, Houston Public Library, Office of Business Opportunity, Planning and Development, Houston Police, Mayor's Office of Economic Development, and Mayor's Office of Public Safety and Homeland Security.

### **STRUCTURAL CHANGE: COMPONENT UNITS**

Most component units of the City are responsible for preparing and issuing audited financial statements, which are submitted to the City for reporting purposes. Component units are legally separate organizations that the City of Houston must include as part of its financial reporting requirements for fair presentation. These units can be governmental or business-type entities, and they are financially accountable to the City of Houston, or their relationship is significant enough to require inclusion in financial statements.

There were no new Component Units created during FY2024.

## **STRUCTURAL CHANGE: POLICY AND PROCEDURE CHANGES**

Article VI of the City Charter gives the Mayor power and the duty to exercise administrative control over all departments of the City, which include the authority to sign Administrative Policies and Procedures, Executive Orders, and Mayor's Policies. The Code of Ordinances states that the Administration and 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.

### Administrative Policies and Procedures

- 2-4, Electronic Timekeeping Policy.
- 3-36, Hybrid Telework Program.
- 5-6, Purchasing Card Policy and Procedure.
- 5-8, Informal Procurement.
- 8-1, Acceptable Use of City Data, Information Systems.

Executive Orders: None.

Mayor's Policies: None.

## **ETHICS ASSESSMENT**

As stated in the 2023 Ethics Report, Report #2024-04, issued by the Audit Division within the City Controller's Office, "analyses were conducted to review the design, implementation, and effectiveness of internal ethics-related activities in support of the City's strategies and objectives, as well as research and analysis of the ethical policies, procedures, and practices employed in other cities." Additionally, ethical expectations of employees were conveyed in a decentralized manner via departmental meetings, with conflict-of-interest training being administered centrally using the Talent Management System.

Questionnaires were administered to the 22 City departments and Houston Emergency Center (a Division of the Mayor's Office) for a total of 23. The review included the attributes listed below:

- Statement on ethics in department's mission statement/objectives
- Departmental ethics training
- Code of Conduct readily available
- Ethics monitoring/reporting procedures
- Department communication of ethics policies
- Employee acknowledgment of ethics policies
- Professional licensing requirements mandating ethical behavior

## **INFORMATION SYSTEMS AND CYBERSECURITY**

Utilizing a risk-based approach, as required by the standards, we considered the City's information technology systems that have been implemented, as well as the technological initiatives that are being developed, which affect operational/business processes. We took into consideration

information technology projects and initiatives being developed for City-wide and departmental use. Projects and initiatives in various stages of development are:

- City-wide Contract and Procurement Management System
- Fannin Data Center Exit (i.e., off-site data storage location no longer used)
- Fire Station Alerting System Replacement (in progress)
- Houston Police Department Radio Deployment - over 5,000 deployed

The Houston Information Technology Services department (HITS) Cyber Division has implemented the following cybersecurity activities:

- Continued to modernize City of Houston Security Operations Center (SOC) capability and processes.
- Administered annual cyber awareness training to 16,003 employees resulting in a 74% completion rate.

### DEPARTMENT RISK PROFILE UPDATE PROCESS

Departmental Risk Profile updates are performed using three basic process components: data gathering, analysis, and output. Details about each component of the update process are represented in the following table.

Data Gathering	Analysis	Output
<ul style="list-style-type: none"> <li>• Previous Risk Assessments</li> <li>• Changes to Department Structure/ Operating Unit Process since Last ERA</li> <li>• Mission Statement</li> <li>• Organizational Structures</li> <li>• Business Objectives</li> <li>• Questionnaires</li> <li>• Financial Data</li> <li>• City and Department Websites</li> <li>• Interviews</li> </ul>	<ul style="list-style-type: none"> <li>• Analyze Questionnaire Responses</li> <li>• Identify Key Business Processes and Related Changes</li> <li>• Identify Potential Risks</li> <li>• Map Risks to Risk Management Techniques</li> <li>• Evaluate Department Processes</li> <li>• Evaluate Overall City Operations</li> <li>• Perform Department Risk Assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Profile by Department</li> <li>• Risk Profile by Key Business Process</li> <li>• Audit Plan Input</li> </ul>

**Disclaimer:** The ERA only considers inherent risks. We did not test specific management controls established by management to address the inherent risks. Accordingly, we do not render an opinion on the design, implementation, or the operating effectiveness of the internal control system. The ratings do not imply a judgment on how management is addressing risk and thus is neither a specific assessment of management performance nor concludes on residual risk.



## ENTERPRISE ASSESSMENT RISK ANALYSIS

The Mayor’s Office conducted an enterprise assessment that focused on four key areas: performance, organization, financial (spend), and forensic accounting. The goal of the enterprise assessment was to provide actionable insights into key areas of the organization that would assist the City's new administration in the creation of a roadmap to improve overall operational efficiency, effectiveness, and service delivery.

The assessment was conducted in FY2025 over a six-week period. Data analytics and detailed analyses were carried out across 22 City departments, with additional analysis for a subset of departments. While the assessment was not designed to identify enterprise-level risks or be comprehensive in nature, there were insights gained on risks that have been compiled and included in this document.

The approach taken was to review the results of the enterprise assessment to capture potential risks and potential risk impacts. Potential risks were identified based on the observations and opportunities generated for each of the four key areas of the assessment. Enterprise risks were then categorized by common key business processes. The identified risks were reviewed to determine additional audits to consider in the audit plan and can be found in Appendix 4: Enterprise Assessment Risk Analysis.

## KEY BUSINESS PROCESSES

The initial Citywide analysis identified 146 total key business processes. However, further detailed analysis revealed 18 common processes throughout most Departments, so they were grouped together for more efficient analysis.

Common Key Business Processes (KBPs)	
<ul style="list-style-type: none"><li>• Administration</li><li>• Communications</li><li>• Compliance</li><li>• Customer Services</li><li>• Disaster Recovery</li><li>• Facilities Management</li><li>• Financial Management</li><li>• Fleet Management</li><li>• Grant Management</li></ul>	<ul style="list-style-type: none"><li>• Human Resources</li><li>• Inventory/Materials Management</li><li>• Information Technology</li><li>• Payroll</li><li>• Procurement</li><li>• Project Construction Management</li><li>• Public Safety</li><li>• Records Management</li><li>• Revenue Generation (and Collection)</li></ul>

## ERA RISK CRITERIA

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.

The ratings were determined by applying each key business process within each department to the risk criteria within the categories identified below. A “High” rating indicates that an occurrence of the risk(s) may trigger conditions and events which could prevent the

City/department from achieving its objective within that process and could have a significant impact. The impact 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 or aggregated occurrences of the risk would be minimal.

We used the risk criteria in these categories to risk-rate each department:

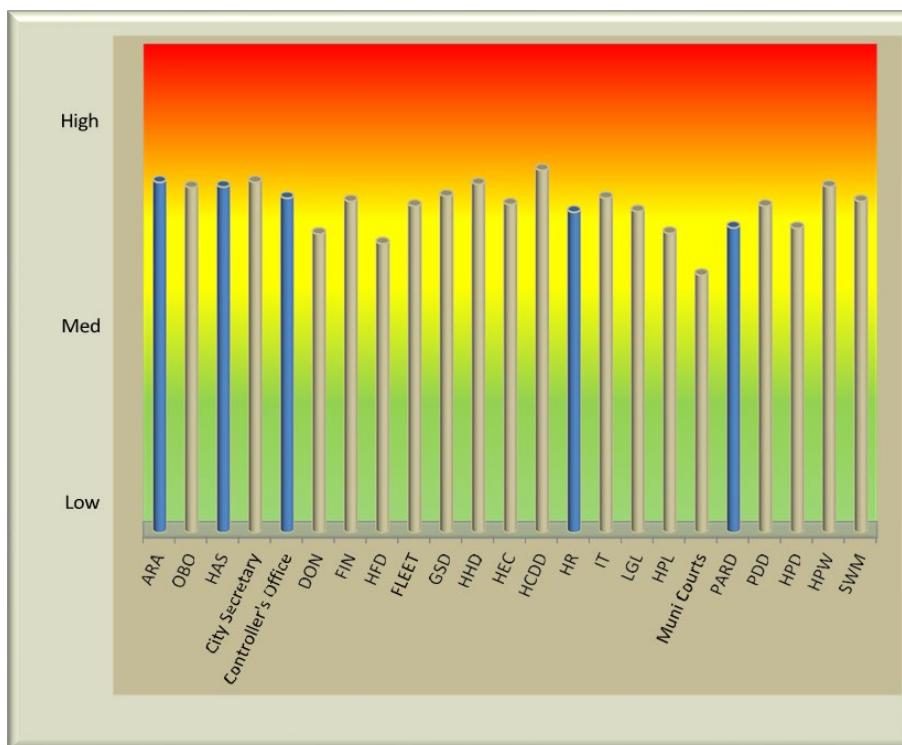
<b>Risk Criteria</b>	<b>Definition</b>	<b>Weight</b>
Complexity of Operations	The risk related to the complicated nature of operations, the existence of diversified and/or decentralized operations, and the need for specialized skills. Considerations include the size of operations and the stability of processes, management and staff.	10%
Council & Public Interest	The risk that adverse publicity, public concern and/or negative perception will damage public confidence in the City of Houston resulting in an erosion of the legitimacy of the City’s mission, goals, and objectives. Considerations also include the possibility of improper actions by officials, management, and staff.	5%
Financial Impact / Concerns	The risk that events such as disasters, changes in market conditions, failure of services, breakdown in internal controls or other events under or beyond management’s control will result in decreased revenue, increased expenditure, or misleading financial reporting. Factors include materiality, cash handling, payroll, transaction volume, and the opportunity to commit and conceal fraud.	15%
Human Resources Concerns	The risk that human resources at all levels are not available, inadequately trained, and/or do not possess the necessary minimum experience. Factors include the lack of succession planning and high levels of turnover.	10%
Regulatory and/or Compliance Risks / Concerns	The risk that an entity fails to comply with laws or regulations at the federal, state, and local levels or failure to comply with contractual obligations.	10%
Technology Concerns	The risk that inadequate technological resources will hinder the ability to accomplish goals. Considerations include obsolescence, new regulations, or software threats.	10%
Time Since Last Audit	The risk that certain high-risk areas within the City are not audited on a periodic basis.	5%
Mission Criticality	The risk that functions critical to the overall mission of the City will fail.	10%
Internal Control Consideration	The risk that key internal controls as presented by management are not valid responses to identified risks.	10%
Legal Claims	The risk that legal claims and suits filed against City departments in connection with their core operations will adversely impact budgetary capacity.	5%
Public and Employee Safety Concerns	The risk that measures do not exist to prevent safety hazards, serious injury, or death.	10%

## RESULTS

The primary output of the ERA is to use the risk profiles generated as one of the catalysts in designing the Controller's Office's annual audit plan. As the risk profile of the City changes, it is reflected in the selection of some of the audits included in the Plan. Projects that the Audit Division will audit from the annual audit plan include high risk business processes identified through the ERA process, for example: Fleet Management, which resides within the Fleet Management Department; Grant Management and Public Safety, which reside within the following Departments: Airport, Finance, Fire, General Services, Houston Emergency Center, Houston Health, Housing and Community Development, Human Resources, Municipal Courts, Parks, and Police.

The following graphs summarize the results of our updated assessment of risk from two different perspectives: Graph 1 presents risks from the department perspective and Graph 2 presents the risk level from a Key Business Process (KBP) perspective.

### OPERATIONAL RISK PROFILE BY DEPARTMENT (GRAPH 1)

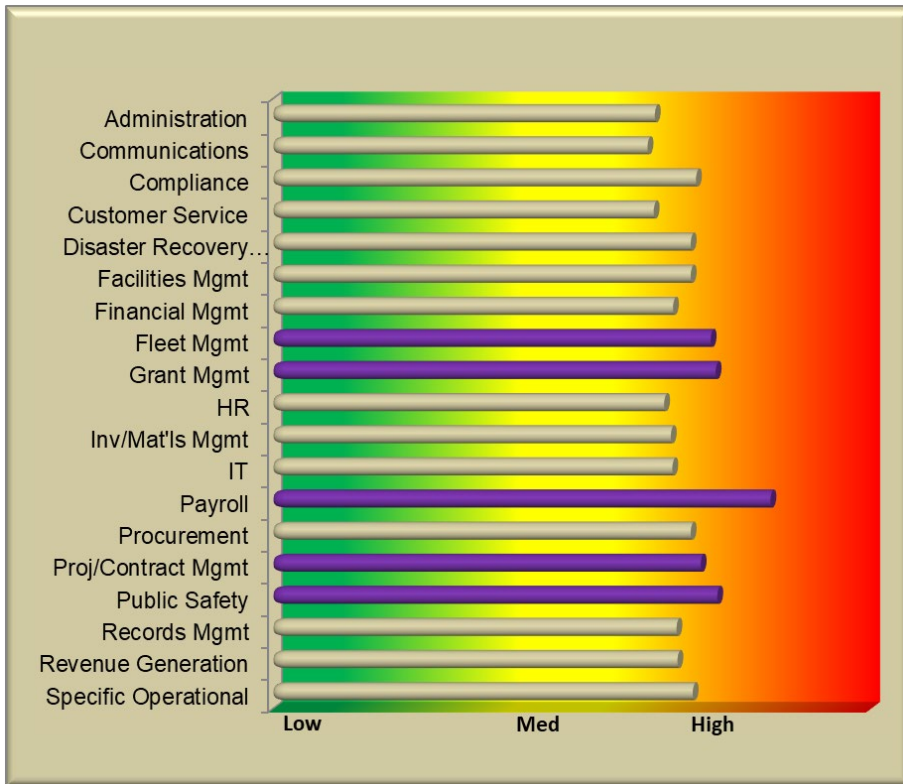


Note: The **blue** vertical bars represent the departments updated for this ERA.

### OPERATIONAL RISK PROFILE BY KEY BUSINESS PROCESS (GRAPH 2)

Below is a perspective to see potential efficiencies, redundancies, synergies, and leverage of resources when looking at activities that the City performs without consideration of its organizational structure. The risk assessment revealed that the areas of Fleet Management,

Grant Management, Payroll, Project / Contract Management and Public Safety fall within the high-risk category.



Note: The purple horizontal bars represent the top 5 Key Business Processes.

The evaluation of all these factors provides indicators on prioritizing 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.

### ACKNOWLEDGMENT

The Project Team would like to express our appreciation to the participating departments to include Administration and Regulatory Affairs, the City Controller’s Office, Houston Airport System, Houston Parks and Recreation, and Human Resources and their representatives, who gave their time and effort. 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. The Team would also like to thank the Mayor’s Office and the Strategic Procurement Division for their support in securing the services of Ernst & Young, whose work contributed to the Enterprise Assessment Risk Analysis section (including Appendix 4) of this document.

It was evident throughout the process that the City continues to have a significant number of qualified professionals who serve Houstonians well by providing quality services in an economically challenged environment and who are proud of the work that they do.

The seal of the City of Houston Controller is a large, light-colored watermark in the background. It features a circular border with the text "CITY OF HOUSTON" at the top and "CONTROLLER" at the bottom. Inside the circle, there is a central emblem depicting a building, a star, and a wreath.

### **AUDIT TEAM**

Theresa Watson, CIA, CGAP, Audit Manager  
Mohammad Haroon, CPA, CIA, Lead Auditor  
Paitchere' Amos, CFE  
Jessica Varner, Sr. Staff Analyst

### **INTERIM CITY AUDITOR**

Olaniyi Oyedele, CPA

Audit reports are available at:

<http://www.houstontx.gov/controller/audit/auditreports.html>

## APPENDIX 1: DATE OF LAST RISK ASSESSMENTS

DEPARTMENT NAME	LAST DATE ASSESSED
<b>Administration &amp; Regulatory Affairs</b>	<b>2018</b>
City Secretary	2020
<b>City Controller's Office</b>	<b>2018</b>
Finance	2022
Fire	2023
Fleet Management	2023
General Services	2019
Houston Health	2023
Housing and Community Development	2019
<b>Houston Airport System</b>	<b>2018</b>
Houston Emergency Center	2019
Houston Information Technology Services	2018
<b>Houston Parks and Recreation</b>	<b>2018</b>
Houston Public Works	2021
<b>Human Resources</b>	<b>2018</b>
Legal	2020
Library	2022
Municipal Courts	2023
Neighborhoods	2022
Office of Business Opportunity	2020
Planning and Development	2021
Police	2022
Solid Waste Management	2021

**Note:** Risk profiles were updated for departments in **bold**. See Appendix 3: Department Risk Profile Updates.

## APPENDIX 2: GLOSSARY OF TERMS

### **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.

### **Audit Risk**

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.

### **Component Units**

Component Units are defined by the Governmental Accounting Standards Board (GASB) 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.

### **Control Risk**

The 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. Examples are structure of reporting lines and development of major processes to execute mission and objectives.

### **Inherent Risk**

The perceived likelihood and impact associated with a risk occurring simply from the perspective of its current environment. This assumes no significant actions taken by management to mitigate (address) those risks. For example, risks associated with geographic location, funding sources, population, global economy, structure of federal and state government, etc.

### **Key Business Processes**

A Key Business Process (KBP) is 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.

### **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.

### **Risk Universe**

All risks that could affect the City of Houston.

## ACRONYMS

ACRONYM	DEFINITION
ACFR	Annual Comprehensive Financial Report
AP	Administrative Policies and Procedures
ARA	Administration and Regulatory Affairs Department
COH	City of Houston
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ERA	Enterprise Risk Assessment
EO	Executive Orders
FY	Fiscal Year
GASB	Governmental Accounting Standards Board
HAS	Houston Airport System
HEC	Houston Emergency Center
HITS	Houston Information Technology Services
HPARD	Houston Parks and Recreation Department
HR	Human Resources
IAH	George Bush Intercontinental Airport
IT	Information Technology
KBP	Key Business Process
KPI	Key Performance Indicator
LGC	Local Government Corporations
MP	Mayor's Policies
MWDBE	Minority, Women, and Disadvantaged Business Enterprise
OBO	Office of Business Opportunity
SOC	Security Operations Center



## APPENDIX 3: DEPARTMENT RISK PROFILES

**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 (FY) 2018. Since that assessment the following changes have occurred:

- Karen Davidson was promoted to Assistant Director of the Payroll Division in March 2019 and later promoted to Deputy Director.
- Franchise Administration and Citywide Policy were assigned to Deputy Director Valerie Berry in February 2019.
- Utility regulation was assigned to Nicholas Hadjigeorge in January 2023.
- Deputy Director Charles W. Jackson is responsible for ARA's 311/Operations Division.
- The Mayor's Resilience Office was combined with ARA's Sustainability Office to become the Mayor's Office of Resiliency and Sustainability in 2021. Mayor Whitmire moved all aspects of the office to ARA in January 2024 and it became ARA's Resilience and Sustainability Office led by Nicholas Hadjigeorge as Interim Chief Resilience and Sustainability Officer.
- Deputy Director, Jarrad Mears took over the BARC animal shelter in December 2023.
- Regulatory Permitting implemented INFOR in September 2019 for its permitting and business licensing system.
- In September 2023, Franchise Administration implemented a new system for customers to apply for and renew franchise agreements; make online payments; and request vehicle decals. This system automated and streamlined a formerly manual process.

**SIGNIFICANT ACTIVITIES**

The Administration & Regulatory Affairs Department provides a wide variety of administrative services to the City of Houston's departments, such as 311 service request routing, payroll processing, asset disposition, citywide policy management, internal mail services, records management, and insurance risk management. Other services include business permitting and enforcement; vehicle-for-hire permitting and enforcement; franchise administration and utility regulation; management of all on-street parking; and animal control and enforcement. Specific departmental activities include:

- Administering permitting activities for commercial business and vehicles-for-hire. Since FY2018, the Business License and Permitting division has issued 110,754 commercial licenses, 738,127 vehicle-for-hire permits, 2,657 commercial licenses' citations, and 4,996 vehicle-for-hire citations.
- Enforcing compliance with ordinances regulating businesses whether in their use of the City's rights-of-way or to manage quality of life issues.
- Franchise Administration continuously audits compliance of existing franchisees. Since FY2018, the audit recovery amount is \$1.4M, which includes \$849,606 of in-kind value from CenterPoint. In addition, the division aggressively pursues delinquent payments, and assesses late penalties on delinquent payments, since FY2018 these total \$1.5M.
- Administering payroll operations for all City employees.

- Providing records management services including archival, retrieval, and disposal in accordance with retention policies by managing 1,055 retention schedules and destroying an average of 5,551 boxes and 1,201,735 electronic records annually.
- Administering of approximately 150 Citywide policies and procedures.
- Managing asset disposal operations Citywide.
- Managing the City Animal Shelter Facility and Animal Control efforts through BARC. The statistics for FY2018-FY2023 are:
  - Intake - 128,243 animals
  - Adoption/Rescue - 109,653 animals
  - Spay/Neuter surgeries - 50,582
- Managing 1.1 million calls annually through 311, the City’s non-emergency call center service.
- Managing over 10,000 curbside parking spaces and 19 surface parking lots.
- Administering approximately 30 on-street parking regulations as codified in Chapter 26 – Parking, from the City Code of Ordinances and the Texas Transportation Code. ParkHouston issues approximately 205,000 parking citations annually.
- Managing the regulation of investor-owned utilities: 10 electric, 2 natural gas, and multiple water and sewer utilities with a combined customer count of approximately 1.5 million Houston customers.
- Managing approximately 324 telecom, cable, and other service providers using public rights-of-way in Houston.
- Managing various resilience and sustainability initiatives in coordination with City departments, community organizations, local businesses, and utility companies.

**FISCAL YEAR 2024 FINANCIAL DATA**

The City’s financial accounting system, SAP, indicates ARA’s revenues and expenditures as \$233.2 million and \$101 million, respectively.

**KEY BUSINESS RISK AREAS**

<b>Key Business Process</b>	<b>Potential Risks</b>	<b>Reported Risk Management Techniques</b>	<b>Risk Rating</b>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>• Non-compliance with ordinances, local, state, and federal laws</li> <li>• Non-compliance with departmental policies and procedures</li> <li>• Inconsistent and/or non-enforcement of City ordinances and codes/ state statues</li> <li>• Insurance coverage does not meet bond covenant requirement</li> <li>• Inadequate or expired property/casualty insurance</li> <li>• Insurance claims not adequately managed</li> <li>• Inadequate training</li> <li>• Insufficient knowledge</li> <li>• Insufficient staffing</li> </ul>	<ul style="list-style-type: none"> <li>• Legislative liaison dedicated to reporting legislative changes</li> <li>• Follow guidelines, APs, and EOs established Citywide</li> <li>• Analytical procedures to monitor contracts and bid procedures</li> <li>• Consultation with Legal Department to ensure bond covenant compliance</li> <li>• Annual department internal audits are conducted at policy renewal</li> <li>• Quarterly property risk profile reporting to the City’s Broker</li> <li>• Use of systems controls to assist in monitoring</li> <li>• Annual survey of assets to determine required insurance coverage</li> </ul>	<b>High</b>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>Conflicts of Interest</li> <li>Non-compliance with public utilities regulations</li> <li>Noncompliance with accounting standards</li> <li>Non-compliance with record retention policies</li> </ul>	<ul style="list-style-type: none"> <li>In-house training and Learning</li> <li>Development Center seminars</li> <li>All Divisions have redundancy</li> <li>built in leadership</li> <li>ARA complies with Administrative Policy 2-22: CONFLICT OF INTEREST</li> <li>Employee assigned to monitor all legislation and administrative proceedings that impact Utility Regulation</li> <li>Advise Departments on how to follow the Citywide records storage and retrieval contract</li> </ul>	
<b>Payroll</b>	<ul style="list-style-type: none"> <li>Untimely or inaccurate payroll reporting</li> <li>Payroll fraud</li> <li>Inaccurate payroll</li> <li>Unauthorized access to payroll records</li> <li>Inadequate segregation of duties</li> <li>Inadequate training</li> <li>Insufficient knowledge</li> <li>Insufficient staffing</li> <li>Inadequate management oversight</li> </ul>	<ul style="list-style-type: none"> <li>Biweekly Payroll Report</li> <li>Biweekly meeting with ERP support team</li> <li>Reconciliation of biweekly payroll runs</li> <li>Payroll processes designed to detect changes or errors in payroll runs</li> <li>ERP reports are generated monthly to review access levels</li> <li>Kronos (time and attendance system) integrated with SAP</li> <li>Access controls in place for Payroll system</li> <li>Provide staff payroll training</li> <li>Increased the payroll processing workbench from two to six employees</li> </ul>	<b>High</b>
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>Financial transactions are not entered into SAP</li> <li>Inconsistent/ lack of timely cash reconciliations</li> <li>Actual expenditures not reflected properly against budget line items</li> <li>Grant funds not appropriately administered</li> <li>Fraud</li> <li>Theft</li> <li>Inadequate or expired property/casualty insurance</li> <li>Insurance claims not adequately managed</li> <li>Loss of funding</li> <li>Conflicts of Interest</li> <li>Duplicate payments</li> </ul>	<ul style="list-style-type: none"> <li>Monthly and weekly account reconciliations</li> <li>Formal policies and procedures</li> <li>Monthly accounting and budget reports</li> <li>Periodic audits</li> <li>Staff dedicated to grant management</li> <li>Submit quarterly reports to FIN-Grants Administration</li> <li>Physical inventory is conducted every six (6) months</li> <li>Comply with insurance policy requirements</li> <li>Comply with insurance policy requirements</li> <li>ARA complies with Administrative Policy 2-22: CONFLICT OF INTEREST</li> </ul>	<b>Medium</b>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>• Fines and penalties</li> <li>• Insufficient knowledge</li> <li>• Insufficient staffing</li> <li>• Uncollected citation payments</li> <li>• Uncollected accounts receivables</li> <li>• Inappropriate disposal of surplus property</li> </ul>	<ul style="list-style-type: none"> <li>• Purchase Orders, Service Release Orders, and approvals are used to identify and prevent duplicate payments</li> <li>• Permits are not issued if the customer has delinquent parking citations</li> <li>• Provide education training and classes, job training, and industry-related conferences</li> <li>• Formally documented cash handling procedures</li> <li>• Delinquent collections activity, boot notices and booting</li> <li>• The back-office system controls permit revenue sales and interfaces with SAP</li> <li>• The back-office system generates reports for meters within each PBD (Parking Benefit District)</li> <li>• ARA CFO's team reconciles revenue collection amounts</li> <li>• Retired assets offered for sale by Asset Disposition Group</li> </ul>	
<p><b>Records Management</b></p>	<ul style="list-style-type: none"> <li>• Untimely processing of Open Records or discovery requests</li> <li>• Unauthorized access</li> <li>• Inappropriate access</li> <li>• Inadequate record retention</li> <li>• Lack of storage capacity</li> <li>• Loss/destruction of information</li> <li>• Fraud</li> <li>• Cyber Risk</li> <li>• Insufficient staffing</li> </ul>	<ul style="list-style-type: none"> <li>• Staff required to complete and pass the Texas Public Information Act (TPIA) course as well as City Attorney's training</li> <li>• Clear procedures and process for record archival and destruction</li> <li>• HITS monitors access to electronic records</li> <li>• Limit access to records that are indexed in the RM application</li> <li>• Business continuity/ disaster recovery plan in place</li> <li>• Staffing levels are adequate to meet mission demands and accomplish all objectives</li> </ul>	<p><b>Medium</b></p>
<p><b>Revenue Generation</b></p>	<ul style="list-style-type: none"> <li>• Non-permitted burglar alarms</li> <li>• Businesses operating without required permits</li> <li>• Franchise fees not collected timely or accurately</li> <li>• Inadequate permit fees</li> <li>• Insufficient controls over revenue transactions</li> <li>• Inadequate collection</li> </ul>	<ul style="list-style-type: none"> <li>• Department employs Regulatory Investigators and Enforcement personnel to identify missing or expired permits</li> <li>• Personnel are skilled in accounting and collection procedures in franchise administration</li> <li>• Perform a Cost-of-Service analysis with Finance to establish new permit fees</li> </ul>	<p><b>Medium</b></p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>• of fines</li> <li>• Retired or obsolete assets disposed of without sale</li> <li>• Inadequate public utility rates</li> <li>• Fraud</li> <li>• Conflicts of interest</li> <li>• Insufficient staff</li> <li>• Untimely processing of permits</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced internal legislative staff</li> <li>• Retired assets offered for sale by Asset Disposition Group</li> <li>• Analysis and reconciliation of periodic franchise fee reports</li> <li>• Franchise Administration conducts compliance reviews of Cable, Electric, Natural Gas, Solid Waste and Certificated Telecommunications Providers</li> </ul>	

### 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 Office executes its mission by accurately and timely reporting on the City's current financial condition, assessing the City's future financial condition with accurate forecasts of projected revenues and expenses, certifying to City Council that funds are available for all appropriations and commitments of funds, keeping accurate books of account to reflect these commitments, and ensuring every City dollar is fully and wisely invested.

### NOTABLE CHANGES SINCE THE PREVIOUS RISK ASSESSMENT

A previous risk assessment of the Controller's Office took place in Fiscal Year 2018. Since that assessment, the following changes have occurred: (1) Chris Hollins was sworn in as Houston City Controller in January 2024; (2) effective June 11, 2022, Lenard Polk was named Chief Operations Officer (COO) and Deputy City Controller of Operations and Technical Services Division; (3) Aubrey Hooper was named as Deputy Director of Administration and Operations Division in January of 2024 and (4) Charisse Mosley (Deputy City Controller of Treasury) retired on July 30, 2023, and was replaced effective November 11, 2023, by current Treasury Division head Deputy City Controller, Vernon Middleton Lewis. (5) Deputy City Controller William Jones became Division head of the Financial Reporting Division after the retirement of Deputy City Controller Beverly Riggans in January of 2024.

### SIGNIFICANT ACTIVITIES

The Controller superintends the fiscal responsibilities of the office through management of financial reporting, operational and technical services, investments and debt, internal audits, and depository (banking) service. Specific activities of the department include:

- The Treasury Division managed the City's \$6 billion investment portfolio.
- The Treasury Division is responsible for the oversight of the City's debt program of approximately \$14 billion.
- The Treasury Division manages the depository (banking) service for the City of Houston.
- The Audit Division, during fiscal year 2023, issued seven performance audit reports, an annual enterprise risk assessment, and an annual audit plan.
- The Association of Local Government Auditors, in its most recent peer review report, concluded that "the internal quality control system of the Office of the City Controller's Audit Division was suitably designed and operating effectively to provide reasonable assurance of conformance with the Standards;"
- Certified the availability of approximately \$2.2 Billion City funds prior to City Council approval of City commitments.
- Performed supplemental allocation of funds prior to actual expenditure.

Processed and monitored disbursements exceeding \$1 billion annually.

- Managed approximately \$1.1 billion payroll and \$5.8 billion vendor payments.
- Prepared accurate and timely financial statements.
- Provided leadership on policy issues - generally monthly - pertaining to the City's financial health.
- Assessed the City's future financial condition with approximately 14 reports to accurately forecast projected revenues and expenses, as well as the area's economic outlook.
- Performed approximately 250 bank reconciliation activities.
- Maintained the City's official financial book of records.
- Conducted the sale of \$1.481 billion City's public improvement and revenue bonds.

- Prepared the Annual Comprehensive Financial Report, as well as Monthly Financial and Operational Reports.
- Responded to approximately 69 public information requests related to contractual or financial matters.

**FISCAL YEAR 2024 FINANCIAL DATA**

The City’s financial accounting system, SAP, indicates CTR’s revenues and expenditures as \$103.4 million and \$11.2 million, respectively.

**KEY BUSINESS RISK AREAS**

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
Financial Management	<ul style="list-style-type: none"> <li>• Complex transactions</li> <li>• Inaccurate projections and forecasts</li> <li>• Untimely or inaccurate financial reporting</li> <li>• Inaccurate financial data</li> <li>• Inaccurate financial analysis</li> <li>• Erroneous and fictitious accounting entries</li> <li>• Inadequate segregation of duties</li> <li>• Inadequate monitoring of investments</li> <li>• Debt interest rates of short-term securities</li> <li>• Insufficient and/or inadequate knowledge</li> <li>• Insufficient staffing</li> <li>• Insufficient succession planning</li> <li>• Cyber security risk</li> <li>• Inappropriate or unauthorized access to data</li> <li>• Bond/credit downgrades</li> <li>• Liquidity issues</li> <li>• Unclaimed funds</li> <li>• Conflicts of interest</li> <li>• Theft</li> <li>• Fraud</li> <li>• Lawsuits</li> <li>• Fines and penalties</li> <li>• Misappropriation of assets</li> <li>• Loss or destruction of</li> </ul>	<ul style="list-style-type: none"> <li>• Utilization of robust financial management system</li> <li>• Strategic planning for forecasting, budgeting and analytics</li> <li>• Reviews by management at functional and activity level</li> <li>• Annual audit, review of financials ZFIR during preparation, and review of indexing of accounts</li> <li>• Established review and approval policies and procedures</li> <li>• Elimination of manual journal entries</li> <li>• Audit trails, reconciliation, supervisory reviews, and transaction logs for segregation of duties</li> <li>• Investment compliance and monitoring</li> <li>• Employees complete 8 hours of State-required Public Funds Investment Act continuing education training every 2 years</li> <li>• Established procedures to analyze financial reports / data</li> <li>• Training and cross-training</li> <li>• Established succession plan</li> <li>• Network security, application security, information and data security and identity management</li> <li>• Back-ups performed by HITS</li> <li>• Purchase of investment-grade ratings bonds</li> <li>• Strategies to swiftly meet short-term obligations, optimize cash via safe investments and maintain flexibility</li> <li>• Process to return unclaimed funds</li> </ul>	High



Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>• financial data</li> <li>• Inadequate record retention</li> <li>• Untimely vendor payments</li> <li>• Inappropriate approval</li> <li>• Split purchases</li> <li>• Overpayments</li> <li>• Duplicate payments</li> </ul>	<ul style="list-style-type: none"> <li>• Communication of ethical behavior to all employees</li> <li>• Executive staff completes annual conflict of interest forms</li> <li>• Fraud hotline</li> <li>• Effective use of established processes and technology to prevent fines and penalties</li> <li>• Internal controls to safeguard assets</li> <li>• Regular asset audits</li> <li>• Regular backup of financial data</li> <li>• Robust security policies for devices</li> <li>• Strong password policy</li> <li>• Effective record management program</li> <li>• Payment controls to prevent loss of money due to fraud, late payment fees and other errors</li> <li>• Verification of supporting documentation, including purchase orders, delivery receipts, etc.</li> <li>• Purchasing controls to identify multiple POs to one vendor, identical items purchased in different amounts simultaneously; POs split by type of work and recurring purchases which fall just under review/authorization thresholds</li> <li>• Reduction of manual invoice data entry, collect standard vendor documents, and regular audits of vendor databases</li> <li>• Improper-payment-related control activities</li> </ul>	
<b>Compliance</b>	<ul style="list-style-type: none"> <li>• Non-compliance with laws and regulations</li> <li>• Noncompliance with City policies and procedures</li> <li>• Noncompliance with auditing standards</li> <li>• Noncompliance with accounting standards</li> <li>• Non-compliance with debt covenant or arbitrage requirements</li> <li>• Outdated policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Adherence to all applicable federal, state and local regulations</li> <li>• Monitoring of all relevant legislative and regulatory developments</li> <li>• Provide input in policy making process</li> <li>• Compliance with accounting and auditing standards</li> <li>• Utilization of audit checklists and templates</li> <li>• Coordination with external counsel and advisors for debt and investments</li> <li>• Up-to-date policies and procedures</li> </ul>	<b>Medium</b>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>• Insufficient audit planning or audit scope</li> <li>• Insufficient staffing</li> <li>• Inadequate training</li> <li>• Inadequate knowledge of accounting standards</li> <li>• Untimely or inaccurate financial/operational reporting</li> <li>• Inadequate review or approval process</li> <li>• Errors in financial reports</li> <li>• Conflict of interest</li> <li>• Fraud</li> <li>• Fines and penalties</li> </ul>	<ul style="list-style-type: none"> <li>• Employ risk-based audit planning</li> <li>• Co-source audit services</li> <li>• Improved workflows with technology</li> <li>• Employee training/cross-</li> <li>• Mandatory CPE each year</li> <li>• Multi-level reviews for financial reporting</li> <li>• Elimination of manual entries</li> <li>• Annual audit, review of financials ZFIR during preparation, and review of indexing of accounts</li> <li>• Established review and approval policies and procedures</li> <li>• Continuous monitoring of financial position</li> <li>• Utilize outside legal and financial expertise</li> </ul>	

### MISSION AND OBJECTIVES

We exist to connect the people, businesses, cultures, and economies of the world to Houston. Our vision is to establish Houston Airport System (HAS) as a 5-star global air service gateway where the magic of flight is celebrated. Our strategic priorities include: (a) make our passengers happy; (b) act responsibly to achieve social, environmental, and economic sustainability; (c) build platforms for future success; (d) invest in our partnerships and employees; (e) more direct flights to major cities; (f) improve critical asset performance; and (g) 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 2018. Since that assessment, the following changes have occurred: 1) On March 1, 2024, the Houston City Council unanimously approved Jim Szczesniak as the Director of HAS; 2) Houston Airports was chosen for having the Best Art in the Airport at the 2023 Skytrax World Airport Awards; 3) Hobby Airport (HOU) maintained a 5-star rating for a third year in a row in 2024; 4) Hobby Airport named Best Regional Airport in North America, being awarded the 2024 Best Airport Art and Entertainment Program in the world; and 5) Collins Aerospace opened a new eight acre, approximately 120,000 square foot campus at Houston Spaceport.

### SIGNIFICANT ACTIVITIES

HAS is responsible for the following activities:

- Maintaining the operational condition of all three airport facilities, airfield, and grounds, including electrical support and managing multi-airport maintenance contracts.
- Building and maintaining partnerships and lines of communication with DOT, FAA, DHS, TSA, CBP, USDA, DOJ, FBI, DHHS, CDC, USPS, DOD, NASA, and NTSB federal agencies to address implementation solutions for new regulation requirements.
- Providing and implementing a risk-based audit plan, which includes 14 audits, investigations, and special projects as requested by management for 2023 and 2022.
- Performing a minimum of 3 mandated inspections on the airside and landside at each airport daily.
- Managing warehousing and inventory for \$2.2 million in commodities and parts for airport system usage.
- Providing IT support for 934 network devices, 123 physical and 453 virtual servers, and Help Desk support for over 1,553 desktop locations.
- Performing project management oversight services for the scope, design, and construction of airport system comprised of 103 projects: 37 in Initiation, 14 in Design, 18 in Procurement, 18 in Construction, and 16 in Close-Out.
- 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 5,312 trainings to airport personnel.
- George Bush Intercontinental Airport (IAH) accommodated approx. 76.4% of passenger traffic during fiscal year 2023; HOU accommodated approx. 23.6% of passenger traffic during fiscal year 2023.
- Enplaned passenger count was approx. 28.9M for IAH and 26.1M for HOU during fiscal years 2023 and 2022.
- Deplaning international passengers using international arriving facilities were 5.5M for IAH and 4.4M for HOU during fiscal years 2023 and 2022.

- Developing relationships at local, state, federal, and international levels to highlight attributes of HAS and the City of Houston.

**FISCAL YEAR 2023 FINANCIAL DATA**

In FY 2023, HHD’s revenues and expenditures totaled approximately \$223.5 million and \$275.4 million, respectively (see charts).

**KEY BUSINESS RISK AREAS**

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Financial Management</b>	<ul style="list-style-type: none"> <li>• Complex transactions</li> <li>• Inaccurate or inadequate financial management system</li> <li>• Inaccurate projections and forecasts</li> <li>• Poorly integrated financial systems</li> <li>• Changes in grant requirements</li> <li>• Inappropriate or unauthorized purchases</li> <li>• Inaccurate vendor payments</li> <li>• Inaccurate revenue</li> <li>• Lack of management oversight of overtime and premium pay</li> <li>• Theft or misappropriation of assets</li> <li>• Fraud</li> <li>• Lawsuits</li> <li>• Insufficient staffing</li> <li>• Inadequate policies and procedures</li> <li>• Loss of funding</li> </ul>	<ul style="list-style-type: none"> <li>• Management’s financial controls</li> <li>• Financial budgets and financial reports</li> <li>• Accurate forecasting and projections</li> <li>• Cash flow maintenance</li> <li>• Preapproved grant activity and costs</li> <li>• Monitoring of grantor’s requirements</li> <li>• Accurate and timely vendor payment management oversight</li> <li>• Improper payment-related control activities</li> <li>• Track and reconcile departmental records to SAP</li> <li>• Tracking of employee working hours and overtime</li> <li>• Overtime policy</li> <li>• Management controls to prevent theft or misappropriation</li> <li>• Fraud-related control activities</li> <li>• Third-party law firm to handle lawsuits</li> <li>• Comprehensive policies and procedures</li> <li>• Strategic planning, effective communication, contingency planning, and resource management</li> </ul>	<b>High</b>
<b>Procurement</b>	<ul style="list-style-type: none"> <li>• Inefficient procurement process</li> <li>• Lack of controls over purchasing</li> <li>• Bid-rigging or bogus bids</li> <li>• Ineffective P-Card oversight</li> <li>• Inappropriate or unauthorized purchases</li> <li>• Conflicts of interest</li> <li>• Fraud, waste, and abuse</li> <li>• Theft</li> <li>• Noncompliance with City policies and procedures</li> <li>• Inadequate monitoring of change orders</li> </ul>	<ul style="list-style-type: none"> <li>• Procurements conducted in strict accordance with COH procurement process, AP 5-2, EO 1-14, and Texas Local Government Code</li> <li>• Periodic training for procurement staff</li> <li>• Management oversight over competitive bidding process</li> <li>• P-Card issuance commensurate with roles and responsibilities</li> <li>• Training on proper use of P-Cards</li> <li>• P-Card transactions monitored and reviewed</li> </ul>	<b>High</b>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>• Inadequate vendor management</li> <li>• Insufficient or inadequate knowledge</li> <li>• Insufficient staff</li> </ul>	<ul style="list-style-type: none"> <li>• Process in place to ensure transparent, accountable and efficient purchases</li> <li>• Supervisor review of purchase orders and change orders prior to issuance</li> <li>• Verification of pricing for contract purchases</li> <li>• Conflict of interest questionnaire</li> <li>• Management controls to prevent fraud, waste and abuse of resources</li> <li>• Periodic training for all staff</li> <li>• Strategic planning, effective communication, contingency planning, and resource management</li> </ul>	
<b>Security</b>	<ul style="list-style-type: none"> <li>• Changes to federally mandated security protocols</li> <li>• Unfunded mandates</li> <li>• Inadequate monitoring</li> <li>• Insufficient staffing</li> <li>• Inadequate training of staff</li> <li>• Unauthorized people in secured areas</li> <li>• Facilities vulnerability to external threats</li> <li>• Inappropriate physical access</li> <li>• Lawsuits</li> </ul>	<ul style="list-style-type: none"> <li>• Liaison for security protocols</li> <li>• Regulatory compliance training</li> <li>• Collaboration with stakeholders regarding unfunded mandates</li> <li>• Executive-level monitoring of HAS operations</li> <li>• Human resource planning</li> <li>• Management of human capital</li> <li>• Training-related courses and seminars</li> <li>• Physical and electronic security at all strategic locations</li> <li>• Utilization of identification badges</li> <li>• Monitoring via Closed Circuit TVs</li> <li>• Electronic contact between passenger checkpoints and HAS communication center</li> <li>• Review by 3rd party contractor for current and future security needs</li> <li>• Use of security personnel at major terminal reconstruction projects</li> <li>• Presence of HPD, federal air marshals, TSA and FBI</li> <li>• HAS master planning for proper physical access</li> <li>• Lawsuits handled by third-party law firm</li> </ul>	<b>High</b>
<b>Communication</b>	<ul style="list-style-type: none"> <li>• Insufficient resources</li> <li>• Inadequate training</li> <li>• Untimely / inaccurate communication</li> <li>• Computing system / server failure</li> <li>• Non-compliance with City Charter or City Ordinances</li> </ul>	<ul style="list-style-type: none"> <li>• Adjustment of resources to meet HAS needs</li> <li>• Training and cross-training of staff</li> <li>• Periodic meetings with staff</li> <li>• Recording of meeting minutes for training</li> </ul>	<b>Medium</b>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>• Public notification system failure</li> <li>• Limited language access</li> </ul>	<ul style="list-style-type: none"> <li>• External and internal messaging system</li> <li>• HAS-IT monitoring of computer systems</li> <li>• Compliance-related communication through City Council liaison</li> <li>• Utilization of Public Address system</li> <li>• Use of ASL translators and video messaging captions for various languages</li> </ul>	
<b>Compliance</b>	<ul style="list-style-type: none"> <li>• Noncompliance with local, state, and/or federal regulations</li> <li>• Changes to regulations</li> <li>• Ineffective monitoring of contractor performance</li> <li>• Lack of environmental compliance</li> <li>• Noncompliance with grant requirements</li> <li>• Noncompliance with third-party agreements</li> <li>• Ineffective or inadequate adherence to building codes</li> <li>• Lack of emergency preparedness program</li> <li>• Insufficient staffing</li> <li>• Insufficient training</li> <li>• Loss of funding</li> <li>• Lawsuits</li> <li>• Conflicts of interest</li> <li>• Outdated policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Annual compliance-related training</li> <li>• HAS City Council-liaison and external affairs officers monitors changes to regulations at municipal, state and federal levels</li> <li>• Contractor performance oversight by City Legal, outside counsel, and HAS Regulatory Compliance</li> <li>• Comprehensive contract management system for monitoring contractor performance</li> <li>• Quarterly grant reviews for compliance</li> <li>• HAS Emergency Management Plan</li> <li>• Management of human capital to address needs</li> <li>• Resource management for funding</li> <li>• Third-party law firm to handle lawsuits</li> <li>• Conflict of interest questionnaire for procurement</li> <li>• Up-to-date policies and procedures</li> </ul>	<b>Medium</b>
<b>Facilities Management</b>	<ul style="list-style-type: none"> <li>• Unsafe facilities</li> <li>• Lack of Inspections</li> <li>• Untimely repairs</li> <li>• Inadequate maintenance</li> <li>• Budgetary constraints</li> <li>• Natural disaster or other catastrophic events</li> <li>• Insufficient staffing</li> <li>• Lack of inventory management</li> <li>• Monitoring of contracts</li> <li>• Safety</li> <li>• Inadequate storage and monitoring of chemicals</li> <li>• Lawsuits</li> <li>• Vandalism</li> <li>• Theft</li> </ul>	<ul style="list-style-type: none"> <li>• Routine inspections of facilities</li> <li>• Timely repairs for FAA compliance</li> <li>• Aviation Risk and Regulation Compliance monitoring</li> <li>• Maintenance Division’s continuous facility management</li> <li>• Collaboration with HAS Finance regarding budgets</li> <li>• HAS’s contingency plans for disaster recovery</li> <li>• Training and cross-training of staff</li> <li>• Supply-chain management</li> <li>• Oversight of contractor performance</li> <li>• Emergency Operations Center</li> <li>• Publicly available evacuation maps</li> <li>• Safety-related policies and procedures</li> </ul>	<b>Medium</b>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
		<ul style="list-style-type: none"> <li>• Hazardous materials stored per regulatory guidelines</li> <li>• Third-party law firm to handle lawsuits</li> <li>• Physical security by multiple law-enforcement agencies</li> </ul>	
<p><b>Information Technology</b></p>	<ul style="list-style-type: none"> <li>• Data corruption</li> <li>• Loss of data</li> <li>• Loss of communication services</li> <li>• Outdated systems</li> <li>• Inadequate system interfaces</li> <li>• Inadequate staffing for critical systems</li> <li>• Inadequate funding for upgrades</li> <li>• Unauthorized access to HAS systems</li> <li>• Unauthorized or inappropriate access to computer systems or confidential information</li> <li>• Hardware and software failures</li> <li>• Inadequate security of data centers</li> <li>• Cybersecurity</li> </ul>	<ul style="list-style-type: none"> <li>• Regular backups of data</li> <li>• Encryption of data</li> <li>• Malware protection; Web filtering and related security measures</li> <li>• Network monitoring</li> <li>• Regular updates of IT systems</li> <li>• Processes for accurate, complete and secure transmission</li> <li>• Regular IT-related training</li> <li>• Budgetary requests for increased funding</li> <li>• Access commensurate with roles</li> <li>• Passwords and other credentials to identify and authenticate users</li> <li>• Security controls to protect confidentiality, integrity and availability of IT assets</li> </ul>	<p><b>Medium</b></p>

### 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 (FY) 2018. Since that assessment the following changes have occurred: 1) Director Kenneth Allen was appointed by the Mayor and confirmed by City Council as the new Director of HPARD; 2) Thomas Angelos was named Deputy Assistant Director of Recreation and Wellness; 3) Urban Park Rangers transferred to Management and Finance Division; 4) Wayne Wilson was promoted to Deputy Assistant Director in Facilities Management and Development; 5) Tina Ortiz was promoted to Senior Division Manager of Grants, Partnerships and Events; 6) Michael Evans was assigned to the new Deputy Director of Facilities Management and Development; 7) Martha Escalante was assigned as the new Council Liaison; and 8) Christopher Carroll was promoted to Deputy Director of Greenspace Management.

### 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 and Library grounds belonging to or under the control of the City of Houston. The department is accredited through the Commission for Accreditation of Park and Recreation Agencies. Activities include:

- Managing and maintaining operation of 60 community centers, and green spaces totaling 37,735 acres (over 370 Parks);
- Maintaining the grounds for 31 City libraries and 14 multi-service centers.
- Maintaining over 2,432 acres of esplanades.
- Providing six City municipal golf courses and three tennis centers.
- Operating and maintaining 38 swimming pool sites, 30 splashpads, 7 skate parks, 14 dog parks and over 165 miles of hike-and-bike trails throughout the city.
- Operating the summer and after-school meal program (serving over 200,000 meals and snacks annually).
- Managing a total of 57 youth, teen, adult and senior leisure and sports programs.
- Responding to more than 25,000 calls from the City's 311 service each year.
- Removing over 5,015 bags of trash from the park system each week.
- Overseeing and coordinating park improvements and expansion, which includes the completion of 34 neighborhood park improvements through public / private partnerships.
- Providing 73 Adaptive Sports and Recreation services, such as wheelchair basketball, power soccer, sitting volleyball and Aquatics programs annually for over 9,000 children and adults with disabilities.
- Managing the care of 1,000,000 public trees and implementing proactive management practices to improve urban forest health conditions.
- Restoring approximately 50 acres of riparian forest, prairie, and wetland habitat within park nature preserves and natural areas annually.
- Trimming an average of 8,000 hazard limbs on all city-owned property annually.



**FISCAL YEAR 2023 FINANCIAL DATA**

Total revenues and expenditures were \$31 million and \$115.2 million, respectively, during FY 2023. Revenues were primarily derived from various service fees (e.g., golf, open space, intergovernmental services, and recoveries and refunds); expenditures were incurred for personnel cost, supplies and other service charges.

**KEY BUSINESS RISK AREA**

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<p><b>Security &amp; Safety</b></p>	<ul style="list-style-type: none"> <li>• Theft</li> <li>• Lack of funding for increased technology</li> <li>• Lack of assistance from outside law enforcement agencies</li> <li>• Insufficient resources for monitoring and/or guarding facilities</li> <li>• No surveillance cameras at all facilities</li> <li>• Unsafe/damaged playground and other equipment</li> <li>• Vandalism</li> <li>• Injuries/Fatalities</li> <li>• Inadequate storage and monitoring of chemicals</li> <li>• Noncompliance with local, state, and federal regulations</li> <li>• Lawsuits</li> <li>• Vehicle and equipment accidents</li> <li>• Inadequate and Insufficient personal protective equipment (PPE)</li> </ul>	<ul style="list-style-type: none"> <li>• Vehicle tracker/monitoring system</li> <li>• Secure and lock facilities</li> <li>• Deploy Urban Park Rangers on rotating schedule</li> <li>• Maintain shift schedule to enable park coverage</li> <li>• 20/20 Bike Patrol Program</li> <li>• Utilize newer equipment for self-protection/ technology for surveillance / monitoring</li> <li>• Security cameras, alarms, and motion sensors in areas where valuable equipment and supplies are stored</li> <li>• Area law enforcement support security efforts</li> <li>• Self-Defense training</li> <li>• Management conducts yearly staff training in facility management, program safety, liability, security, and best practices in the industry</li> <li>• All facilities are equipped with intrusion alarms</li> <li>• Increased patrol frequency of “hotspots”</li> <li>• Inspections and replacement of playground equipment</li> <li>• Full quarterly inventory of chemicals or when new request comes in</li> <li>• Track chemical inventory via spreadsheet</li> <li>• All staff are provided with PPE gear and instructed immediately upon reporting to work</li> </ul>	<p><b>High</b></p>
<p><b>Customer Service</b></p>	<ul style="list-style-type: none"> <li>• Insufficient programs and/or facilities</li> <li>• Untimely response to citizens</li> <li>• Insufficient communication</li> <li>• Limited language access (e.g., website)</li> </ul>	<ul style="list-style-type: none"> <li>• Solicit community input through evaluations and surveys</li> <li>• Monitor citizen complaints through ASKPARKs, 311's, and TPIA inquiries</li> </ul>	<p><b>Medium</b></p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>• Inadequate funding</li> <li>• Insufficient resources</li> <li>• Inadequate training</li> <li>• Ineffective interactions with customers</li> <li>• Staffing deficiencies</li> <li>• Court hearing cancellations and delays</li> <li>• Limited language access</li> <li>• Inaccurate case files</li> </ul>	<ul style="list-style-type: none"> <li>• Program information and Community Center events are provided on the HPARD website</li> <li>• Work directly with council members and community partners to include events/ programs on their website and newsletters</li> <li>• Respond to 311 calls in a 3-day response turn-around</li> <li>• Bilingual speaker conducts media interviews in Spanish</li> <li>• Utilize the COH contract in place to hire translators if necessary</li> <li>• Greenspace Adoption Program</li> <li>• Conduct staff meetings</li> <li>• HEAR plans and evaluations and staff trainings</li> </ul>	
<p><b>Financial Management</b></p>	<ul style="list-style-type: none"> <li>• Insufficient or ineffective preventive maintenance</li> <li>• Insufficient funding</li> <li>• Vandalism and theft</li> <li>• Inadequate security</li> <li>• Inadequate or limited internet access</li> <li>• Injuries and fatalities</li> <li>• Insufficient resources</li> <li>• Lawsuits</li> <li>• Inadequate monitoring of renovations and expansions</li> <li>• Lack of inspections</li> <li>• Lack of inventory management</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and service requests, work performed, and associated costs are maintained for documentation and reporting purposes</li> <li>• Periodically review existing preventive maintenance schedule to improve system</li> <li>• Manage budget constraints</li> <li>• Deploy Urban Park Rangers on rotating schedule</li> <li>• Conduct regular monitoring and periodic reviews of security protocols</li> <li>• Installed locks, keypads, or access cards where equipment and supplies are stored</li> <li>• Installed cash safe boxes, security cameras, facility locks/ secured areas, and security officer</li> <li>• Adopted IT strategy to update systems infrastructure in facilities as needed</li> <li>• Integrate daily tailgate meetings, follow COH safety policies, and adhere to OSHA regulations</li> <li>• Implemented 20/20 bike patrol plan</li> <li>• Work closely with GSD, approved Capital Projects, and Park Partners like Houston Parks Board</li> </ul>	<p><b>Medium</b></p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
		<ul style="list-style-type: none"> <li>• Work directly with other departments on land acquisitions, land dispositions, and pipeline projects.</li> <li>• Established a Playground Inspections Schedule based on specific needs of each park</li> <li>• Inspection findings and observations are documented in the new Work Order System</li> <li>• Work Order System used to prioritize identified hazards or safety concerns</li> </ul>	
	<ul style="list-style-type: none"> <li>• Lack of financial knowledge</li> <li>• Inadequate funding</li> <li>• Increased utilities and materials cost</li> <li>• Inadequate systems and systems support</li> <li>• Noncompliance with grant program requirements</li> <li>• Noncompliance with agreements</li> <li>• Non-compliance with donor restrictions</li> <li>• Inadequate third-party vendor, and partner management</li> <li>• Financial system requires manual intervention</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct staff meetings, HEAR plans and evaluations, staff trainings and review of work assessments</li> <li>• Monitor and analyze expenditures; SAP Reports to Cost Center Managers</li> <li>• Dedicated IT group within department</li> <li>• Internal Procedure for Grant Acquisition, Management and Compliance</li> <li>• Internal Grant Application Flow Chart</li> <li>• Conduct site visits</li> <li>• Contract Compliance monitoring</li> <li>• Ensure subrecipient funds are used for approved purposes</li> </ul>	
	<ul style="list-style-type: none"> <li>• Payroll/Overtime Fraud</li> <li>• Inadequate staffing</li> <li>• Misappropriation of assets</li> <li>• Misappropriation of revenue</li> <li>• Theft</li> <li>• Unauthorized access to information systems and data</li> <li>• Cybersecurity</li> <li>• Inaccurate physical inventory</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct staff meetings, HEAR plans and evaluations, staff trainings and review of work assessments</li> <li>• Monitor and analyze expenditures; SAP Reports to Cost Center Managers</li> <li>• Dedicated IT group within department</li> <li>• Internal Procedure for Grant Acquisition, Management and Compliance</li> <li>• Internal Grant Application Flow Chart</li> <li>• Conduct site visits</li> <li>• Contract Compliance monitoring</li> <li>• Ensure subrecipient funds are used for approved purposes</li> <li>• Ensure subrecipients submit all applicable documents to Grant Management</li> <li>• Perform annual single audit report</li> </ul>	

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
		<ul style="list-style-type: none"> <li>Financial system allows improved oversight and analysis</li> <li>Follows City of Houston Cash Handling Guidelines and Procedures (Administrative Policy 4-8)</li> <li>Provides confidential information reminders</li> <li>Annual mandatory COH IT security training</li> <li>Locked file cabinets</li> <li>Conducts annual internal low value inventory audits</li> </ul>	

**SPECIFIC OPERATIONAL RISK AREA**

Operational Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Grounds Maintenance</b>	<ul style="list-style-type: none"> <li>Insufficient funding</li> <li>Misappropriation of assets</li> <li>Lack of inventory management</li> <li>Outdated or inoperable equipment</li> <li>Work delayed or not performed</li> <li>Insufficient maintenance scheduling system</li> <li>Employee and Public safety</li> <li>Property loss or damage</li> <li>Ineffective enforcement of City’s tree protection ordinance</li> <li>Ineffective communication with field staff</li> <li>Insufficient resources</li> <li>Inadequate training</li> </ul>	<ul style="list-style-type: none"> <li>Greenspace Adoption Program</li> <li>Lock facility after hours</li> <li>Installed cameras</li> <li>Rely upon Urban Park Ranger services, etc.</li> <li>Limit access to up to two people</li> <li>Everything is signed out for usage on a log sheet</li> <li>Full quarterly inventory of chemicals or when new request comes in</li> <li>Track chemical inventory via spreadsheet</li> <li>Monitor equipment and repair as needed</li> <li>Work order system</li> <li>Maintenance scheduling procedures in place</li> <li>Follow replacement schedule that lowers amount of obsolete or aged equipment</li> <li>Collaborate with FMD to ensure equipment &amp; vehicles are maintained for preventive maintenance and scheduled repairs</li> <li>Each Maintenance facility conducts monthly Safety meetings with staff</li> </ul>	<b>Medium</b>

Operational Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
		<ul style="list-style-type: none"> <li>• All staff are provided with PPE gear and instructed immediately upon reporting to work</li> <li>• Vehicle tracker/monitoring system</li> <li>• Respond to requests to remove or trim trees from the City’s 311 service</li> <li>• Enforce tree ordinance through permitting process</li> <li>• Provide communication tools (i.e., “Hot Line” for managers)</li> <li>• Review vacancies and post job vacancies asap</li> <li>• Ensuring funds are budgeted for vacancies</li> </ul>	
<p><b>Recreation, Wellness, and After School Programs</b></p>	<ul style="list-style-type: none"> <li>• Lack of programs and services needed or desired by the public</li> <li>• Insufficient funding</li> <li>• Inadequate cash management</li> <li>• Inadequate training</li> <li>• Untimely hiring process for seasonal staff</li> <li>• Inadequate equipment</li> <li>• Insufficient security</li> <li>• Safety</li> <li>• Lawsuits</li> <li>• Theft</li> <li>• Misappropriation of assets</li> <li>• Noncompliance with local, state, and federal program regulations and guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct and Review survey</li> <li>• results</li> <li>• Conduct bi-Weekly Program Evaluation Reports and (Quarterly) evaluation surveys.</li> <li>• Recruit volunteers to assist,</li> <li>• create new partnerships</li> <li>• Applying for grants</li> <li>• Employees follow HPARD Cash Handling Policy; ActiveNet, and IT Department policies to credit card processing and secure transactions</li> <li>• Weekly staff meetings, coaching &amp; counseling sessions, annual performance reviews</li> <li>• Management conducts quarterly training</li> <li>• Management conducts yearly safety training</li> <li>• Annual recertifying of Lifeguards</li> <li>• Review and access facilities to ensure ADA compliance</li> <li>• Background checks are conducted on individuals working with vulnerable populations</li> <li>• Regular inspections of facilities and equipment</li> <li>• Implemented security measures - lighting, surveillance cameras, and security patrols</li> </ul>	<p><b>Medium</b></p>

Operational Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
		<ul style="list-style-type: none"> <li>• Management ensures employees follow COH Policies, HPARD Rules and Regulations, industry standards and National Recreation and Park Association (NRPA) trends</li> </ul>	
<p><b>Marketing</b></p>	<ul style="list-style-type: none"> <li>• Inadequate or untimely communication from other departments</li> <li>• Inability to inform citizens of events, programs, or activities</li> <li>• Insufficient resources</li> <li>• Negative perception</li> <li>• Limited language access (e.g., website)</li> <li>• Inadequate communication of emergency/natural disaster events</li> <li>• Cybersecurity</li> </ul>	<ul style="list-style-type: none"> <li>• Work with other departments to receive information timely</li> <li>• Work directly with the media to respond quickly and ensure inquiries are answered within 24 hours</li> <li>• Respond to citizen questions received through “Ask Parks”</li> <li>• Division heads approve Project request forms</li> <li>• Continuous updates to department website</li> <li>• Increase depts. social media presence to promote programs and services</li> <li>• A bilingual speaker conducts media interviews in Spanish</li> <li>• Utilize the COH contract in place to hire translators if necessary</li> <li>• Parks Emergency Hotline Number, news outlets, Mayor’s communication via email and Manager/Supervisor communications with staff</li> <li>• Annual Cybersecurity training</li> </ul>	<p><b>Medium</b></p>

### MISSION AND OBJECTIVES

To be a strategic partner by providing Human Resources (HR) 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. We do this with a strong commitment to innovation, collaboration, analytics, transparency, and responsiveness. Our team of 270+ individuals operate in nine major divisions.

### NOTABLE CHANGES SINCE THE PREVIOUS RISK ASSESSMENT

A risk assessment of HR took place in Fiscal Year 2018. Since that time, the following changes have occurred: 1) HR-led negotiations with the HOPE AFSCME Local 123 union to sign a contract in 2018 and 2021. 2) HR established a citywide safety initiative, Zero is Possible, or ZIP. 3) Oversight Contingent Workforce Services transferred to Assistant Director, Carla Coleman. 4) HR developed a process for documenting and managing reported COVID cases. Onboarded more than 2,000 COVID response team members. Created the Citywide Telework Program. 5) Created Administrative Policy 3-16, Prenatal, Parental, and Infant Wellness Policy. 6) All General Fund cost centers (functions), except the youth summer job program, transferred to Central Services Revolving Fund 1002. 6) Risk Management consolidated Solid Waste Safety operations with HR. 7) Oversight of Records Management transferred to Division Manager/ Chief of Staff, Alisa Franklin-Brooks. 8) Employment Resources and Services changed its name to Onboarding & Verification Services. 9) Drug testing and physical exams functions transferred to Onboarding & Verification from Risk Management. 10) Grand opening of the new Employee Wellness Center in the basement of City Hall. 11) Launched the Involve & Evolve Work-life Transformation Movement. 12) HROne Connect was implemented as the new enhanced employee self-service portal.

### SIGNIFICANT ACTIVITIES

HR supports each city department by managing the administrative and compliance functions of hiring, coordinating learning and performance, as well as administering benefit and wellness programs. The department has final authority in the areas which include, but are not limited to, Civil Service, staffing and recruiting, contingent workforce, compensation, employee relations, classified testing, benefits administration and strategic planning, wellness programs, workers' compensation, official personnel records management, safety, and training and organizational development.

These activities include:

- Coordinate Civil Service Commission, grievances, Employee Concerns Resolution Program (ECRP), EEO and ADA compliance, and compliance activities of the HOPE union contract.
  - Step 1 Grievances – 83
  - ECRP – 24
  - Accommodations requests - 130
- Create, maintain, update and archive personnel files for all City of Houston employees.
- Prepare documents in response to open records, subpoenas, employee service history, employment verifications, audits and more.
- Develop, implement, and maintain the City's classification and compensation programs to attract and retain a competent, and competitive workforce.
  - Base Pay programs- over 800 salary analysis for hires, promotions, Performance Pay Zone increases and other; Across the board increase (ABC) for municipal and classified

- employees, over 1,000 reviews for salary changes, promotions, and other salary matrix adjustments.
  - Additional pay programs (incentives and assignments) for municipal and classified employees— over 1,000 action reviews for recurring pays, over 100 incentive payouts; and
  - Salary surveys – participated in and conducted over 150 salary surveys.
- Implement learning and organizational development strategies that promote a culture of an engaged workforce. Launched Involve & Evolve employee engagement.
  - Learning events – 194
  - Learning hours – 1,731
  - Learners were ‘likely’ or ‘very likely’ to apply their new learning to their job – 93%
  - Learners ‘agree’ or ‘strongly agreed’ that their learning needs were met – 96%
  - Learners were ‘likely’ or ‘very likely’ to recommend the cohort-based programs (range in length from 6 weeks to 17 weeks) such as CAPS, AOP, and the Digital Literacy Microsoft Certifications – 97%
  - Total number of learners served – 5,175
  - OT&OD served 1 out of 4 City employees
- Design, procure, implement, maintain, communicate, administer, and monitor all benefits plans, that include health, dental, vision, long-term disability, life insurance, dependent care reimbursement, and a healthcare flexible spending account.
  - Plan members – 57,000
  - Wellness events – 566
- Recruit and staff Municipal and Classified Fire personnel, process personnel actions, facilitate Organizational Management, administer the Family Medical Leave program, and serve as liaisons between HR and Departments’ Leadership.
  - Total Jobs – 2,926
  - New Hires – 2,949
  - Total Applicants – 198,206
- Develop and administer all Fire examinations and the Police entrance examinations:
  - Entrance examinations – 18
  - Entrance examinees – 1,112
  - Promotional examinations – 11
  - Promotional examinees - 121
- HR Bereavement Liaison, A single point of contact for employees, retirees, and/or surviving family members during their time of bereavement by providing support, information and coordination of services and benefits.
- Process motor vehicle record checks for all departments, except Police and Solid Waste Management (SWM) departments.
  - Motor vehicle record checks – 23 departments
- Design and administer Zero is Possible, or ZIP training, which primary goal is to drive occupational safety awareness and mindset toward zero accidents, zero injuries and zero safety compromises. Over 85% of City departments have completed or are in progress completing ZIP training, and incident severity is trending down.
  - Hours of safety training – 34,902
  - Participants – 24,261
  - Completed course enrollment – 99,566



**FISCAL YEAR 2023 FINANCIAL DATA**

During fiscal year 2023, the department recorded revenue of \$482 million. Health Benefits revenue represents eighty-five percent (85%) of the department’s total revenues. The City contributes an average of 79% of the medical costs, while the employees and retirees contribute the rest. HR expenditure totaled \$464 million.

**KEY BUSINESS RISK AREA**

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Compliance</b>	<ul style="list-style-type: none"> <li>• Inadequate training</li> <li>• Noncompliance with contracts</li> <li>• Inadequate monitoring of safety and labor laws / regulations</li> <li>• Insufficient staffing</li> <li>• Noncompliance with ordinances, local, state, and federal laws</li> <li>• Fraud</li> <li>• Noncompliance with departmental policies and procedures</li> <li>• Lack of contract oversight</li> <li>• Inadequate third-party vendor and partner management</li> <li>• Misclassification of workers</li> <li>• Injuries and fatalities)</li> </ul>	<ul style="list-style-type: none"> <li>• Trainings on requirements and objectives</li> <li>• Annual assessments of skills and knowledge on HEAR performance</li> <li>• Compliance audits</li> <li>• Annual review of contracts and regulations</li> <li>• Reports disseminated to Director’s Office on staffing levels and employee status</li> <li>• Monitor contract performance standards/guarantees</li> <li>• Compliance with HIPAA and other laws/regulations</li> <li>• Signature authority approval purchases</li> <li>• Adhere to AP 4-11, Payment and Procurement Internal Controls and Section 5, Purchasing</li> <li>• Annual contract audits</li> <li>• Vendors performance meetings</li> <li>• Employee specific classification and compensation programs</li> <li>• Pay structure/programs based on audits/analysis</li> <li>• Annual safety process audits</li> </ul>	<b>High</b>
<b>Administration</b>	<ul style="list-style-type: none"> <li>• Inadequate formal policies and procedures</li> <li>• Noncompliance with policies and procedures</li> <li>• Lack of transparency in decision making process</li> <li>• Lawsuits</li> <li>• Inadequate scheduling</li> <li>• Conflicts of Interest</li> <li>• Noncompliance with grievance requirements</li> <li>• Inadequate training</li> </ul>	<ul style="list-style-type: none"> <li>• Processes governed by HR policies, Ordinances, City Executive Orders and Administrative Procedures</li> <li>• Program changes to learning and performance applications to enable workforce and leadership transparency</li> <li>• Established scheduling protocols, cross-training and redundancies</li> <li>• Adheres to AP 2-22, Conflict of Interest</li> <li>• Required Conflicts of Interest training</li> </ul>	<b>Medium</b>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
		<ul style="list-style-type: none"> <li>• Disclosure of potential conflicts</li> <li>• Employees required to read Texas Local Government Code, Chapter 143, City Charter, and labor agreements</li> <li>• Documented grievance procedures</li> <li>• Monthly training reports tracks key metrics</li> </ul>	
<p><b>Financial Management</b></p>	<ul style="list-style-type: none"> <li>• Inadequate benefit reconciliations</li> <li>• Noncompliance with accounting standards</li> <li>• Inaccurate or incomplete revenue</li> <li>• Financial instability of third-party providers</li> <li>• Catastrophic illnesses or injuries</li> <li>• Fraud</li> <li>• Theft</li> <li>• Insufficient staff</li> <li>• Insufficient and/or inadequate knowledge</li> <li>• Inadequate training</li> <li>• Inappropriate or unauthorized purchases</li> <li>• Inadequate management oversight</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly Financial Operating Reports-Health Benefit related report</li> <li>• Participate in required GASB training</li> <li>• Deductions automatically taken based on Third-Party Administrator Report</li> <li>• Quarterly Compliance Reports - contract and MWBE</li> <li>• Consultants audit third-party adjudication process</li> <li>• Annual actuary evaluation</li> <li>• Purchasing form with lists of items</li> <li>• Purchasing form with approval signatures</li> <li>• Subscribe to HR and financial associations to stay current on regulations and best practices</li> <li>• Training relevant to job responsibilities</li> <li>• Daily deduction reports run to ensure accuracy</li> <li>• Month-end calendars used for successful financial close</li> </ul>	<p><b>Medium</b></p>
<p><b>Human Resources</b></p>	<ul style="list-style-type: none"> <li>• Inability to recruit and retain qualified individuals</li> <li>• Untimely recruiting / hiring process</li> <li>• Noncompetitive compensation</li> <li>• Compromised</li> <li>• Classified Testing</li> <li>• Lack of formal succession planning</li> <li>• Lack of current policies and procedures</li> <li>• Noncompliance with policies and procedures</li> <li>• Lack of current written job descriptions</li> <li>• Insufficient knowledge</li> <li>• Inadequate training</li> <li>• Insufficient staffing</li> <li>• Lack of management oversight &amp; monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• “Think outside of the box” approach attract and retain multicultural and diverse workforce</li> <li>• Educate Classified recruits</li> <li>• Revised Municipal salary structure and ranges</li> <li>• Integrity of testing is maintained through laws and regulations</li> <li>• Succession planning toolkit for departments piloting Thought Partners</li> <li>• Adhere to state laws, civil service rules, and regulations</li> <li>• Regular job audits to ensure description reflect duties</li> <li>• Cross trained to handle multiple critical HR functions</li> </ul>	<p><b>Medium</b></p>

Key Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>Inappropriate use or access to information</li> <li>Fraud</li> <li>Insufficient communication outlets</li> <li>Inadequate screening of job applicants</li> <li>Incorrect classification of workers</li> <li>Conflicts of Interest</li> <li>Noncompliance with grievance requirements</li> <li>Inadequate on-boarding and off-boarding processes</li> <li>Inadequate performance measures and targets</li> <li>Safety</li> </ul>	<ul style="list-style-type: none"> <li>Training in relevant field and position</li> <li>Training World at Work compensation organization</li> <li>Conducts audits/analyses</li> <li>Communications through team building, training, and development</li> <li>Proper approvals for classification</li> <li>NEXUS PSA background process</li> <li>Documented grievance procedures</li> <li>Adhere to AP 3-33 New Employee Orientation</li> <li>Separated employee list to GSD</li> <li>Shared Services process employee status</li> <li>Professional development performance goal on all HEAR plans</li> <li>Zero is Possible, Zip safety initiative</li> </ul>	
<b>Information Technology</b>	<ul style="list-style-type: none"> <li>Loss of data</li> <li>Inadequate training</li> <li>Insufficient staffing</li> <li>Inappropriate access</li> <li>Unauthorized access</li> <li>Cyber attacks</li> <li>Lack of integration between information systems</li> <li>Outdated IT hardware and software</li> <li>Underutilization of system functionality</li> </ul>	<ul style="list-style-type: none"> <li>Safeguard confidential and sensitive data</li> <li>SAP Success Factors Employee Central</li> <li>Attend conferences Houston Symposium</li> <li>Adhere to Administrative Policies and City Procedures</li> <li>Annual cyber security training</li> <li>HROne project</li> <li>Upgrade to HR software</li> <li>Upgrade to SAP Success Factors</li> </ul>	<b>Medium</b>

**SPECIFIC OPERATIONAL RISK AREA**

Operational Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
<b>Safety</b>	<ul style="list-style-type: none"> <li>Inadequate safety programs</li> <li>Insufficient safety training</li> <li>Inadequate verification of required safety training</li> <li>Inadequate incident follow-up</li> <li>Lawsuits</li> <li>Noncompliance with local, state, and federal safety regulations</li> <li>Insufficient staffing</li> <li>Employee injuries and fatalities</li> </ul>	<ul style="list-style-type: none"> <li>Adhere to Administrative Procedure 2-21, Employee Safety and Health</li> <li>Monthly safety newsletter</li> <li>Training in Talent Management System</li> <li>On-Demand safety training</li> <li>Worker' compensation professionals support injured worker</li> <li>Risk Information Management System to capture safety data</li> <li>Adhere to DHHS requirements</li> </ul>	<b>Medium</b>

Operational Business Process	Potential Risks	Reported Risk Management Techniques	Risk Rating
	<ul style="list-style-type: none"> <li>• Noncompliance with policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Adhere to OSHA requirements</li> <li>• Monthly Safety Committee meetings</li> <li>• Investigate safety incidents and accidents</li> <li>• Conduct safety audits and assessments</li> </ul>	
<b>Training</b>	<ul style="list-style-type: none"> <li>• Inadequate staff training</li> <li>• Lack of adequate/ qualified trainers/ instructors</li> <li>• Inadequate scheduling</li> <li>• Noncompliance with training policies and procedures</li> <li>• Insufficient training</li> <li>• Employee injuries and fatalities</li> <li>• Noncompliance with local, state, and federal guidelines</li> <li>• Inadequate policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor team training</li> <li>• Involve and Evolve Work-life Transformation Movement</li> <li>• Professional industry associate</li> <li>• Kirkpatrick Training evaluation framework</li> <li>• Active shooter course</li> <li>• SKEDDA for tracking and billing</li> <li>• Adhere to Administrative Policies and Procedures</li> <li>• Monitors Thought Partner for training request</li> </ul>	<b>Medium</b>

## APPENDIX 4: ENTERPRISE ASSESSMENT RISK ANALYSIS

The Enterprise Assessment Risk Analysis is based on data and analysis contained within the COH Enterprise Assessment, Executive Summary, dated November 2024. The analysis consisted of the following steps:

1. Reviewed the COH Enterprise Assessment, Executive Summary and associated data.
2. Identify potential enterprise risks and impacts for the COH.
3. Organize identified potential enterprise risks by Key Business Process.

The objective of the enterprise risk analysis is to identify potential risks that could affect the City’s ability to achieve its objectives. Identification of enterprise risks can help the City develop strategies and actions to both monitor and mitigate identified enterprise risks and confirm the effectiveness of mitigation strategies.

The risks identified based on this analysis are outlined in the table below.

Key Business Process	Potential Enterprise Risk	Potential Enterprise Risk Impact
<b>Organizational Analysis</b>		
Information Technology	Fragmented IT Framework	Shadow IT groups may implement systems and solutions that are not aligned with the organization's IT strategy. This can lead to fragmented IT systems, security vulnerabilities, and increased maintenance costs.
Human Resources	Poor Talent Allocation and Unclear Reporting Lines	Misaligned talent and orphan positions indicate that employees may not be utilized effectively. This can lead to decreased job satisfaction, lower productivity, and higher turnover rates.
Human Resources	Recruitment Challenges	Over 4,000 vacant positions indicate significant recruitment challenges. This can strain existing employees, lead to skill gaps, and affect the organization's ability to meet its operational needs.
Human Resources	Misaligned Training Efforts	General job descriptions can result in misaligned training efforts, as the training may not address the specific skills needed for the roles. Therefore, training programs need to be tailored to address the specific qualifications and skills required for each role to attract and retain the right talent.
Human Resources	Inequitable Compensation Practices	Internal salary inequities and non-competitive compensation practices can lead to decreased employee morale and satisfaction, perceptions of unfairness, and potential legal challenges related to pay equity, resulting in compliance issues and damage to the organization's reputation.
Information Technology	Change Implementation Delays	The absence of dedicated resources for change management can lead to ineffective implementation of changes. This can result in disruptions to operations, delays, and failure to achieve desired outcomes.
Administration	Increased Operational Costs	Inefficiencies in operational processes can lead to increased operational costs. This includes the cost of additional

Key Business Process	Potential Enterprise Risk	Potential Enterprise Risk Impact
		resources needed to manage administrative tasks and potential overtime payments.
<b>Performance Analysis</b>		
Human Resources	Inability to Measure Equity	Only ~7% of the City's Key Performance Indicators (KPIs) measure outcomes and equity, which can result in an inability to assess and address equity issues within the City's programs.
Administration	Lack of Continuous Improvement	Programs consistently exceeding their metrics may lead to complacency. Without raising targets, there may be little incentive for continuous improvement, which can hinder the City's ability to achieve higher levels of performance.
Administration	Strategic Misalignment	Without adjusting targets, there may be a misalignment between program goals and the City's strategic objectives. This can hinder the City's ability to achieve its long-term goals and deliver meaningful outcomes.
Information Technology	Data Silos	Even with good data quality, there may be a risk of data silos where data is not effectively shared across departments. This can hinder comprehensive analysis and decision-making.
Administration	Lack of Visibility	Without making performance management visible, there is a risk that employees and stakeholders may not be aware of performance goals, metrics, and achievements. This can lead to a lack of engagement and accountability.
<b>Spend Analysis</b>		
Financial Management	Inefficiencies in contract management and non-standard terms and pricing	Lack of adherence to processes and use of standard terms and pricing can lead to increased administrative burden, potential for non-compliance with procurement policies and higher costs due to lack of standardized pricing.
Financial Management	Non-contract spend is present	Not leveraging negotiated contracts can lead to missed opportunities for cost savings, potential for maverick spending and lack of control over procurement processes.
Procurement	Large portfolio of vendors to manage	A large vendor master file combined with a large concentration of spend on a few suppliers can result in over-reliance on a few key suppliers leading to supply chain disruptions, and inefficiencies in managing a large number of low-spend vendors.
Financial Management	Spend on emergency orders	Higher costs due to urgent procurement, potential for bypassing standard procurement processes, and increased risk of fraud or errors.
Procurement	Lack of coordination in category strategy across departments	Missed opportunities for bulk purchasing/cost savings and potential for duplicative effort.
Financial Management	Significant increases in spend	Budget overruns, unsustainable spending patterns and lack of visibility into the causes of increased spend.
Information Technology	Lack of adequate data quality	Inaccurate spend analysis, inability to identify cost-saving opportunities and inability to make informed procurement decisions.
<b>Forensic Accounting Analysis</b>		
Information Technology	Lack of adequate data quality	Potential for fraudulent vendors, duplicate payments, and inefficiencies in vendor management. Can lead to financial

Key Business Process	Potential Enterprise Risk	Potential Enterprise Risk Impact
		losses, increased admin costs, and difficulty in managing vendor relationships.
Compliance	Non-compliance with Department payment policy	Increased risk of fraud, waste and abuse. Can lead to financial losses, increased admin costs, reputational damage, audit findings and legal implications.
Financial Management	Lack of adequate payment controls in place	Increased risk of fraud, waste and abuse. Can lead to financial losses, increased admin costs, reputational damage, audit findings and legal implications.
Financial Management	Non-compliance with Department P-Card policy	Increased risk of fraud, waste and abuse. Can lead to financial losses, increased admin costs and audit findings.
Financial Management	Lack of adequate P-Card controls in place	Increased risk of fraud, waste and abuse. Can lead to financial losses, increased admin costs and audit findings.

