



Audit Division Update

FY2026

Budget and Fiscal Affairs Committee

March 31, 2026

OFFICE OF CITY CONTROLLER CHRIS HOLLINS

AGENDA

- Audit Pipeline
- Audit Reports
 - Houston Fire Department Update
 - Open Findings Assessment
 - GSD Contract Management & Trends
- Audit Division Improvements



Audit Engagements and Projects - Completed

#	PROJECT	COH DEPARTMENT	EXPECTED COMPLETION DATE	AUDIT PHASE
Fiscal Year 2025				
1	Follow-Up Audit	Houston First Corporation	June 2025	Completed
Fiscal Year 2026				
2	Follow-Up Audit	Housing & Community Department and Mayor's Office of Economic Development	July 2025	Completed
3	Washington Avenue Parking Benefit District	Administration and Regulatory Affairs	November 2025	Completed
4	Data and Device Security	Houston Information Technology Services	October 2025	Closed
5	Fuel Card Program	Fleet Management Department	October 2025	Completed
6	Follow-Up Audit	Houston Fire Department	March 2026	Completed
7	Contract Management and Trends	General Services Department	March 2026	Completed
8	Open Findings Assessment	City-Wide	March 2026	Completed



Audit Engagements and Projects – In Progress

#	PROJECT	COH DEPARTMENT	EXPECTED COMPLETION DATE	AUDIT PHASE
1	Follow-Up Audit	Fuel Management Department	April 2026	Field Work
2	Follow-Up Audit	Houston Health Department	April 2026	Field Work
3	Payroll: Civilian Overtime	City-Wide	April 2026	Field Work
4	Payroll: Application Security Control	Administration and Regulatory Affairs and Houston Information Technology Services	April 2026	Reporting
5	Annual Audit Program (FY26)	Audit Division	April 2026	Reporting
6	Audit Division Policies and Procedures	Audit Division	April 2026	Reporting
7	Risk Assessment: Enterprise & IT (FY25)	City-Wide	April 2026	Reporting
8	AuditBoard (aka Optro) Implementation	Audit Division	May 2026	Field Work
9	Hiring Process	Human Resources	May 2026	Field Work
10	Texas Prompt Payment	City-Wide	June 2026	Field Work
11	Payroll: Off-Cycle Transaction	City-Wide	June 2026	Field Work
12	Payroll: Uniformed Overtime	Houston Police Department	June 2026	Planning



Audit Engagements and Projects – Upcoming

#	PROJECT	COH DEPARTMENT	EXPECTED COMPLETION DATE	AUDIT PHASE
1	Risk Assessment: Enterprise & IT (FY26)	City-Wide	July 2026	Planning
2	Payroll: Uniformed Overtime	Houston Fire Department	TBD	Pre-Planning
3	SAP: Segregation of Duties	Houston Information Technology Services	TBD	Pre-Planning
4	Annual Audit Program (FY27)	Audit Division	TBD	Not Started
5	Follow-Up Audit	General Services Department	TBD	Not Started
6	Follow-Up Audit	Mayor's Office	TBD	Not Started
7	Follow-Up Audit	Parks and Recreation	TBD	Not Started



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Houston Fire Department – Follow-Up Audit

OBJECTIVE 1: STATUS OF OPEN FINDINGS

- HFD Management provided status updates related to all 32 open audit findings.

OBJECTIVE 2: REMEDIATION ASSESSMENT

- HFD Management’s remediation efforts were adequate, in that 29 of the 32 audit findings were fully implemented and three audit findings remain open.

FINDINGS	FINDING REMEDIAION STATUS	DESCRIPTION
29	Fully Implemented	Successful implementation of processes to address the audit finding.
1	Partially Implemented	Significant efforts and implementation of processes to address the audit finding.
1	Incomplete / Ongoing	Ongoing development of a process and/or efforts toward a policy to address the audit finding.
1	Not Implemented	No effort to implement processes to address the audit finding.



Open Finding Assessment

OVERVIEW

- The Audit Division conducted a point-in-time assessment of **all** open audit findings tracked within our database.
- The assessment supports governance oversight by identifying the remediation status of findings across City business areas and determining readiness for follow-up audit validation.
- The Audit Division will conduct follow-up audits as resources become available.

Over 50% of all Open Findings were issued prior to 2020.

BUSINESS AREA	OPEN FINDINGS
FOLLOW-UP AUDIT COMPLETED	
Houston Fire Department	32
FOLLOW-UP AUDIT IN PROGRESS	
Fleet Management Department	12
Houston Health Department	6
READY FOR FOLLOW-UP AUDIT	
Administration and Regulatory Affairs	30
Department of Neighborhoods	4
Finance Department	30
General Services Department	5
Houston Information Technology Services	19
Houston Parks and Recreation	1
Houston Public Works	14
Mayor's Office	9
REMEDATION IN PROGRESS	
Houston Information Technology Services	1
Houston Public Works	2
Total	165

FINAL ASSESSMENT

Follow-Up Audit Completed (32)
Follow up procedures are complete and a formal report has been issued

Follow-Up Audit in Progress (18)
Follow up procedures are underway; final conclusions are pending

Ready for Follow-Up Audit (112)
Management reports corrective actions are complete or nearly complete and ready for validation

Remediation in Progress (3)
Corrective actions are still underway and not yet ready for validation



General Services Department - Contract Management and Trends



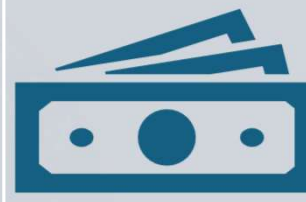
GSD is led by a Director with procurement authority who oversees all construction related contracting.



GSD utilizes Task Order Contracting (“TOC”) and Job Order Contracting (“JOC”) delivery methods to deploy on-call contractors through competitively awarded contracts.



The objective was to examine GSD’s practices for assigning projects to contractors and the related contract management processes.



The scope of this audit was contractor payments from Fiscal Years 2021 through 2023.



No detailed findings were identified during the performance of this audit.



Notable GSD Contract Management Observations

Observation #1 Conflict of Interest ("COI") Certifications

- City policy (AP 2-22) is limited in scope and effectiveness
- COI disclosures are required only for elected officials (§ 6.1.5)
- No requirement for City employees involved in contracting decisions
- No COI certifications on file for GSD staff with contracting influence
- Creates a gap in transparency and risk oversight

Audit Recommendation

- Require annual Conflict-of-Interest Certifications of all employees involved in contracting decisions.

Observation #2 City Cost Index ("CCI") Pricing in Contracts

- City Cost Index ("CCI") adjusts construction pricing to reflect local conditions and is used to align material, labor, and equipment costs with regional markets
- If the CCI is misapplied, pricing accuracy and consistency may be weakened, increasing the risk of financial loss and inequitable vendor payments.

Audit Recommendation

- Implement controls to validate contractor-provided CCI that:
 - Ensures pricing aligns with agreed-upon construction task catalog rates.
 - Establishes a consistent review process for price proposals.



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AuditBoard Implementation

What AuditBoard is

- A purpose-built audit, risk, and compliance platform.
- Centralizes workflows, workpapers, issue tracking, and reporting.
- Provides standardized templates, dashboards, and a defensible audit trail.
- Now called: Optro

How we plan to use it

- Manage the audit lifecycle from planning through reporting.
- Track findings, action plans, owners, due dates, and follow-up status.
- Maintain methodology, standards, and reusable templates in one system
- Produce portfolio dashboards for leadership oversight and status reporting.

Impact on Audits

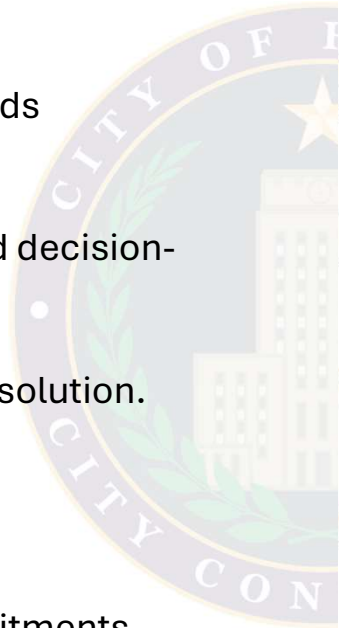
- Reduces reliance on disconnected spreadsheets, email chains, and shared folders.
- Improves consistency, visibility, accountability, and timeliness across audits.
- Strengthens supervision, quality assurance, documentation retention, and institutional knowledge.



Weekly Status Updates

OUR GOAL

- Keep leadership informed and avoids surprises.
- Accelerate evidence collection and decision-making.
- Surface blockers early for timely resolution.
- Build trust through transparent communication.
- Reinforce accountability for commitments and delays.



AUDIT WEEKLY STATUS UPDATE					
Engagement Name:	2026 01 Audit of Everything				
Auditee:	The Perfect Department				
Audit Phase:	Reporting				
Week Ending:	2/4/2026				
TIMELINE & OVERALL STATUS					
Milestone / Deliverable	Notes (delays, changes, etc.)	Target Completion Date	Status	Days Outstanding	
1 Planning					
2 Fieldwork					
3 Reporting					
4 Final Report Issued					
ACTION ITEMS					
Action Item	Target Completion Date	Owner	Status	Days Outstanding	
1					
2					
3					
4					
5					
DATA REQUESTS					
Item Needed / Description	Date Requested	Owner	Status	Days Outstanding	
1					
2					
3					
4					
5					
KEY MEETINGS					
Meeting / Topic	Date	Attendance	Status		
1					
2					
3					
4					
5					
QUESTIONS and/or DECISIONS NEEDED					
Question / Decision Needed	Date Raised	Owner	Status		
1					
2					
3					
4					
5					
POTENTIAL ISSUES					
Description					
1					
2					
3					
4					
5					



THANK YOU!

For additional information contact:

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