



City of Killeen, TX



City Council Progress Report

Management Audit

May 2, 2017



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Agenda

A. Introductions

B. Progress to Date

C. Timeline

D. Completion Status by Review Area

E. Challenges

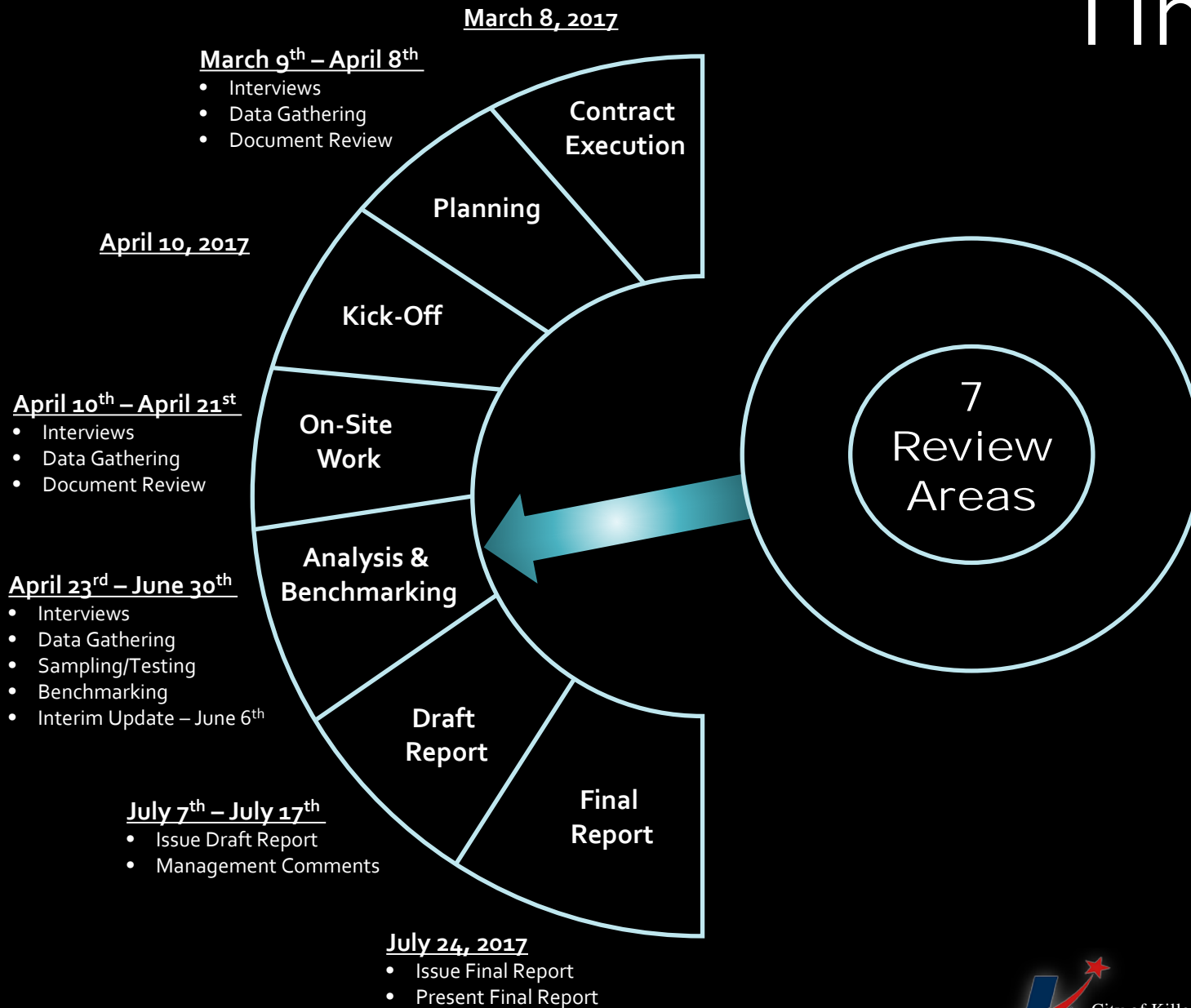
F. Preliminary Observations

G. Q&A

Progress to Date

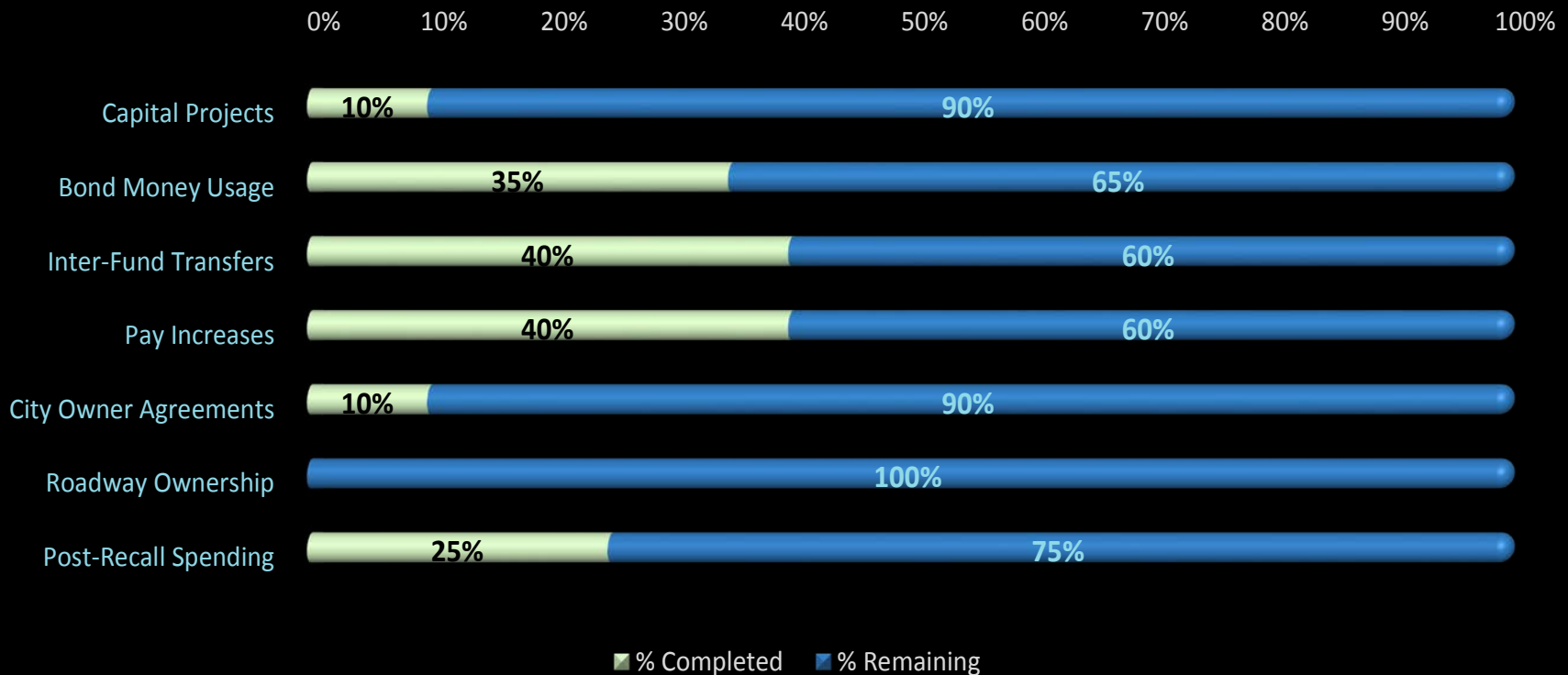
- 33 Interviews Completed
- Walk-Throughs Completed
 - Procurement Card Monitoring & Payments
 - Purchase Order Requests & Approvals
 - Pay Raise Process
 - Classification Adjustment Process
 - Fund Transfer In/Out Process
 - Information System Access Controls
 - Capital Project Management/Oversight
- Data Analytics
 - Pay Increases
 - Post-Recall Spending
 - Inter-Fund Transfers
- Samples Selected

Timeline



Completion Status

Completion Status by Review Area April 28, 2017



Challenges

- Data availability – Resolved
- Current staff have minimal knowledge of prior processes and transactions

Preliminary Observations

General

- There appears to be a lack of analysis of the long-term fiscal impact when presenting recommendations to Council.
- The City lacks critical policies in many areas to guide decision-making.
- The City does not hold retreats with council members to build trust, healthy communications and provide in-depth understanding of City operations and related needs which would allow for stronger decision-making.

Preliminary Observations

Bond Money Usage

- Bond funds were used for purposes other than the authorized use of bond proceeds included in bond documents. Such uses include:
 - Transfers of bond funds to the general fund to be used for operating expenses, including salaries.
 - Use of bond funds for costs related to City Owner Agreements.
 - Transfers of certain bond funds to certain other bond funds for as yet undetermined purposes.
- Bond funds were co-mingled with general fund in the past and subsequently



Preliminary Observations

Capital Outlays

- The City does not have one comprehensive City-Wide Capital Improvement Plan to facilitate long-range planning for capital projects.
 - The City does have individual master plans in place. However, individual plans do not facilitate strategic planning, prioritization and decision-making for the City as a whole.
- The City does not consistently perform comprehensive analysis and planning for capital project costs with respect to long-term costs, funding sources and

Preliminary Observations

Inter-Fund Transfers

- Money was transferred from enterprise funds into the internal services fund, to purchase vehicles that were not used for the benefit of the respective enterprise fund.
- Former finance staff created escrow accounts in the financial system which were used to transfer funds and record liabilities into the escrow account instead of recording expenses and liabilities into the correct accounts established to record these transactions.



City of Killeen, TX



Preliminary Observations

Pay Raises (3% COLA and 8% Civil Service)

- Planning for contemplated pay increases was based on current year financial impact, without regard to long-term financial impact.
- Some non-civil service City employees received the eight percent civil service pay increase.
- Pay increases are inconsistently applied. Some City employees received performance based *and* COLA pay increases within the same year, while other employees that received performance based pay increases did not receive the

Next Steps

- **May 8, 2017** –
All data must be received
- **June 6, 2017** –
Interim briefing to Council
- **July 7, 2017** –
Draft report issued

Questions

