

Audit Division Update

FY2027

Budget and Fiscal Affairs Committee

November 2, 2026

OFFICE OF CITY CONTROLLER CHRIS HOLLINS

AGENDA

- Audit Pipeline
- Open Findings Assessment
  - HITS – Follow-Up
  - GSD – Follow-Up
- Audit Report
  - Human Resources Hiring Process

FY2026 Audit Engagements and Projects

#	PROJECT	COH DEPARTMENT	EXPECTED COMPLETION DATE	AUDIT PHASE
Fiscal Year 2026				
1	**Hiring Process**	Human Resources	October 2026	Completed
2	**Open Findings Assessment**	City-Wide	October 2026	Completed
3	**Follow-Up Audit**	General Services Department	October 2026	Completed
4	**Follow-Up Audit**	Houston Information Technology Services	October 2026	Completed
5	**Follow-Up Audit**	MOED	October 2026	Reporting
6	**Payroll: Civilian Overtime**	City-Wide	November 2026	Reporting
7	**Payroll: Uniformed Overtime**	Houston Police Department	November 2026	Field Work
8	**Payroll: Off-Cycle Transaction**	City-Wide	November 2026	Field Work
9	**Texas Prompt Payment**	City-Wide	January 2026	Field Work
10	**Payroll: Uniformed Overtime**	Houston Fire Department	January 2026	Field Work

FY2027 Audit Engagements and Projects Pipeline

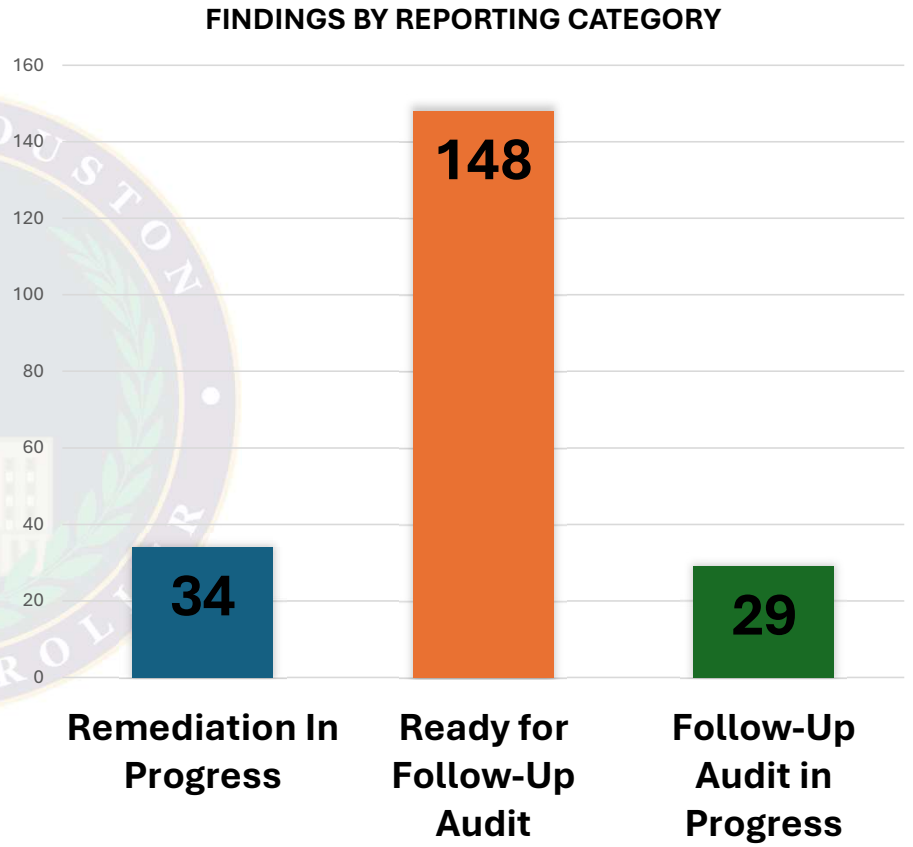
#	PROJECT	COH DEPARTMENT	EXPECTED COMPLETION DATE	AUDIT PHASE
Fiscal Year 2027				
1	**Water Utility**	Houston Public Works	TBD	Planning
2	**SAP: Segregation of Duties**	Houston Information Technology Services	TBD	Pre-Planning
3	**Grant Management: Overall Program Review**	City-Wide	TBD	Pre-Planning
4	**HUD Grant Compliance and Subrecipient Monitoring**	Housing & Community Development	TBD	Pre-Planning
5	**Follow-Up Audit**	Department of Neighborhoods	TBD	Pre-Planning
6	**Follow-Up Audit**	Office of Business Opportunity	TBD	Pre-Planning
7	**Follow-Up Audit**	Finance	TBD	Pre-Planning
8	**Follow-Up Audit**	Administrative and Regulatory Affairs	TBD	Pre-Planning
9	**Follow-Up Audit**	Legal	TBD	Pre-Planning
10	**Follow-Up Audit**	Houston Emergency Center	TBD	Pre-Planning

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70% of Open Findings Are Ready for Follow-Up Audit

- The Audit Division conducted a point-in-time assessment of **all** open audit findings tracked within our database.
- We identified 211 open findings and categorized them based on remediation status.
- The assessment supports governance oversight by identifying the remediation status of findings across City business areas and determining readiness for follow-up audit validation.



Houston Information Technology Services

OBJECTIVE 1: STATUS OF OPEN FINDINGS

- HITS Management provided status updates related to all 20 open audit findings.

OBJECTIVE 2: REMEDIATION ASSESSMENT

- HITS Management's remediation efforts were adequate for nine (9) audit findings that were full implements; 11 findings remain open.

FINDINGS	FINDING REMEDIATION STATUS	DESCRIPTION
9	Fully Implemented	Successful implementation of processes to address the audit finding.
5	Partially Implemented	Significant efforts and implementation of processes to address the audit finding.
6	Incomplete / Ongoing	Ongoing development of a process and/or efforts toward a policy to address the audit finding.

General Services Department

OBJECTIVE 1: STATUS OF OPEN FINDINGS

- GSD Management provided status updates related to all five (5) open audit findings.

OBJECTIVE 2: REMEDIATION ASSESSMENT

- GSD Management's remediation efforts were adequate for two (2) audit findings were that were fully implemented; three audit findings will remain open.

FINDINGS	FINDING REMEDIATION STATUS	DESCRIPTION
2	Fully Implemented	Successful implementation of processes to address the audit finding.
2	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.

*Five (5) of the six (6) findings related to Report #2020-01 were considered fully remediated in a prior follow-up audit report and not included in these follow-up audit procedures.

AGENDA

- Audit Pipeline
- Open Findings Assessment
  - HITS – Follow-Up
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- Audit Report
  - Human Resources Hiring Process

Audit assessed the effectiveness and timeliness of the City's hiring process

Objective 1 Compliance

- Determine whether HR's hiring activities conformed to applicable laws, regulations, and policies.

Objective 2 Control Testing

- Assess the design and operating effectiveness of controls over requisition approval, posting, minimum qualifications, screening and testing, interviewing and scoring, background checks, offers, and onboarding.

Objective 3 Efficiency

- Evaluate the efficiency and timeliness of the hiring process and benchmark results against peer municipalities.

Objective 4 Retention

- Verify that documentation and evidence supporting hiring decisions were sufficient, appropriate, and retained.

Hiring got faster: time to fill fell from 114 (peak) to 42 business days

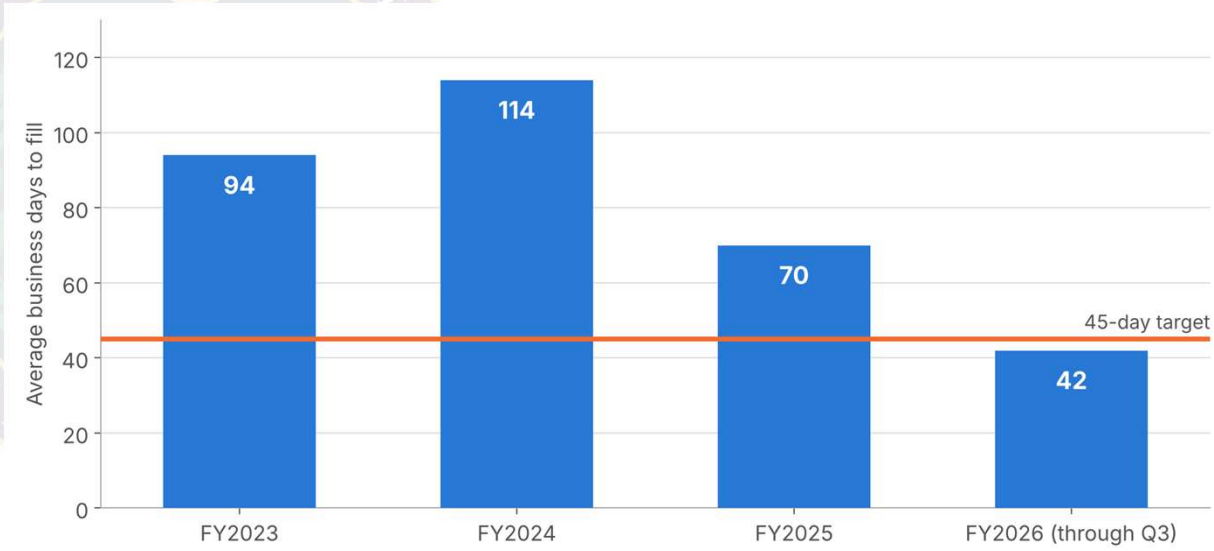
Who controls the delay

The longest stages are interview scheduling and returning selections, which hiring departments control

Not yet proven

The 42-day result has not been tested at normal hiring volume

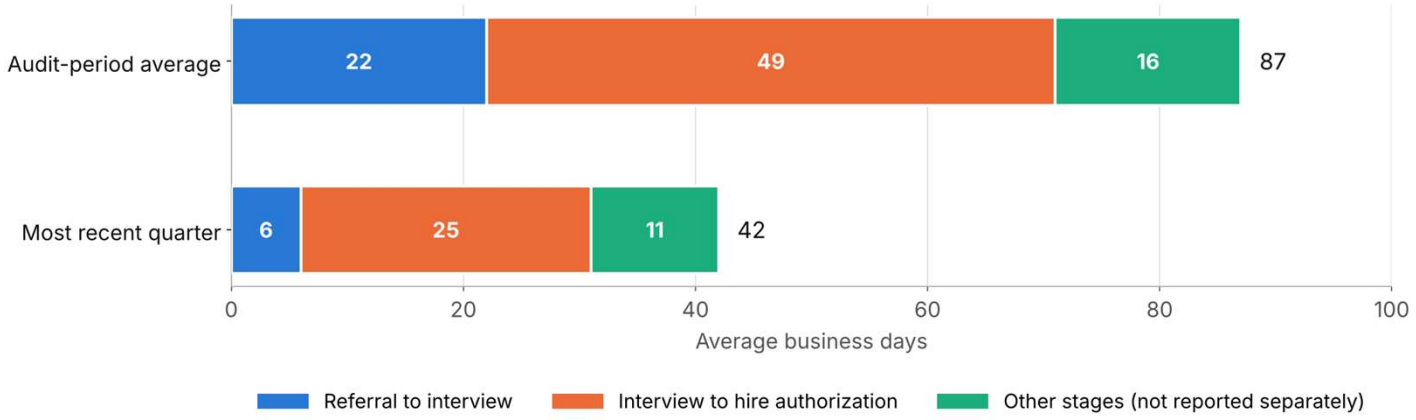
Average Time to Fill by Fiscal Year



Interview scheduling and selection delays drove both the long cycle times and the recent gains

- Referral-to-interview (hiring department): fell from 22 business days to 6 business days.
- Interview-to-hire authorization (department selection, then HR offer and approval): fell from 49 business days to 25.
- Interview-to-offer ranged from 12 to 58 days by department, so accountability must extend beyond HR.

Composition of Average Elapsed Time, by Stage



Three findings: no single procedure, missing documentation, and weak access controls

1 HIGH RISK

No single hiring procedure

Requirements are spread across about 20 directives. None defines required documents, owners, or retention.

2 HIGH RISK

Missing hiring documentation

8 of 17 controls tested had exception rates of 75% or higher.

3 MEDIUM RISK

Weak system access controls

72 separated employees kept active Online Hiring Center access, and 72 users could both initiate and approve hires.

The City cannot consistently show that its hiring decisions were properly authorized or screened

83%
of hires tested had no approved authorization to fill the position (43 of 52)

97%
had no approved scoring plan for evaluating candidates (58 of 60)

77%
of posting waiver hires lacked an approved waiver with justification (46 of 60)

52%
had no evidence of minimum qualification review (31 of 60)

47%
had no background check documentation (28 of 60)

0 of 10
executive hires had a conflict-of-interest disclosure, complete hiring package, or documented offer authorization

8 of 17 documentation controls tested had exception rates of 75% or higher. Without these records, the City cannot defend its hiring decisions if they are challenged.

Hires made without competitive posting lacked required approvals and documentation

906

hires of the 10,039 hires reviewed were made through job posting waivers

752 Non-Executives

154 Executives

60 tested: 50 non-executive, 10 executive

AP 3-5 requires for executive hires:

- **§7.1.2:** Waiver package with director's justification memo, org charts, and résumé
- **§5.4:** Mayor's written approval before any formal offer
- **§7.2.1:** Only the HR Executive Recruiter extends the offer, after HR Director and Mayor approval

- **Non-executive:** 45 of 50 lacked an approved posting waiver with justification
- **Executive:** 9 of 10 had an approved waiver, but none had the complete package or documented offer authorization AP 3-5 requires, or a conflict-of-interest disclosure

Filling non-executive positions without a competitive hiring process can impact employee morale, public trust, and organizational performance

The conditions behind the findings extend beyond the HR department

No single hiring procedure	System cannot enforce controls	Cross-department hand-offs
Requirements are spread across about 20 directives, so departments and recruiters apply their own practices and HR cannot monitor compliance. **Who controls it:** HR	NeoGov does not require documentation before a stage advances or record step-level timestamps; interview dates were missing from 60% of records. HR's FY2027 CIP request to replace NeoGov was denied. **Who controls it:** HR, HITS, CIP prioritization	Hiring authorization requires the Mayor's Office, Finance, and HR; selection depends on hiring managers. Steps occur out of sequence, and HR cited slow return of selections as its top challenge. **Who controls it:** Mayor's Office, Finance, hiring departments

A citywide procedure alone will not close these gaps without matching accountability in the departments that control key steps.

HR agreed with all three findings: corrective action is due June 2027

Finding	Risk	Audit recommendation	HR committed actions
1. No single procedure	High	Adopt one citywide hiring procedure defining required documents, owners, approvals, and retention; issue interim guidance until it is final.	Consolidating about 20 directives into one Hiring Process Administrative Procedure; SOP Governance Council; central SharePoint repository.
2. Missing documentation	High	Require and monitor documentation at each stage, especially posting waivers and executive hires; address NeoGov limits or add manual controls.	Hiring Package Checklist with multilayer approval, including conflict-of-interest disclosure; Quality & Compliance reviews; new background check vendor (Aug. 2026).
3. System access	Medium	Perform documented, periodic access reviews; remove separated users promptly; resolve conflicting role assignments.	New NeoGov administrator; permission reset; same-day removal from separation reports; quarterly access reviews.

Responsible party: Dr. Crystal Bessix, Chief Transformation Officer. The Audit Division will validate implementation through follow-up audit procedures.

THANK YOU!

For additional information contact:

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HOUSTON CITY CONTROLLER