

OFFICE OF THE CITY CONTROLLER



**CITY-WIDE POLICY & PROCEDURE AUDIT
PHASE I POLICY GOVERNANCE REVIEW
FOR FY 2014**

Ronald C. Green, City Controller

Courtney E. Smith, City Auditor



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

RONALD C. GREEN

December 18, 2014

The Honorable Annise D. Parker, Mayor and Honorable Council Members

**SUBJECT: REPORT #2015-04
 CITY-WIDE POLICY & PROCEDURE AUDIT, PHASE I – POLICY GOVERNANCE REVIEW
 FOR FY 2014**

Dear Mayor Parker and Council Members:

The Office of the City Controller's Audit Division has completed the City-Wide Policy and Procedure Audit-Phase I-Policy Governance Review. Governance of City of Houston (City) policies is outlined in Executive Order 1-1 (EO 1-1). The Administration & Regulatory Affairs Department (ARA) is responsible for the preparation and administration of the policies which include the Mayor's Policies, Administrative Orders, and Executive Orders.

The primary objectives of this audit were to evaluate the design of the policy governance process as outlined in EO 1-1 and evaluate ARA's administration and management of City-Wide policies.

The Audit Team concluded that the City has established key control procedures for overall governance of policies and procedures and identified several strengths in management of this process. There were several significant issues identified throughout the audit that are detailed in the attached report. Below is a summary of those key audit findings:

1. There is not a current defined process establishing procedures within each Department for distributing and communicating new/revised policies and procedures to the appropriate employees that are affected by the new/revised policies and procedures;
2. Current personnel resources dedicated to management of city-wide policies are insufficient and there is no established methodology or schedule in place to ensure policies and procedures are updated efficiently, effectively, and timely;
3. The responsibility for monitoring and enforcing policies and procedures after issuance is currently not formally defined within EO 1-1;
4. Currently, there is no formal process in place requiring the ARA Department to provide periodic communication of the status of policy updates to the Mayor's Office and to obtain formal direction from the Executive team; and
5. EO 1-1 does not hold the Legal Department accountable to review each new and revised City-wide policy and procedure for compliance with applicable ordinances and other legal/regulatory requirements as well as formally approving each new or revised policy and procedure. There is also a lack of formal documentation of the Legal Department's review of new/revised policies.



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TEXAS

RONALD C. GREEN

We appreciate the time and efforts extended to the Audit Team by ARA management and staff during Phase I of the project.

Respectfully submitted,

Ronald C. Green
City Controller

cc: Tina Paez, Director, Administrative and Regulatory Affairs
City Council Members
David M. Feldman, City Attorney
Annabelle Chen, Assistant Director, Administrative and Regulatory Affairs
Christopher Newport, Chief of Staff, Mayor's Office
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**City of Houston
City-Wide Policy & Procedure Audit
Phase I Policy Governance Review
For FY 2014**

December 18, 2014





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Executive Summary

I. Introduction

The Administration & Regulatory Affairs (ARA) Department is a City of Houston department charged with the responsibility of facilitating the creation of and updates to City-wide policies and procedures. The authority of the ARA Department is granted through Executive Order 1-1 (EO 1-1). **(See Appendix C)** The purpose of this Executive Order (EO) is to provide guidance for the uniform administration and coordination of City-wide policies and procedures. The order was signed into effect by the Mayor of the City of Houston on April 12, 2010.

The City of Houston's Controller's Office engaged Protiviti to conduct a review of the City-wide Policy Governance Process (including EOs, Administrative Procedures (APs), and Mayor's Policies (MPs)) and evaluate the following areas:

- Alignment of the strategic objectives to the framework of the policies,
- Policy management,
- Policy monitoring activities, and
- Effectiveness of the design of the policy governance process.

The audit was performed at the direction and under the supervision of the Audit Division within the City of Houston's Controller's Office. The scope of this audit included meetings with the ARA Department, Legal Department, IT Governance Board, Safety Committee, and Deputy Chief of Staff. Additionally, out of the 27 City of Houston Departments, the Public Works & Engineering Department (PWE) and the Finance Department were judgmentally sampled to discuss and corroborate the policy governance processes with the Department Liaisons.

As part of the procedures performed, Protiviti and the City of Houston's Controllers Office Audit Division (AD) met with the ARA Chief Financial Officer and Policy Analyst to discuss the process followed when a new City-wide policy is created or an existing City-wide policy is updated or changed. Protiviti and the AD met with various members of the PWE Department and Finance Department to gain an understanding of the procedures followed to update, review, and implement these policies. Protiviti and the AD also met with members of the IT Governance Board, Safety Committee, and Legal Department, as well as the Deputy Chief of Staff, to understand how policies are reviewed and approved by Executive and Senior Management.

Based on the results of the interviews and review of EO 1-1, the Six Elements of Infrastructure coupled with the 2013 Committee of Sponsoring Organizations (COSO) Internal Control Framework and the Capability Maturity Model (CMM) were utilized to provide a framework for assessing the design effectiveness and efficiency of the City-Wide Policy Governance Process. **(Refer to Appendix A and B for details in regards to the methodologies used.)**



Executive Summary

II. Summary of Key Controls

Protiviti and the AD observed and determined through discussions that the City of Houston has established several key control procedures for the governance of City-wide policies and procedures. Below is a summary of notable control strengths identified through the audit:

1. EO 1-1 outlines the “format for the preparation of executive orders and administrative procedures” and describes “a process for the preparation, approval, issuance and revision of executive orders and administrative procedures”. Within EO 1-1, the ARA Department is assigned responsibility of facilitating and monitoring the overall process for revising and updating City-wide policies and procedures.
2. Work group meetings are held between the ARA Department, Department Liaisons, and assigned subject matter experts to review and discuss policy updates/changes prior to submission for approval.
3. New or changes to existing City-wide policies and procedures require approval by the IT Governance Board for IT policies, approval by the Safety Committee for Safety policies, and final approval by the Mayor’s Office for all City-wide policies prior to deployment.

III. Summary of Observations

Below is a consolidated listing of the key observations identified during the review process. Additional detailed observations (determined less significant) were also noted and documented throughout this report.

1. There is not a current defined process establishing procedures within each Department for distributing and communicating new/revised policies and procedures to the appropriate employees that are affected by the new/revised policies and procedures (see observation # 1, pg 7).^(a)
2. There are an insufficient amount of resources and there is not an established methodology or schedule in place to ensure policies and procedures are updated efficiently, effectively, and timely (see observation #'s 4, 8, and 9 – pgs. 14, 23, 25).
3. The responsibility of monitoring and enforcing policies and procedures after issuance is currently not formally defined within EO 1-1 (see observation # 6, pg. 19).^(a)
4. Currently, there is not a formal process in place requiring the ARA Department to provide periodic communication of the status of policy updates to the Mayor’s Office and to obtain formal direction from the Executive team (see observation # 7, pg 20).
5. EO 1-1 does not hold the Legal Department accountable to review each new and revised City-wide policy and procedure for compliance with applicable ordinances and other legal/regulatory requirements as well as formally approving each new or revised policy and procedure. There is also a lack of formal documentation of the Legal Department’s review of new/revised policies (see observation #'s 5 and 10 – pgs 16, 28).

Footnote: (a) Based on the limited scope of work for the Phase I Governance Review, this observation is based on interviews with one Department. Further review and corroboration will be conducted within the various City Departments during fieldwork for Phases II and III.



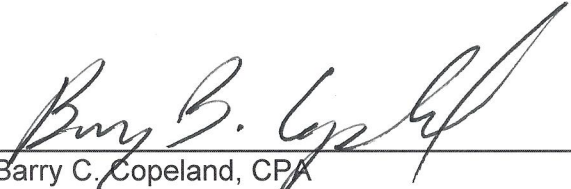
Executive Summary

IV. Capability Maturity Model – Overall Maturity

The overall maturity level for the ARA Policy Governance Process is ranked within a range between “Initial” and “Defined.” Through the assessment, Protiviti determined (2) elements to be in the “Initial” phase, (1) element to be in the “Repeatable” Phase, and (3) elements to be in the “Defined” phase. (Refer to **Appendix A: Six Elements of Infrastructure and Capability Maturity Model Overview** on how these frameworks are utilized)

Acknowledgement and Signatures

The Audit Team would like to thank ARA management and staff for their cooperation, time and effort throughout the course of this engagement and to recognize the management and staff of Protiviti for contributing their expertise as well as the research and data analysis that provided the evidence contained in this report.



Barry C. Copeland, CPA
Assistant City Auditor III



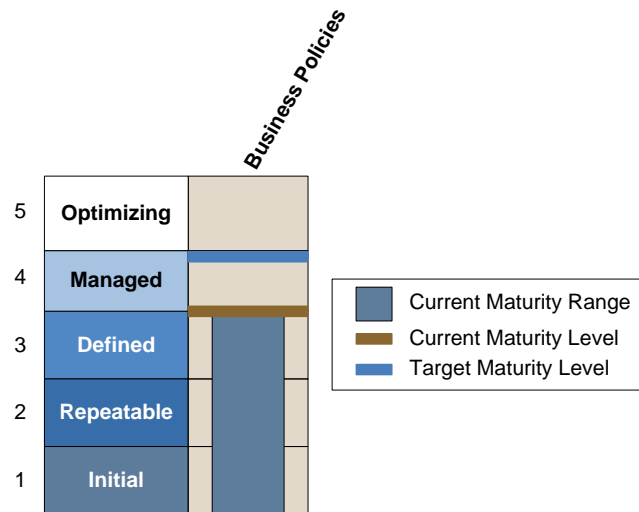
Courtney E. Smith, CPA, CIA, CFE
City Auditor

Business Policies

Current State – Defined
Desired State – Managed

In this component, business policies and procedures:

- Articulate the selected process objectives so that process owners and personnel will understand management objectives and what the policies are intended to accomplish.
- Guide Management and process owners toward achieving specific process goals, implementing specific risk strategies, designing specific processes, using designated solutions, executing specific transaction types, and complying with specific risk tolerances and expected standards.
- Help Executive Management, including the Mayor’s Office, Department Directors, and relevant Boards and Committees clarify their understanding of the process and the related impact on the business.



Business Policies

Risk	COSO Principle	Key Control	Observation
<p>Policies may not support the City’s organizational objectives or achieve intended results</p>	<p>Principle 1: Commitment to integrity and ethical values</p> <p>Principle 6: Clear objectives specified</p> <p>Principle 8: Potential for fraud considered</p> <p>Principle 10: Control activities selected and developed</p> <p>Principle 12: Controls deployed through policies and procedures</p> <p>Principle 14: Internal control information internally communicated</p>	<p>EO 1-1 outlines the “format for the preparation of executive orders and administrative procedures” and describes “a process for the preparation, approval, issuance and revision of executive orders and administrative procedures”. Within EO 1-1, the ARA Department is assigned responsibility of facilitating and monitoring the overall process and formal lines of approval are established.</p>	<p>Observation 1: EO 1-1 paragraph 7.2.2.3 states “Notice of and/or distribution of administrative procedures within an individual department is the responsibility of the department director;” however, it was determined during interviews and through review of EO 1-1 that there does not appear to be a defined process within the Departments of how to ensure new/revise policies are distributed and communicated to the appropriate personnel within each department who are affected by the change.</p> <p>Recommendation: Each Department Director should formally assign a Department Liaison(s) with responsibility for distributing new and revised City-wide policies and procedures to the personnel that will be affected by the policies and procedures. The Department Director’s should be held accountable by the Mayor’s Office for providing employees with timely notification of new or revised City-wide policies. To ensure accountability, we recommend the Mayor’s Office empower the ARA Department to confirm status of distribution of new/revise policies and procedures with each Department Liaison and communicate the status of policy distribution to the Mayor’s Office on a periodic basis. We also recommend the status of distribution of new/revise policies within each department be included as part of the status tracking mechanism recommended under observation # 8 and reported by ARA to the Mayor’s Office as part of the recommendation provided under observation # 7.</p> <p>Management Action Plan: ARA will propose changes to Executive Order (EO) 1-1 relating to Executive Orders & Administrative Procedures. Proposed changes will incorporate City-wide Policy Governance Review Report (Report) recommendations as follows:</p>

- Empower ARA to confirm status of distribution of new/revised policies and procedures with department liaisons and communicate the status of policy distribution to the Mayor's Office.
- Require Department Directors to formally assign a department liaison(s) with responsibility for distributing new and revised City-wide policies and procedures to the personnel that will be affected by the policies and procedures.

In addition, ARA will develop a procedure for tracking and monitoring distribution status of new/revised policies and procedures. The procedures include:

- A policy scorecard to, among other things, track policy distribution status.
- An intranet page dedicated to policy management. Management reports and other tracking mechanisms will be posted on the intranet page. As appropriate, department liaisons will be required to directly input policy distribution status and other policy related department information directly into the reports. Management reports will be shared with the Mayor's office on a quarterly basis. In the interim, department liaisons will report status information to ARA staff. ARA staff will update management reports accordingly.

Status:

ARA is drafting proposed revisions to EO 1-1 and developing management reports/ tracking mechanisms.

Estimated Implementation Date:

Revised EO 1-1 (implementation date is contingent on review and approval process – February 2015); 2) Procedures for tracking and monitoring distribution (February 1, 2015); and 3) Intranet page – contingent on IT (target July 1, 2015).

Assessment of Management Response to Observation 1:

The Management Action Plan fully addresses issues identified in observation 1.

Business Policies

Risk	COSO Principle	Key Control	Observation
<p>Policies may not support the City's organizational objectives or achieve intended results</p>	<p>Principle 1: Commitment to integrity and ethical values</p> <p>Principle 6: Clear objectives specified</p> <p>Principle 8: Potential for fraud considered</p> <p>Principle 10: Control activities selected and developed</p> <p>Principle 12: Controls deployed through policies and procedures</p> <p>Principle 14: Internal control information internally communicated</p>	<p>EO 1-1 outlines the "format for the preparation of executive orders and administrative procedures" and describes "a process for the preparation, approval, issuance and revision of executive orders and administrative procedures". Within EO 1-1, the ARA Department is assigned responsibility of facilitating and monitoring the overall process and formal lines of approval are established.</p>	<p>Observation 2: EO 1-1 currently addresses procedures to create and update EOs and APs. In addition to these types of policies, the ARA Department is also responsible for creating and updating Mayor's Policies (MPs), when requested by the Mayor. However, MPs are not referenced or included in EO 1-1.</p> <p>Recommendation: If MPs are still going to be utilized by the organization, they should be referenced and included within EO 1-1. Otherwise, we recommend decommissioning MPs and incorporating any necessary information from the MPs into EOs or APs.</p> <p>Management Action Plan: A process is currently underway to decommission Mayor's Policies (MPs) and to incorporate any necessary information from the MP into EOs and APs. ARA will continue with the process. Mayor's Policies will be included in the Policy Status Tracking mechanism referenced in Observation #7.</p> <p>Status: ARA is developing the requisite management reports/ tracking mechanisms.</p> <p>Estimated Implementation Date:</p> <ol style="list-style-type: none"> 1) Decommission MPs based on aging policy list (all MPs to be decommissioned by July 1, 2019); and 2) Aging policy list/proposed review schedule (September 1, 2014). <p>Assessment of Management Response to Observation 2: The Management Action Plan fully addresses issues identified in observation 2.</p>

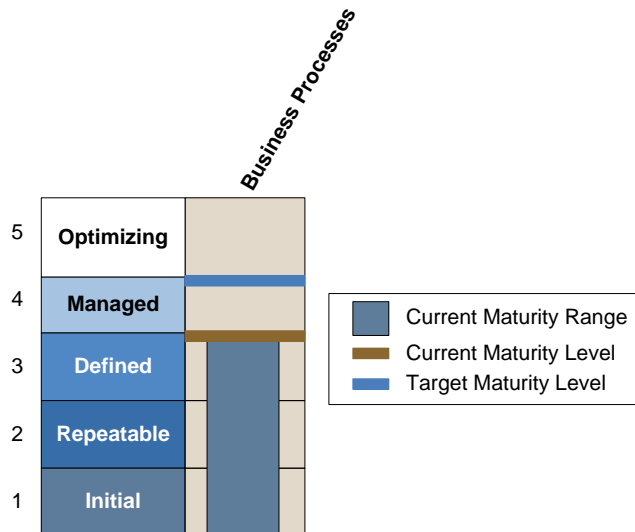
Business Processes

Current State – Defined

Desired State – Managed

In this component, Business Processes:

- Are the primary means of executing business strategies and policies.
- Contain inputs, activities and outputs that are integrated with business processes.
- Should contain operational risk controls that are built into day-to-day processes.
- Are the sequence of activities and tasks that must be performed and are described precisely by process owners to achieve the desired process objectives.
- Promote a clearer understanding of the activities requiring the most attention from a risk management and control standpoint.



Business Processes

Risk	COSO Principle	Key Controls	Observation
<p>Business process may not be carried out as intended resulting in business objectives not being met</p>	<p>Principle 9: Significant changes identified and assessed</p> <p>Principle 10: Control activities selected and developed</p> <p>Principle 12: Controls deployed through policies and procedures</p> <p>Principle 13: Quality information obtained, generated and used</p> <p>Principle 14: Internal control information internally communicated</p> <p>Principle 15: Internal control information externally communicated</p>	<p>Prior to submission for approval, a review and discussion of the policy updates/changes is performed through a series of meetings held between the ARA Department and a work group consisting of the applicable Department Liaisons and other applicable personnel (as necessary).</p> <p>New or revised policies are reviewed by the Legal Department and reviewed and approved by the IT Governance Board (if applicable), the Safety Committee (if applicable), and the Mayor's Office prior to the policy being enacted.</p>	<p>Observation 3: The IT Governance Board and Safety Committee meet on a monthly basis. The ARA Department has communicated that when they are required to obtain either IT Governance Board or Safety Committee approval for certain new/modified policies, the process can be delayed due to the timing of these meetings. Such delays adversely affect the process of timely implementing and/or updating a policy, especially in instances where approval is not granted and review comments from the Board/Committee must be addressed by the ARA Department and resubmitted for approval.</p> <p>Recommendation: Recommend updating EO 1-1 to add a clause specifically enabling the ARA Department to request special IT Governance Board and Safety Committee meetings to review and approve City-wide policies that are deemed high priority and that cannot or should not be delayed until the next monthly meeting.</p> <p>Management Action Plan: ARA will develop a process to streamline the policy development, revision and review process. ARA will propose changes to EO 1-1 to formalize the process, as necessary. Proposed changes will address issues related to timely participation by the IT Governance Board and Safety Committee in the policy process. ARA will recommend required representation of the IT Governance and Safety Committee during the review process as appropriate. ARA believes including such representation during the review process will reduce the potential for kick-back of the policy during the final special committee review stage, creating efficiencies in the process.</p> <p>Status: ARA is finalizing the draft of the policy development, update and review process and is finalizing a draft of proposed revisions to EO 1-1.</p>



			<p>Estimated Implementation Date:</p> <ol style="list-style-type: none">1) Revised EO 1-1 (implementation date is contingent on review and approval process – February 2015). <p>Assessment of Management Response to Observation 3: The Management Action Plan fully addresses issues identified in observation 3</p>
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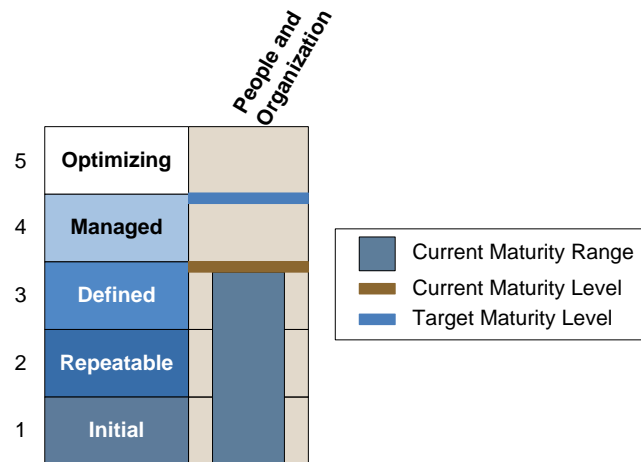
People & Organization

Current State – Defined

Desired State – Managed

In this component, People & Organization:

- People execute processes.
- Key tasks are assigned to people with the necessary knowledge, skills, and expertise.
- As people take on new risk management responsibilities, their roles, accountability, and relationships with other risk owners should be clearly defined.
- Process owners should be satisfied that everyone's job is clearly spelled out so that they can hold people accountable, both within and outside the organization.
- Roles and responsibilities of risk-taking versus risk-monitoring functions should be clearly defined and delineated.
- Process owners are accountable for losses experienced when undesirable risk incidents occur.



People & Organization

Risks	COSO Principle	Key Controls	Observation
<p>Insufficient resources are dedicated to perform required job duties; appropriate structure, reporting lines, authorities, and responsibilities are not defined; and/or personnel lack the knowledge, experience, and/or integrity to perform processes</p>	<p>Principle 1: Commitment to integrity and ethical values</p> <p>Principle 3: Structures, reporting lines, authorities, responsibilities</p> <p>Principle 4: Attract develop and retain competent people</p> <p>Principle 5: People held accountable for internal control</p>	<p>Per discussions with the ARA CFO and Policy Analyst, all Department Liaisons involved in the policy update work meetings demonstrate a commitment to ensure all updates are completed efficiently and effectively and in the best interest of the organization.</p> <p>There is a high level of communication throughout the process between the Policy Analyst and the Department Liaisons, the Legal Department, the IT Governance Board, and the Safety Committee to ensure all policy updates and changes are made in the best interest of the organization.</p> <p>City-wide IT policies are required to be reviewed and approved by the IT Governance Board.</p> <p>City-wide safety policies are required to be reviewed and approved by</p>	<p>Observation 4: As of March 2014, a total of 117 City-wide policies (Administrative Policies, Executive Orders, and Mayor Policies) are posted on the City of Houston's website of Administrative Policies and Procedures (http://www.houstontx.gov/adminpolicies.html). Upon inspection of these policies, the following policies were considered aged beyond 5 years and, therefore, have a high likelihood of being outdated:</p> <ul style="list-style-type: none"> • 10 policies were last updated more than 5 years ago; • 13 policies were last updated more than 10 years ago; and • 24 policies were last updated more than 20 years ago. <p>Through discussions with the ARA Department, it was confirmed that several policies have been updated since the group was assigned policy revision responsibilities in 2012; however, 2 ½ years later, outdated policies still exist that have not been formally updated. Currently, the ARA Policy Analyst is assigned the responsibility of facilitating all policy and procedure updates; however, the job role currently only provides 50% dedication to this effort as other ARA Department responsibilities are assigned to the Policy Analyst as well. Therefore, there appears to be an insufficient amount of employee resources in the ARA Department to ensure that policies and procedures are updated in a timely manner.</p> <p>Recommendation: Management should consider dedicating a fulltime role to maintaining policy governance and providing this role with the appropriate authority to ensure that the requirements set forth by the ARA Department are adhered to. We recommend Management also consider assigning additional resources as needed for the facilitation of policy updates to ensure that they are being updated timely. Doing so will help retain the relevancy of the policy in relation to the organization and/or current time period.</p>



the Safety Committee.

Management Action Plan:

ARA will dedicate 1.5 FTEs to the policy management function. In addition, ARA is reviewing and will propose changes to streamline the policy development, revision and review process. ARA will incorporate into the process a standard policy review schedule.

Status:

ARA is reassigning responsibilities necessary to fully dedicate one FTE to the policy management function. ARA also dedicated an additional .5 FTE to the function. In addition, ARA is finalizing the draft of the policy development, update and review process. ARA will test the process and make adjustments as necessary.

Estimated Implementation Date:

- 1) Revised EO 1-1 (implementation date is contingent on review and approval process – February 2015); and 2) Fully dedicated FTE (January 1, 2015).

Assessment of Management Response to Observation 4:

The Management Action Plan fully addresses issues identified in observation 4.

People & Organization

Risks	COSO Principle	Key Controls	Observation
<p>Insufficient resources are dedicated to perform required job duties; appropriate structure, reporting lines, authorities, and responsibilities are not defined; and/or personnel lack the knowledge, experience, and/or integrity to perform processes</p>	<p>Principle 1: Commitment to integrity and ethical values</p> <p>Principle 3: Structures, reporting lines, authorities, responsibilities</p> <p>Principle 4: Attract develop and retain competent people</p> <p>Principle 5: People held accountable for internal control</p>	<p>Per discussions with the ARA CFO and Policy Analyst, all Department Liaisons involved in the policy update work meetings demonstrate a commitment to ensure all updates are completed efficiently and effectively and in the best interest of the organization.</p> <p>There is a high level of communication throughout the process between the Policy Analyst and the Department Liaisons, the Legal Department, the IT Governance Board, and the Safety Committee to ensure all policy updates and changes are made in the best interest of the organization.</p> <p>City-wide IT policies are required to be reviewed and approved by the IT Governance Board.</p> <p>City-wide safety policies are required to be reviewed and approved by</p>	<p>Observation 5: EO 1-1 does not require or hold the Legal Department fully accountable to review each new and revised City-wide policy and procedure for compliance with applicable ordinances and other legal/regulatory requirements as well as formally approving each new or revised policy and procedure.</p> <p>Recommendation: The Mayor's Office should assign responsibility to the Legal Department to identify and communicate any applicable state or federal regulations that should be followed for any new or revised policies. As part of the review process, Legal should ascertain if requirements set forth in the applicable ordinances, laws and regulations are appropriately reflected in the Organization's current policies. Additionally, the Legal Department's responsibility should be formally documented and outlined in EO 1-1, including requirement for formal approval prior to submission of City-wide policies and procedures to the Mayor's Office for final approval.</p> <p>Management Action Plan: ARA will propose changes to EO 1-1 to incorporate the Report recommendations requiring Legal Department to review new and revised policies and procedures for compliance with City ordinances and other legal/regulatory requirements. Changes will also require formal approval prior to submission of City-wide policies and procedures to the Mayor's Office for final approval. Further, ARA will also recommend Legal representation on the Policy Review Committee during the policy review process.</p> <p>Status: ARA is finalizing the draft of the policy development, update and review process and is finalizing a draft of proposed revisions to EO 1-1.</p>



the Safety Committee.

Estimated Implementation Date:

- 1) Revised EO 1-1 (implementation date is contingent on review and approval process – February 2015).

Assessment of Management Response to Observation 5:

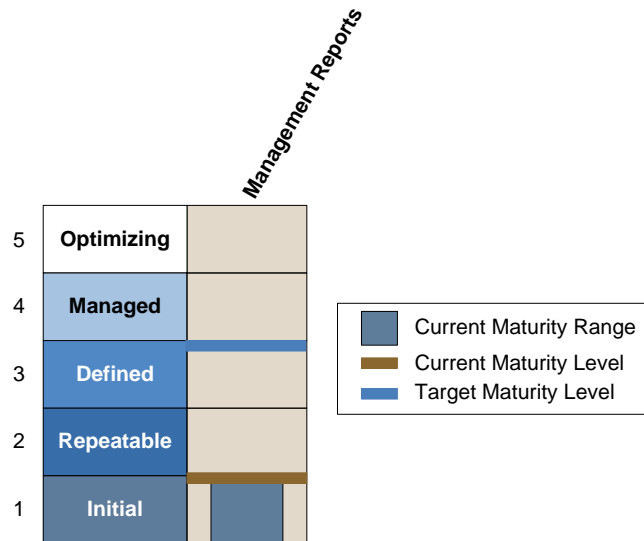
The Management Action Plan fully addresses issues identified in observation 5.

Management Reports

Current State – Initial
Desired State – Defined

In this component:

- Management Reports should be actionable, easy to use and linked to well-defined accountabilities.
- Management Reports should be designed according to the information needs of people who are responsible for executing processes in accordance with the risk strategy.
- Personnel with risk management responsibilities should use reports to monitor achievement of objectives, execution of strategies, and compliance with policies.
- Management reports should include key performance indicators, key issues/observations, and trend analysis over time to enable management and the board.
- Factors to consider when reporting on frequency include the volatility or severity of the risks, the needs for the user and the dynamics of the underlying business activities.
- Reporting on risks is as integral to an organization’s success as reporting on quality, costs, and time.



Management Reports

Risk	COSO Principle	Key Control	Observation
<p>Appropriate information may not be reported to management or reports may not provide adequate information for effective management</p>	<p>Principle 2: Independent board of directors oversight</p> <p>Principle 5: People held accountable for internal control</p> <p>Principle 13: Quality information obtained, generated and used</p> <p>Principle 14: Internal control information internally communicated</p> <p>Principle 16: Ongoing and/or separate evaluations conducted</p> <p>Principle 17: Internal control deficiencies evaluated and communicated</p>	<p>The ARA Policy Analyst utilizes a Policy Activity Log to prioritize, track, and monitor City-wide policy update requests.</p>	<p>Observation 6: The ARA Department is responsible for facilitating and monitoring the policy update process. However, the responsibility of monitoring and enforcing policies and procedures after issuance is currently not formally defined within EO 1-1.</p> <p>Recommendation: Update EO 1-1 to indicate that each Department is responsible for monitoring and enforcing new/revised policies for key items applicable to the individual Departments.</p> <p>Management Action Plan: ARA will propose changes to EO 1-1 to incorporate the Report recommendations affirming Department responsibility for monitoring and enforcing new/revised policies for key items applicable to the individual department.</p> <p>Status: ARA is finalizing a draft of proposed revisions to EO 1-1.</p> <p>Estimated Implementation Date:</p> <ol style="list-style-type: none"> 1) Revised EO 1-1 (implementation date is contingent on review and approval process – February 2015). <p>Assessment of Management Response to Observation 6: The Management Action Plan fully addresses issues identified in observation 6.</p>

Management Reports

Risk	COSO Principle	Key Control	Observation
<p>Appropriate information may not be reported to management or reports may not provide adequate information for effective management</p>	<p>Principle 2: Independent board of directors oversight</p> <p>Principle 5: People held accountable for internal control</p> <p>Principle 13: Quality information obtained, generated and used</p> <p>Principle 14: Internal control information internally communicated</p> <p>Principle 16: Ongoing and/or separate evaluations conducted</p> <p>Principle 17: Internal control deficiencies evaluated and communicated</p>	<p>The ARA Policy Analyst utilizes a Policy Activity Log to prioritize, track, and monitor City-wide policy update requests.</p>	<p>Observation 7: Currently, there is not a formal process in place requiring the ARA Department to provide periodic communication of the status of policy updates to the Mayor’s Office and to obtain formal direction from the Executive team. Without a steadfast commitment to keep policies relevant and current, personnel could be dissuaded to adhere to the documented policies, procedures and guidelines that are aligned with the organization’s objectives.</p> <p>Recommendation: In order to implement a positive tone at the top in regards to policy maintenance, we recommend the City consider implementing a recurring meeting (e.g., quarterly) between the ARA Department, Department Heads and/or Department Liaisons, and the Mayor’s Office to ensure policies are continuously being reviewed, updated, and communicated. Further, an aging report documenting the age of each policy should be monitored and provided in these meetings by the ARA Department to identify potentially outdated policies that need to be addressed.</p> <p>Management Action Plan: ARA will establish a process, through proposed changes to EO 1-1, requiring regular meetings between the ARA Department, Department Directors and/or Liaisons, and the Mayor’s Office regarding policy status. ARA will also propose changes to formalize a Policy Review Committee consisting of department liaisons. In addition, ARA will modify the existing Policy Activity Log to develop a policy status report. The report will document the age of each policy and will track the status of policies currently under development and/or review. The report will also document the review schedule for each policy.</p>



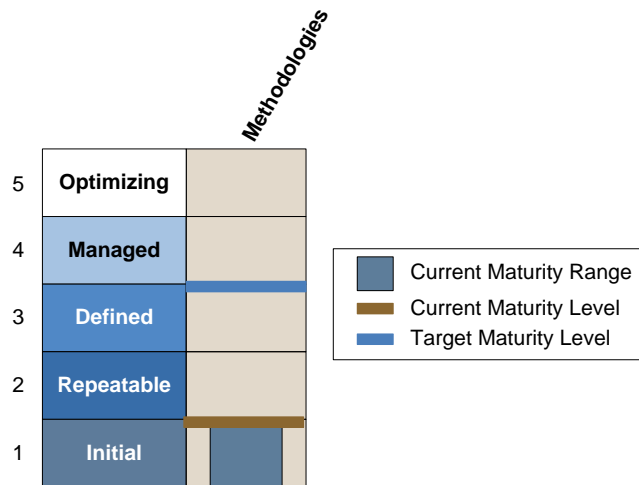
			<p>Status: ARA is drafting proposed revisions to EO 1-1 and developing management reports/tracking mechanisms including the policy status report.</p> <p>Estimated Implementation Date:</p> <ol style="list-style-type: none">1) Revised EO 1-1 (implementation date is contingent on review and approval process – February 2015); 2) Management reporting/tracking mechanisms (February 1, 2015); and 3) aging policy list/proposed review schedule (September 1, 2014). <p>Assessment of Management Response to Observation 7: The Management Action Plan fully addresses issues identified in observation 7.</p>
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Methodologies

Current State – Initial
Desired State – Defined

In this component, effective methodologies help:

- Identify, quantify and prioritize risks.
- Source risk to its root causes and key drivers.
- Support the analysis of risk/reward trade-offs and portfolio diversification.
- Evaluate cost effectiveness of risk mitigation alternatives and allocation of capital to absorb potential losses.



Methodologies

Risk	COSO Principle	Key Control	Observation
<p>Methodologies do not adequately establish a framework for analysis of data and information and execution of standards and procedures in an effective and efficient manner</p>	<p>Principle 6: Clear objectives specified</p> <p>Principle 7: Risks identified to achievement of objectives</p> <p>Principle 8: Potential for fraud considered</p> <p>Principle 9: Significant changes identified and assessed</p>	<p>The ARA Policy Analyst utilizes a Policy Activity Log to prioritize, track, and monitor City-wide policy update requests.</p>	<p>Observation 8: The ARA Department is currently working toward reviewing and updating all of the Organization’s City-wide policies. However, there is not an established methodology in place to ensure polices are reviewed for potential updates on a timely basis going forward. Without such a methodology, there is no guarantee that the policies will not become significantly outdated once again in the future. This would be specifically important for policies in regard to any information technology or safety related areas.</p> <p>Recommendation: Within EO 1-1, we recommend the Mayor’s Office should establish a timeline and status tracking mechanism regarding how often policies are required to be reviewed by the appropriate Department(s) to attest that the procedures documented are still relevant, applicable, current, and enforceable. The timelines established would be set at a more frequent rate for those policy areas that become outdated more quickly, such as the information technology field, and according to requirements set forth in applicable laws, regulations, and standards. These established timelines and status tracking mechanisms should be utilized within the policy aging report recommended under observation # 7.</p> <p>Management Action Plan: ARA will propose changes to EO 1-1 to establish a timeline and status tracking mechanism for policy review. Policy review schedules will be incorporated into the policy status report under Observation #7.</p> <p>Status: ARA is drafting proposed revisions to EO 1-1 and developing management reports/tracking mechanisms including the policy status report.</p>



			<p>Estimated Implementation Date:</p> <p>1) Revised EO 1-1 (implementation date is contingent on review and approval process – February 1, 2015); 2) Aging policy list/proposed review schedule (September 1, 2014).</p> <p>Assessment of Management Response to Observation 8:</p> <p>The Management Action Plan fully addresses issues identified in observation 8.</p>
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Methodologies

Risk	COSO Principle	Key Control	Observation
<p>Methodologies do not adequately establish a framework for analysis of data and information and execution of standards and procedures in an effective and efficient manner</p>	<p>Principle 6: Clear objectives specified</p> <p>Principle 7: Risks identified to achievement of objectives</p> <p>Principle 8: Potential for fraud considered</p> <p>Principle 9: Significant changes identified and assessed</p>	<p>The ARA Policy Analyst utilizes a Policy Activity Log to prioritize, track, and monitor City-wide policy update requests.</p>	<p>Observation 9: The ARA Department’s assessment of prioritizing new policy or policy change requests is ad hoc and at times only based on the authority level of the requestor. There is not a documented methodology or risk assessment utilized to appropriately prioritize which policy updates or changes should take precedence.</p> <p>Recommendation: ARA Department should establish a formal documented risk assessment process to evaluate each policy’s qualitative and quantitative factors in order to accurately and efficiently prioritize policy requests. Such factors that should be considered are:</p> <ul style="list-style-type: none"> • the policy’s degree of volatility • the frequency of how often the policy is needed and used by personnel • the subjectivity and complexity of the procedures documented within the policy • the susceptibility to loss or fraud in the policy’s area or field • how long it has been since the policy’s last update • the potential financial impact of the policy to the organization • the potential legal impact of the policy violations to the organization • the safety implications of the policy documented procedures <p>Management Action Plan: ARA will develop a process for assessing and prioritizing new policy or policy change requests. As part of the process, departments will be required to complete a Standard Policy Proposal Form when requesting to develop and/or revise a policy. The Proposal will provide background, general information and justification for the proposed policy and any additional information necessary to assist ARA in the evaluation and</p>



			<p>prioritization of policies for review.</p> <p>Status: ARA is researching potential methods for assessing and prioritizing policies. ARA is creating a Standard Policy Proposal Form.</p> <p>Estimated Implementation Date: 1) Process and Form (February 1, 2015).</p> <p>Assessment of Management Response to Observation 9: The Management Action Plan fully addresses issues identified in observation 9.</p>
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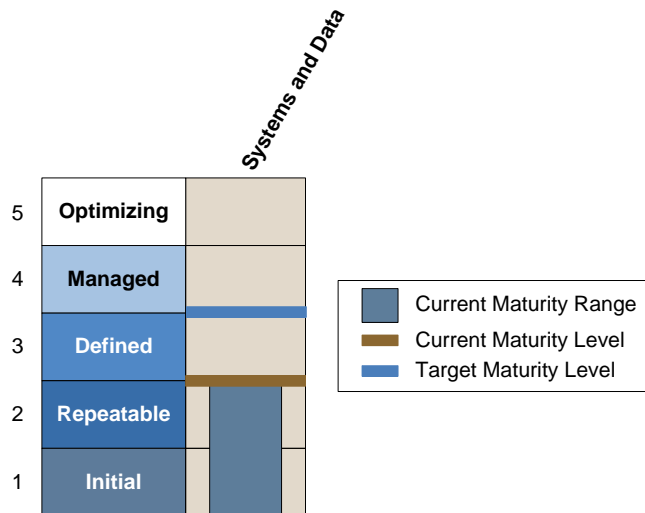
Systems & Data

Current State – Repeatable

Desired State – Defined

In this component, Systems and Data:

- Support the modeling and reporting that are integral to risk management capabilities.
- Provide relevant, accurate, and on-time information.
- Should meet the company's business requirements, and be flexible enough to allow for future enhancement, scalability and integration with other systems.



Systems & Data

Risk	COSO Principle	Key Control	Observation
<p>Complete and accurate information may not be available for analysis and reporting</p>	<p>Principle 11: General IT controls selected and developed</p> <p>Principle 13: Quality information obtained, generated and used</p> <p>Principle 15: Internal control information externally communicated</p> <p>Principle 16: Ongoing and/or separate evaluations conducted</p>	<p>Approved City-wide policies and procedures are securely posted on the City's website and are formally organized according to policy category and number.</p>	<p>Observation 10: The Legal Department does not track the status of policies submitted by the ARA Department for review or formally document evidence of their review (e.g., redline changes) submitted back to the ARA Department.</p> <p>Recommendation: Recommend that the Legal Department consider utilizing a system or tool, such as a document management system or tracking mechanism, for tracking policy review status, legal notes/implications, and approvals. At a minimum, a formal stamp or sign-off by Legal evidencing approval should be documented and filed.</p> <p>Management Action Plan: ARA will propose changes to EO 1-1 requiring documentation of a formal sign-off by Legal evidencing approval.</p> <p>Status: ARA is drafting proposed revisions to EO 1-1.</p> <p>Estimated Implementation Date:</p> <ol style="list-style-type: none"> 1) Revised EO 1-1 (implementation date is contingent on review and approval process – February 1, 2015); <p>Assessment of Management Response to Observation 10: The Management Action Plan fully addresses issues identified in observation 10.</p>

Systems & Data

Risk	COSO Principle	Key Control	Observation
<p>Complete and accurate information may not be available for analysis and reporting</p>	<p>Principle 11: General IT controls selected and developed</p> <p>Principle 13: Quality information obtained, generated and used</p> <p>Principle 15: Internal control information externally communicated</p> <p>Principle 16: Ongoing and/or separate evaluations conducted</p>	<p>The ARA Department coordinates with the City Web Designer to upload the approved new/revised policies and procedures to the City website to ensure the most up to date version of the a policy is viewable.</p>	<p>Observation 11: Currently, the ARA Policy Analyst provides all approved policies and procedures to the City Web Designer to post on the City of Houston Website. However, a reconciliation of the current approved policies and procedures maintained by the ARA Department to the policies posted on the City’s website is not performed on a regular basis to ensure that all policies and procedures posted on the website are the most current approved versions.</p> <p>Recommendation: At least annually, we recommend the ARA Department personnel perform reconciliation between the approved policies and procedures filed within the ARA Department to the policies posted on the City of Houston Website in order to identify any possible posting errors or inaccurate/outdated postings. This review should be approved by the ARA Department’s CFO.</p> <p>Management Action Plan: ARA will incorporate into the policy management process an annual reconciliation between approved policies and procedures filed within the ARA Department to the policies posted on the City of Houston website. To formalize the process, ARA will propose changes to EO 1-1.</p> <p>Status: ARA is drafting proposed revisions to EO 1-1.</p> <p>Estimated Implementation Date:</p> <ol style="list-style-type: none"> 1) Revised EO 1-1 (implementation date is contingent on review and approval process – February 1, 2015);



			Assessment of Management Response to Observation 11:
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The Management Action Plan fully addresses issues identified in observation 11.

APPENDIX A

Six Elements of Infrastructure & Capability Maturity Model Overview

Overview of the Frameworks

Our frameworks are flexible tools for evaluating processes and risk management capabilities:

- The **Six Elements of Infrastructure** is used to identify the obvious as well as the not-so-obvious opportunities to improve any business process in one or all of six critical elements of the process



- The **CMM Framework** is used to measure an organization's maturity as a tool to assist management in defining progress from the initial /ad-hoc stage of a business process toward the optimized stage. Protiviti's CMM is derived from the Carnegie Mellon capability maturity model.

Capability Maturity	Capability Level	Capability Description
	Optimized	CONTINUOUS IMPROVEMENT Continuously improving controls enterprise-wide
	Managed	QUANTITATIVE Risks managed quantitatively enterprise-wide "Chain of accountability"
	Defined	QUALITATIVE/QUANTITATIVE Policies, process and standards defined and institutionalized -- "Chain of certification"
	Repeatable	INTUITIVE Process established and repeating; reliance on people continues – Controls documentation lacking
	Initial	AD HOC/CHAOTIC Control is not a priority -- Unstable environment leads to dependency on heroics

Derived from Carnegie Mellon capability maturity model

Using these frameworks provides management a picture as to where they are and what is missing, so that process and business risks are better identified, measured, prioritized, monitored and controlled



The Six Elements of Infrastructure

Business Policies

Strategies and policies provide key company stakeholders with a common understanding of company's:

- Risk appetite
- Risk tolerances
- Expected standards of conduct.

Business Processes

In order to avoid or accept risk, uniform processes and procedures relating to risk taking activities must be:

- Developed
- Implemented
- Monitored continuously

People & Organization

- Key tasks are assigned to people with the requisite knowledge, skill, and expertise.
- Roles and responsibilities of risk taking versus risk monitoring functions must be defined and delineated.



The Six Elements of Infrastructure (Contd.)

Management Reports

In order for Management to make informed decisions, Management reports should:

- Be prepared with appropriate frequency
- Be easy to use
- Capture succinctly and highlight key information for decision-making.

Methodologies

Properly developed models can help:

- Identify and quantify risks
- Support the analysis of risk/reward trade-offs and portfolio diversification
- Evaluate cost effectiveness of risk mitigation alternatives and allocation of capital to absorb potential losses.

Systems & Data

Information systems should:

- Support methodologies and reporting
- Provide relevant, accurate, and on-time information
- Meet the company's business requirements
- Be flexible for future enhancement, scalability, and integration with other subsystems.

Risks If Infrastructure Fails

Key elements of infrastructure must be linked by design:




Risk if element is deficient:



Capability Maturity Model (CMM)

Protiviti uses the CMM to measure an organization's maturity and assist in defining progress from the initial /ad-hoc stage toward the optimized stage.



Capability Level	Capability Description
Optimized	CONTINUOUS IMPROVEMENT Continuously improving controls enterprise-wide
Managed	QUANTITATIVE Risks managed quantitatively; enterprise-wide "Chain of accountability"
Defined	QUALITATIVE/QUANTITATIVE Policies, process and standards defined and institutionalized -- "Chain of certification"
Repeatable	INTUITIVE Process established and repeating; reliance on people continues – Controls documentation lacking
Initial	AD HOC/CHAOTIC Control is not a priority -- Unstable environment leads to dependency on heroics

Derived from Carnegie Mellon capability maturity model

Key points about the CMM:

- "Critical" processes require immediate attention to close improvement gaps and pursue opportunity gaps
- The CMM is not intended to be prescriptive
 - It does not tell an organization how to improve
- The framework shows the "current state" of the processes
- Determine impact of remediation and improvements to show "gaps closed"
- Identify the "desired state" to illustrate "opportunity gaps"

Tying the two frameworks together

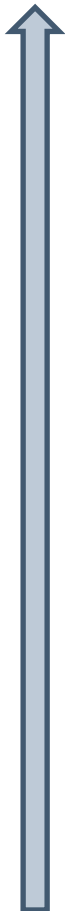
Example: Elements of Infrastructure at Initial Stage of Maturity



- Process is ad hoc and occasionally even chaotic
- Process is not defined and success depends on individual effort
- While processes at the Initial stage frequently produce outputs that work, those outputs may be over budget or the process often misses scheduled deadlines
- The process is like a “black box”, i.e., because there is very little transparency into the process, the only way to monitor performance is through rough **output measures**
- Environment is not stable, lacks sound management practices and is undermined by ineffective planning and reaction-driven activities
- During a crisis, planned procedures may even be abandoned and success is dependent on having an exceptional manager and an effective team
- When process personnel leave, their stabilizing influence leaves with them
- The process is often unpredictable because it is constantly changed or modified, even as work progresses
- Performance is dependent on the capabilities of individuals and varies with their innate skills, knowledge and motivations
- Performance can be predicted only by individual rather than organizational capability

CMM Maturity Definitions for Policy Governance

	Business Policies	Business Processes	People & Organization	Management Reports	Methodologies	Systems & Data
Optimized	Continuous improvement focus; Enterprise-wide policies are integrated	Ongoing process improvement via both quantitative and qualitative feedback and piloting of innovative approaches	Culture of continuous improvement; knowledge and skills upgraded continuously	Application of "what if" scenarios; real time performance reporting capabilities	Continuous improvement of enterprise-wide methodologies	Utilized data on process performance to analyze cost and benefits of new processes, applications
Managed	Enterprise-wide policy guidelines documented and deployed; consistent understanding of policies	Process and outputs are quantitatively understood and controlled; focus on cost, quality and time metrics	Prepared for contingencies; requisite knowledge, expertise and experience fully in place	Enterprise-wide reporting capabilities; objectives, targets, and risks reported enterprise-wide	Enterprise wide methodologies documented and deployed	Enterprise-wide systems and databases; risk analytics built into decision support systems
Defined	General consistency with policies across the organization; monitoring of policy adherence	Uniform processes across the organization; process oversight and verification procedures	Accountabilities clearly articulated; back up capabilities are established; standard roles defined; and training is provided	Management reporting integrated into decision making process	Consistency with methodologies across organization; monitoring of methodology adherence	Scalable technology architecture; reliable and consistent data availability and integrity
Repeatable	Policies defined and documented and adhered to	Documented, stable processes; process gaps identified and corrected	Ownership is clearly defined and supported with staff	Ability to generate basic management reports	Clearly defined documented methodologies	Systematic data collection; independent models
Initial	Undocumented, informal or vague policies	No formal processes in place; reactionary	Individual heroics; limited coordination and teamwork capabilities	Sporadic, ad hoc; management unable to generate reports to support decision making	No standard or consistent methodology; over-simplification	No overall system strategy; reliance on spreadsheets; unstable system architecture





APPENDIX B

2013 COSO INTERNAL FRAMEWORK

2013 COSO Internal Audit Framework

The updated Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) 2013 internal control framework was used as a foundation for the recommendations. The applicable framework items are noted in **blue** below.

1. Requires an **entity-level** focus and an **activity-level** focus
2. Consists of three objectives:
 - Effectiveness and efficiency of operations
 - **Reliability of financial reporting**
 - Compliance with applicable laws and regulations
3. Consists of five components:
 - **Control Environment**
 - **Risk Assessment**
 - **Control Activities**
 - **Information & Communication**
 - **Monitoring**
 - Consists of **17 principles** that underlie the five components



COSO Principles – High Level Summary

Components	Principles	No. of Points of Focus
Control Environment	1. Commitment to integrity and ethical values	4
	2. Independent board of directors oversight	5
	3. Structures, reporting lines, authorities, responsibilities	3
	4. Attract, develop and retain competent people	4
	5. People held accountable for internal control	5
Risk Assessment	6. Clear objectives specified	5
	7. Risks identified to achievement of objectives	5
	8. Potential for fraud considered	4
	9. Significant changes identified and assessed	3
Control Activities	10. Control activities selected and developed	6
	11. General IT controls selected and developed	4
Information & Communication	12. Controls deployed through policies and procedures	6
	13. Quality information obtained, generated and used	5
Monitoring Activities	14. Internal control information internally communicated	4
	15. Internal control information externally communicated	5
	16. Ongoing and/or separate evaluations conducted	7
	17. Internal control deficiencies evaluated and communicated	4

COSO Principles – Detailed

Control Environment

Principles

1	The organization demonstrates a commitment to integrity and ethical values
2	The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control
3	Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives
4	The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives
5	The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives

Risk Assessment

Principles

6	The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives: <ul style="list-style-type: none"> - operations objectives - external financial reporting objectives - external non-financial reporting objectives - internal reporting objectives - compliance objectives
7	The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed
8	The organization considers the potential for fraud in assessing risks to the achievement of objectives



9 The organization identifies and assesses changes that could significantly impact the system of internal control

COSO Principles – Detailed

Control Activities

Principles

- | | |
|-----------|---|
| 10 | The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels |
| 11 | The organization selects and develops general control activities over technology to support the achievement of objectives |
| 12 | The organization deploys control activities through policies that establish what is expected and procedures that put policies into action |

Information and Communication

Principles

- | | |
|-----------|--|
| 13 | The organization obtains or generates and uses relevant, quality information to support the functioning of other components of internal control |
| 14 | The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of other components of internal control |
| 15 | The organization communicates with external parties regarding matters affecting the functioning of other components of internal control |

Monitoring Activities

Principles

- | | |
|-----------|--|
| 16 | The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning |
|-----------|--|



17 The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate

Six Elements vs. COSO Principles Allocation

COSO Principles		Six Elements of Infrastructure					
		Business Policies	Business Processes	People & Organization	Management Reports	Methodologies	Systems & Data
Control Environment	1 Commitment to integrity and ethical values	✓		✓			
	2 Independent board of directors oversight				✓		
	3 Structures, reporting lines, authorities, responsibilities			✓			
	4 Attract, develop and retain competent people			✓			
	5 People held accountable for internal control			✓	✓		
Risk Assessment	6 Clear objectives specified	✓				✓	
	7 Risks identified to achievement of objectives					✓	
	8 Potential for fraud considered	✓				✓	
	9 Significant changes identified and assessed		✓			✓	

Six Elements vs. COSO Principles Allocation

COSO Principles		Six Elements of Infrastructure					
		Business Policies	Business Processes	People & Organization	Management Reports	Methodologies	Systems & Data
Control Activities	10 Control activities selected and developed	✓	✓				
	11 General IT controls selected and developed						✓
	12 Controls deployed through policies and procedures	✓	✓				
Information and Communication	13 Quality information obtained, generated and used		✓		✓		✓
	14 Internal control information internally communicated	✓	✓		✓		
	15 Internal control information externally communicated		✓				✓
Monitoring Activities	16 Ongoing and/or separate evaluations conducted				✓		✓
	17 Internal control deficiencies evaluated and communicated				✓		



APPENDIX C

Executive Order 1-1 Executive Orders & Administrative Procedures

Please refer to the City of Houston Website for the current version of Executive Order 1-1



CITY OF HOUSTON

Executive Order

Subject: **Executive Orders & Administrative Procedures**

E.O. No. **1-1 Revised**

Effective Date:
Upon Approval

1. AUTHORITY

1.1 Article VI, Section 7a, of the City Charter of the City of Houston.

2. PURPOSE

2.1 Efficient management of the City of Houston requires written procedures and policies that provide guidance for the uniform administration and coordination of its various functions.

3. OBJECTIVES

- 3.1 To outline a format for the preparation of executive orders and administrative procedures.
- 3.2 To describe a process for the preparation, approval, issuance and revision of executive orders and administrative procedures.

4. DEFINITIONS

- 4.1 Executive Order - A directive made by the Mayor defining binding policy.
- 4.2 Administrative Procedures - Procedures affecting two or more Departments.
- 4.3 Department Director Operating Procedures - Procedures affecting only one Department or Division.
- 4.4 Division – Business unit within a Department.

5. SCOPE

5.1 This directive applies to all City of Houston Departments and Divisions.

6. RESPONSIBILITIES

6.1 Pursuant to Article VI of the City Charter, the Mayor is responsible for determining the need for executive orders and administrative procedures, assigning the responsibility for preparation of procedures, reviewing proposed procedures and approving and issuing procedures.

Approved:

Date Approved:

April 12, 2010

Page 1 of 4

- 6.2 The Departments are responsible for indicating the need for an administrative procedure and making a recommendation to the Mayor.
- 6.3 The Director of Administrative and Regulatory Affairs (ARA) is responsible for monitoring, indexing, reviewing, formatting, publication and distribution of executive orders, administrative procedures and change notices.
- 6.4 Should a department choose to maintain an Administrative Policies and Executive Orders manual, they are responsible for keeping it up-to-date by inserting change notices and approved revisions.

7. PROCESS

7.1 Executive Order

7.1.1 Preparation

- 7.1.1.1 The Mayor will indicate the need for an executive order and assigns the responsibility for drafting the order.
- 7.1.1.2 Those responsible for drafting the executive order shall submit the written draft of the executive order to the Director of the ARA Department.
- 7.1.1.3 ARA reviews the draft executive order for such factors as consistency, clarity and format.
- 7.1.1.4 ARA prepares the final draft of the procedure in the prescribed format and assigns an index number.
- 7.1.1.5 Prior to submitting to the Mayor for signature, ARA shall ensure that Legal has the opportunity to review and provide assistance as appropriate.
- 7.1.1.6 The ARA Director shall present the final version of the order to the Mayor for signature, prior to its publication.

7.1.2 Issuance

- 7.1.2.1 ARA issues approved executive orders signed by the Mayor to all department directors.
- 7.1.2.2 Approved executive orders are posted on the City's website at <http://www.houstontx.gov/execorders.html>.
- 7.1.2.3 Notice of and/or distribution of executive orders within an individual department is the responsibility of the department director.
- 7.1.2.4 Executive orders remain in full force and effect until officially revised, superseded, or canceled in writing by the Mayor.
- 7.1.2.5 Original executive order documents shall be maintained by the Office of the Director, Administration & Regulatory Affairs Department.

Subject: Executive Orders & Administrative Procedures	E. O. No.: 1-1 Revised	Page 2 of 4
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7.1.2.6 At least one (1) copy of all executive orders issued hereunder shall be available for public inspection in the Office of the Director, Administration & Regulatory Affairs Department.

7.1.3 Revisions

7.1.3.1 Revisions to executive orders will be prepared and issued in accordance with the above procedures.

7.1.3.2 The ARA Department will issue an executive order change notice of all approved revisions to department directors.

7.2 Administrative Procedure

7.2.1 Preparation

7.2.1.1 The Mayor or a department director may indicate the need for an administrative procedure.

7.2.1.2 The Mayor determines whether the procedure is required and assigns the responsibility for drafting the procedure to a department and/or a group of departments.

7.2.1.3 The responsible department(s) submits the written draft procedure to the Director of the ARA Department.

7.2.1.4 ARA reviews the draft procedure for such factors as consistency, clarity and format and ensures coordination with those departments that would be involved in implementing the procedure.

7.2.1.5 Upon final approval of all relevant parties, ARA prepares the final draft of the procedure in the prescribed format and assigns an index number.

7.2.1.6 ARA shall ensure that legal is given the opportunity to review the final draft procedure and offer assistance as appropriate prior to submitting to the Mayor for signature.

7.2.1.7 The ARA Director shall present the final version of the procedure to the Mayor for signature, prior to its publication.

7.2.2 Issuance

7.2.2.1 ARA issues approved administrative procedures signed by the Mayor to all department directors.

7.2.2.2 Approved administrative procedures are posted on the City's website at www.houstontx.gov/adminpolicies.html.

7.2.2.3 Notice of and/or distribution of administrative procedures within an individual department is the responsibility of the director.

7.2.2.4 Administrative procedures remain in full force and effect until officially revised, superseded, or canceled in writing by the Mayor.

Subject: Executive Orders & Administrative Procedures	E. O. No.: 1-1 Revised	Page 3 of 4
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7.2.2.5 Original administrative procedure documents shall be maintained by the Office of the Director, Administration & Regulatory Affairs Department.

7.2.2.6 At least one (1) copy of all administrative procedures issued hereunder shall be available for public inspection in the Office of the Director, Administration & Regulatory Affairs Department.

7.2.3 Revisions

7.2.3.1 Revisions to administrative procedures will be prepared and issued in accordance with the above procedures.

7.2.3.2 The ARA Department will issue an administrative procedure change notice of all approved revisions to department directors.

8. FORMAT

8.1 The following sections, when required, shall be included in each executive order and administrative procedure:

8.1.1 PURPOSE - Defines the intent addressed by the executive order or administrative procedure. This includes any general policy statement that provides the basis for the procedure.

8.1.2 OBJECTIVE - Outlines in detail what is to be accomplished by the order or procedure.

8.1.3 DEFINITIONS - Defines any of the terms for clarity and scope of purpose.

8.1.4 SCOPE – Designates which Departments are covered and limits of coverage when other than citywide.

8.1.5 RESPONSIBILITIES - Defines responsibilities of individuals and/or Departments in implementing the order or procedure.

8.1.6 PROCEDURE - Outlines processes to be undertaken to achieve the objectives and how the processes are to be accomplished.

8.1.7 APPENDIX:

8.1.7.1 Legal Reference – Provides a listing of pertinent laws, ordinances, and/or regulations related to the order or procedure. An authority section may be included in the above format for short ordinances or legal references.

8.1.7.2 Forms - A summary or sample of forms used in the procedure.

Subject: Executive Orders & Administrative Procedures	E. O. No.: 1-1 Revised	Page 4 of 4
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APPENDIX D

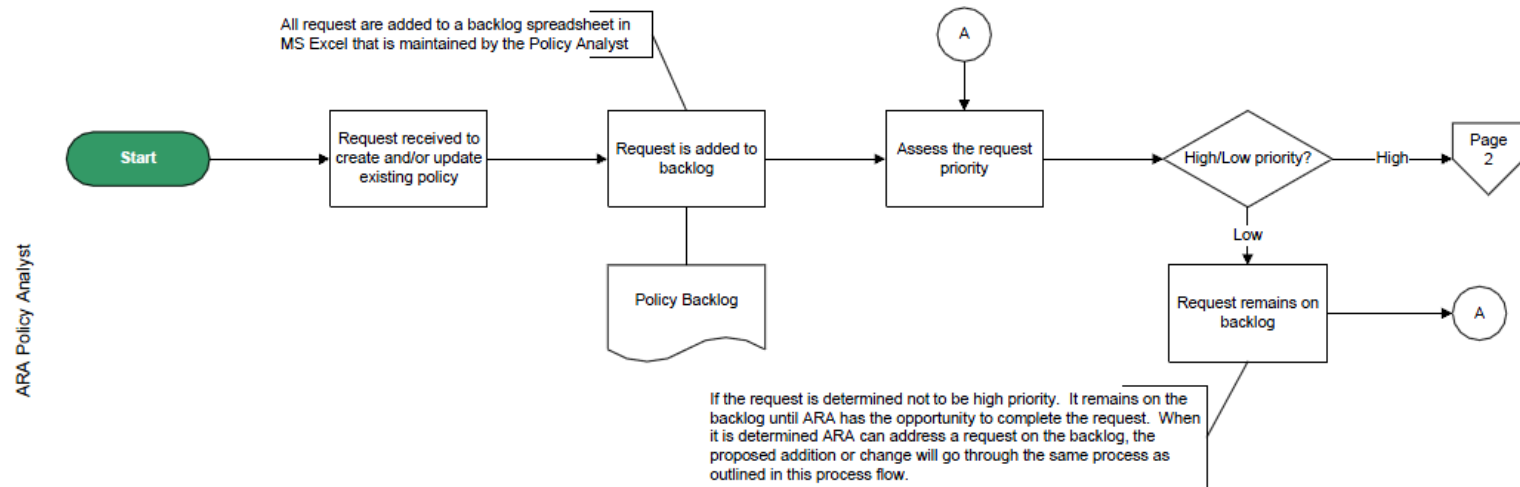
Policy Governance Process Map



Business Unit: Administrative & Regulatory Affairs (ARA)	File Name: COH Process Map - Policy Governance.vsd	
Process: City-Wide Policy Governance Procedures	Last Updated: January 28, 2014	
Process Owners: Annabelle Chen (CFO); Lance Licciardi (Policy Analyst)	Documenter: Protiviti	Page: 1 of 6

Sub-Process: Create and Revise Policy and Procedures

Description: This process flow describes the process of creating and/or updating current City of Houston Policies and Procedures. The Administrative & Regulatory Affairs (ARA) department is assigned the responsibility of facilitating policy and procedure creation and updates. All new policies or policy updates require Mayor approval. However, the respective Department Directors are assigned the responsibility of enforcing and monitoring the policies and procedures in place.



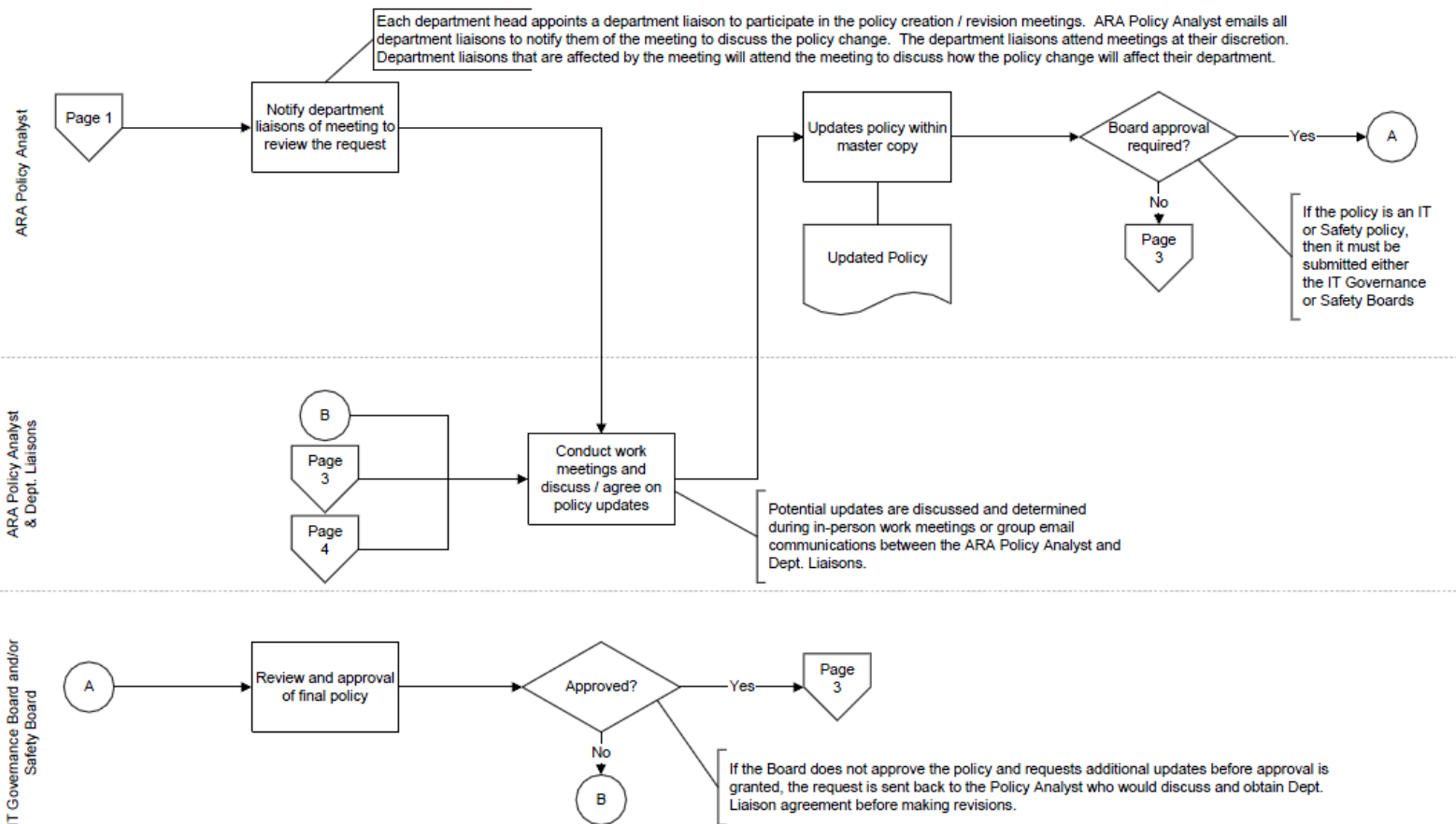
Legend	
	Risk
	Control Activity
	Flow Terminator
	Process
	Document
	Decision Point
	System
	Pre-Defined Process
	Off-Page Connector
	On-Page Connector
	Notes Box



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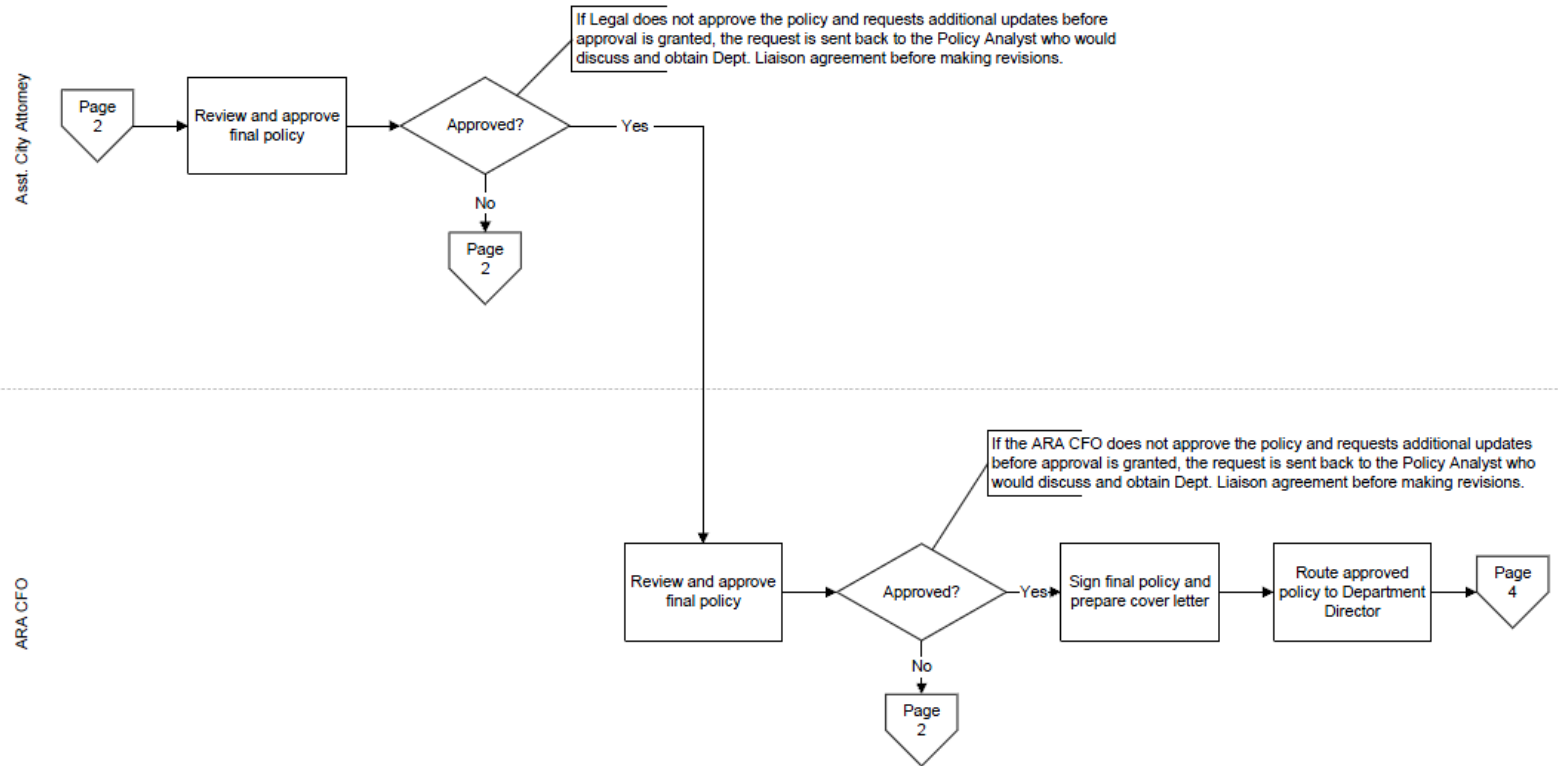




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Sub-Process: Create and Revise Policy and Procedures

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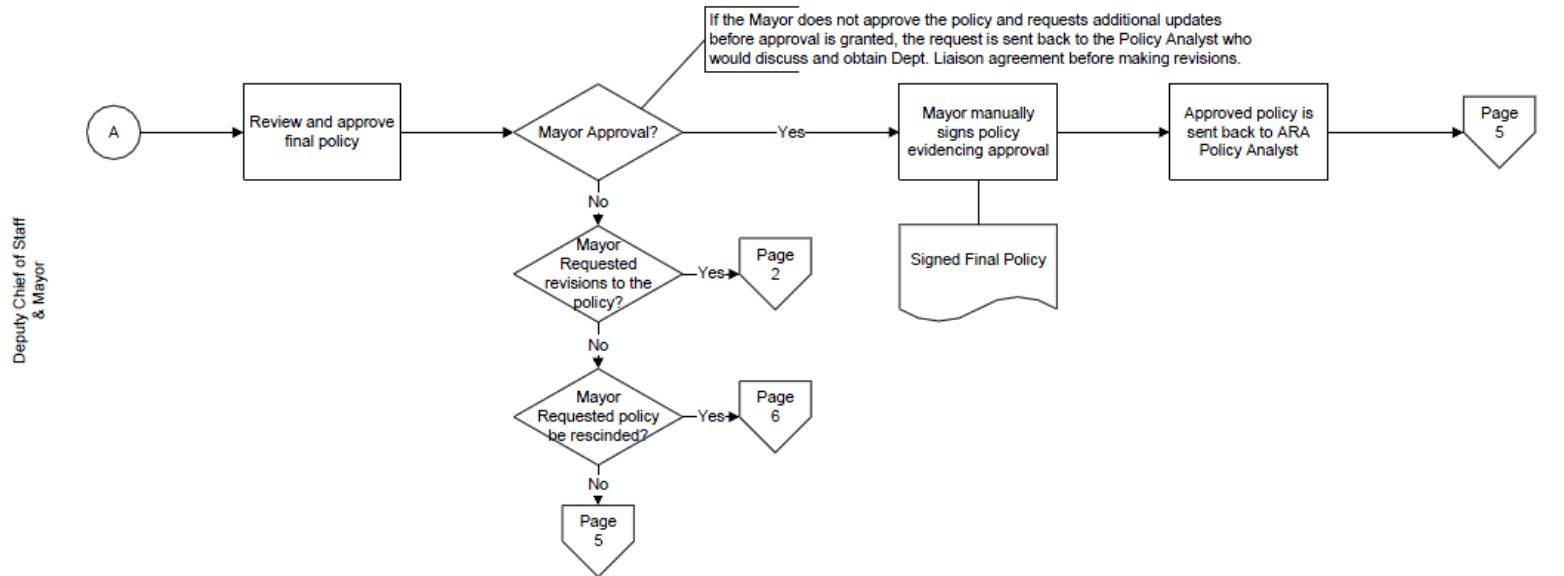
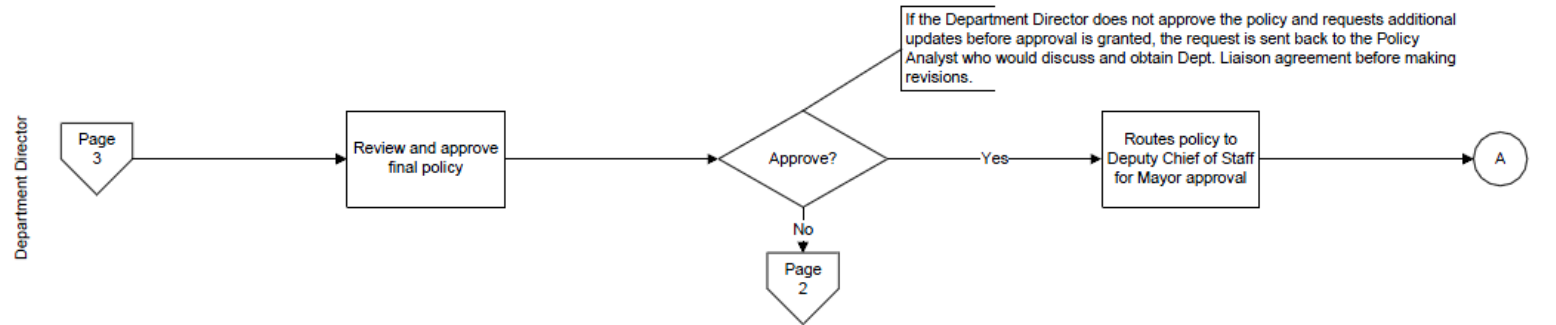





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Sub-Process: Create and Revise Policy and Procedures

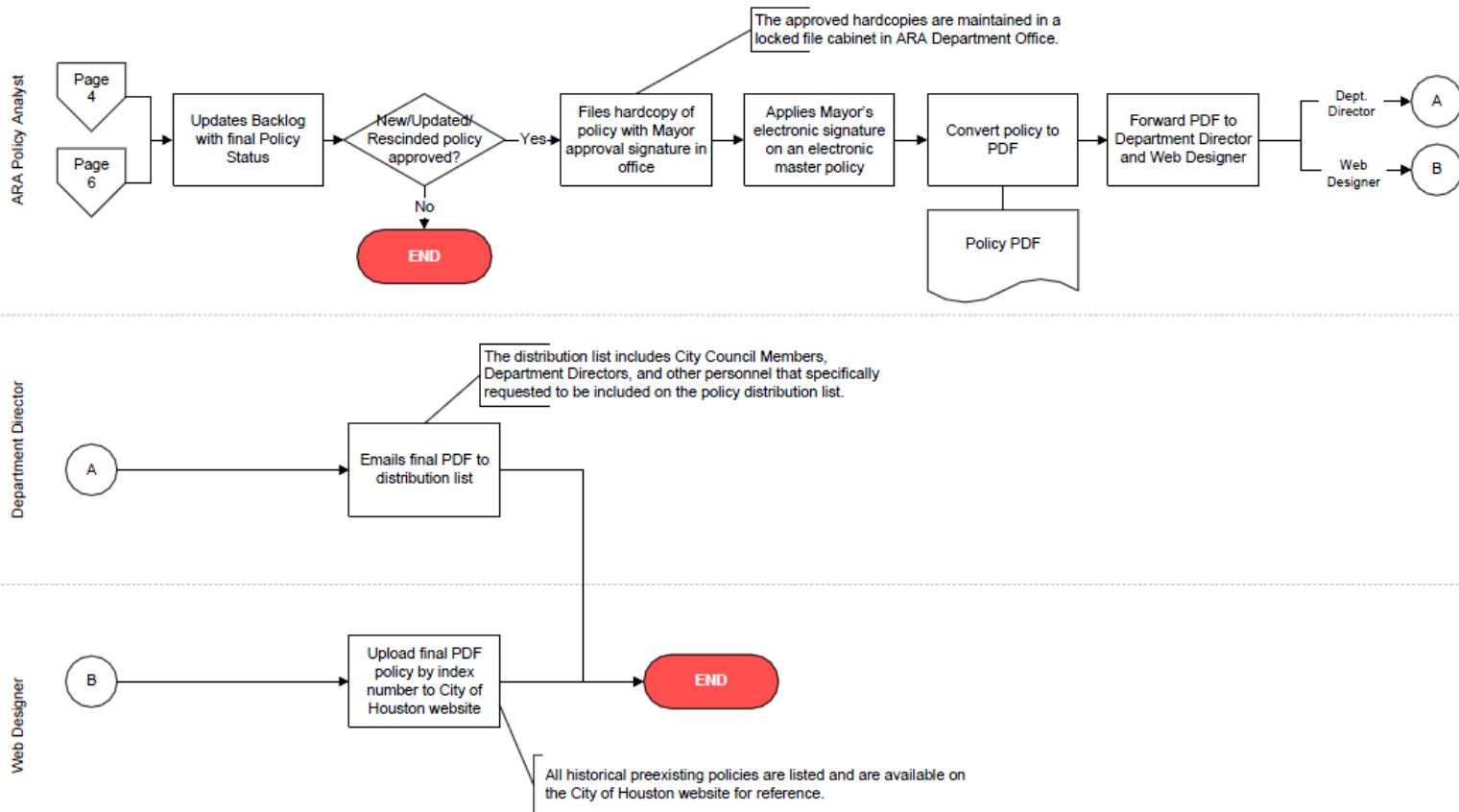
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Sub-Process: Rescinding Policy and Procedures
Description: This process flow describes the process of rescinding City of Houston Policies and Procedures currently in place. The Administrative & Regulatory Affairs (ARA) department is assigned the responsibility of facilitating rescinding policies and procedures when determined necessary by the Mayor's Office, Department Management, and/or the ARA Department. All rescinded policies require Mayor approval.

