Mayor	Council Members
Ron Silvia	John Happ
Mayor Pro Tempore	Ron Gay
Ben White	Lynn McIlhaney
City Manager	Chris Scotti
Glenn Brown	David Ruesink

CITY OF COLLEGE STATION

Agenda
College Station City Council
WorkshopMeeting
Thursday, March 08, 2007 3:00 p.m.
City Hall Council Chambers, 1101 Texas Avenue
College Station, Texas

1. Presentation, possible action, and discussion on items listed on the consent agenda.

2. Presentation, possible action, and discussion regarding the Audit Committee and Audit function; and the revised Stewardship Enhancement Plan.

3. Presentation, possible action and discussion of transportation project priorities and funding alternatives.

4. Council Calendars

   a. Mar 19   Intergovernmental Meeting – Noon – Council Chambers
   b. Mar 19   Girls Softball Opening Ceremony – 6:00 p.m. – Bee Creek
   c. Mar 20   Council Transportation Committee Meeting – 4:30 p.m. – Administrative Conference Room
   d. Mar 22   City Council Workshop and Regular Meeting 3:00 p.m. & 7:00 p.m.
   e. Mar 24   KEOS Community Radio Ribbon Cutting and Open House – Noon – 1:30 p.m. – 202 Carson Street – Bryan
   f. Mar 28   10 Annual M.B. Zale Visionary Merchant Lecture and Awards Mays Business School – Ray Auditorium – 11:30 a.m. – 1:00 p.m.

5. Presentation, possible action, and discussion on future agenda items: A Council Member may inquire about a subject for which notice has not been given. A statement of specific factual information or the recitation of existing policy may be given. Any deliberation shall be limited to a proposal to place the subject on an agenda for a subsequent meeting.

6. Discussion, review and possible action regarding the following meetings: Brazos County Health Dept., Brazos Valley Council of Governments, Cemetery Committee, City Center, CSISD/City Joint Meeting, Design Review Board, Fraternal Partnership, Historic Preservation Committee, Interfaith Dialogue Association, Intergovernmental Committee and School District, Joint Relief Funding Review Committee, Library Committee, Making Cities Livable Conference, Metropolitan Planning Organization, Outside Agency Funding Review, Parks and Recreation Board, Planning and Zoning

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Commission, Sister City Association, TAMU Student Senate, Research Valley Partnership, Regional Transportation Committee for Council of Governments, Transportation Committee, Wolf Pen Creek Oversight Committee, Wolf Pen Creek TIF Board, Zoning Board of Adjustments, YMCA Coordinating Board(see attached posted notices for subject matters).

7. Executive Session will immediately follow the workshop meeting in the Administrative Conference Room.

Consultation with Attorney {Gov't Code Section 551.071}; possible action The City Council may seek advice from its attorney regarding a pending and contemplated litigation subject or settlement offer or attorney-client privileged information. Litigation is an ongoing process and questions may arise as to a litigation tactic or settlement offer, which needs to be discussed with the City Council. Upon occasion the City Council may need information from its attorney as to the status of a pending or contemplated litigation subject or settlement offer or attorney-client privileged information. After executive session discussion, any final action or vote taken will be in public. The following subject(s) may be discussed:

a. TCEQ Docket No. 2002-1147-UCR, Applications of Brushy Water Supply and College Station (Westside/Highway 60)
b. TCEQ Docket No. 2003-0544MWD, Application of Nantucket, Ltd.
c. TXU Lone Star Gas Rate Request.
d. Cause No. 03-002098-CV-85, *Brazos County, College Station v. Wellborn Special Utility District*
e. Civil Action No. H-04-4558, U.S. District Court, Southern District of Texas, Houston Division, *College Station v. U.S. Dept. of Agriculture, etc., and Wellborn Special Utility District*
f. Civil Action No. H-04-3876, U.S. District Court, Southern District of Texas, Houston Division, *JK Development v. College Station*
g. GUD No. 9530 – Gas Cost Prudence Review, Atmos Energy Corporation
h. GUD No. 9560 – Gas Reliability Infrastructure Program (GRIP) rate increases, Atmos Energy Corporation
i. Cause No. GN-502012, Travis County, *TMPA v. PUC* (College Station filed Intervention 7/6/05)
j. Cause No. 06-000703-CV-85, *Patricia Moore, et al. v. Ross Stores, Inc., City of College Station, et al.*
k. Sewer CCN request.
l. Legal aspects of Lease Agreements for No. 4 Water Well and possible purchase of or lease of another water site from City of Bryan
m. Civil Action No. H-04-3876, U.S. District Court, Southern District of Texas, Houston Division, *JK Development v. College Station*
n. Cause No. 06-002318-CV-272, 272nd Judicial District Court, Brazos County, Texas, *Taylor Kingsley v. City of College Station, Texas, and Does 1 through 10, inclusive.*
o. Cause No. 484-CC, County Court at Law No. 2, Brazos County, Texas, City of College Station v. Canyon Creek Partners, Ltd. and First Ag Credit, FLCA.
p. Cause No. 485-CC, County Court at Law No. 1, Brazos County, Texas, *City of College Station v. David Allen Weber, et al.*
q. Bed and Banks applications for College Station and Bryan

Economic Incentive Negotiations {Gov't Code Section 551.087}; possible action
The City Council may deliberate on commercial or financial information that the City Council has received from a business prospect that the City Council seeks to have locate, stay or expand

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in or near the city with which the City Council in conducting economic development negotiations may deliberate on an offer of financial or other incentives for a business prospect. After executive session discussion, any final action or vote taken will be in public. The following subject(s) may be discussed:

1. Proposed city convention center and associated privately developed hotel.
2. Spring Creek Business Park
3. Game Day

8. Final Action on executive session, if necessary.

9. Adjourn.

APPROVED:

E-Signed by Glenn Brown
VERIFY authenticity with ApproveIt
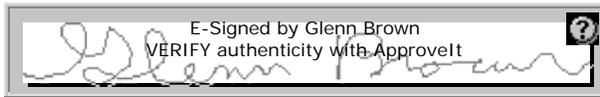
_____   _____
City Manager

Notice is hereby given that a Workshop Meeting of the City Council of the City of College Station, Texas will be held on the 8th day of March, 2007 at 3:00 p.m. at the City Hall Council Chambers, 1101 Texas Avenue, College Station, Texas. The following subjects will be discussed, to wit: See Agenda
Posted this 5th day of March, at 2:45 p.m.

E-Signed by Connie Hooks
VERIFY authenticity with ApproveIt
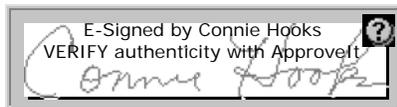
_____
City Secretary

I, the undersigned, do hereby certify that the above Notice of Meeting of the Governing Body of the City of College Station, Texas, is a true and correct copy of said Notice and that I posted a true and correct copy of said notice on the bulletin board at City Hall, 1101 Texas Avenue, in College Station, Texas, and the City's website, www.cstx.gov . The Agenda and Notice are readily accessible to the general public at all times. Said Notice and Agenda were posted on March 5, 2007 at 2:45 p.m. and remained so posted continuously for at least 72 hours proceeding the scheduled time of said meeting.

This public notice was removed from the official board at the College Station City Hall on the following date and time: _____ by _____.

Dated this _____day of _____, 2007.
CITY OF COLLEGE STATION, TEXAS
By_____

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Subscribed and sworn to before me on this the _____day of _____,
_____Notary Public – Brazos County, Texas

My commission expires:_____

This building is wheelchair accessible. Handicap parking spaces are available. Any request for sign interpretive service must be made 48 hours before the meeting. To make arrangements call (979) 764-3517 or (TDD) 1-800-735-2989. Agendas may be viewed on www.cstx.gov. Council meetings are broadcast live on Cable Access Channel 19.

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In the Research Valley

March 8, 2007
Workshop Agenda
Audit Committee

To: Glenn Brown, City Manager

From: Julie O'Connell, Director of Human Resources
            Jeff Kersten, Chief Financial Officer

Agenda Caption: Presentation, possible action, and discussion regarding the Audit Committee and Audit function; and the revised Stewardship Enhancement Plan.

Recommendation(s): Staff will present options at the Council meeting and seek recommendations from the Council. Staff will also present the revised Stewardship Enhancement Plan and recommend the Council adopt the plan as revised.

Summary: At the January 11, 2007 Council meeting, an Audit Committee was established. The Committee members are Ben White, Ron Gay, and Lynn McIlhaney. The Audit Committee met on February 22, 2007. The following will be presented for review and/or a recommendation as appropriate:
   - Discussion and appointment of a Chair for the Audit Committee
   - Recommendation for staffing the internal audit function
   - Recommendation for the hiring process for internal audit function; review of roles and responsibilities of the Audit Committee
   - Review of the Stewardship Enhancement Plan

The Stewardship Enhancement Plan was originally adopted in January 2005. Since that time there have been a number of changes that have been made which are reflected in the revisions to the plan.

Budget & Financial Summary: N/A

Attachments: Updated Stewardship Enhancement Plan

CITY OF COLLEGE STATION
STEWARDSHIP ENHANCEMENT PLAN

Introduction

Recent accounting scandals in the corporate world have focused attention on fraud both in the public and private sector. The concern about fraudulent activity in the public sector is justified based on the results presented by the Association of Certified Fraud Examiners in its "2004 Report to the Nation on Occupational Fraud and Abuse." According to this survey, although most of the fraud occurred in privately held or publicly traded companies, government agencies and not-for-profit organizations represented 15.8% of the organizations that were victimized and 10.5% of the reported occupational fraud cases. These percentages are not large; however, because government employees and officials are stewards of the public's assets, the prevention, deterrence, and detection of fraud and the enhancement of stewardship is of high importance.

In response to the increasing concern about fraud, the American Institute of Certified Public Accountants' (AICPA) fraud task force of the Auditing Standards Board commissioned a group of organizations and individuals with expertise in the area of fraud prevention, deterrence, and detection to develop guidance to help organizations improve their antifraud programs and controls. In November 2002, the AICPA and six other professional organizations jointly published a document titled, "Management Antifraud Programs and Controls: Guidance to Help Prevent, Deter, and Detect Fraud." This document identifies measures entities can implement to prevent, deter, and detect fraud and discusses these measures in the context of three fundamental elements which, broadly stated, are as follows:

1. Create and maintain a *culture* of honesty and high ethics;
2. *Evaluate* the risks of fraud and implement the processes, procedures and controls needed to mitigate the risks and reduce the opportunities for fraud; and
3. Develop an appropriate *oversight* process.

In response to the AICPA's document, the City's external auditors recommended in their Management Letter dated January 16, 2004 that the City "develop a heightened 'fraud awareness' and an appropriate fraud risk-management program, with oversight from the City Council." The purpose of this document is to comply with that recommendation and to communicate steps that the City has already taken to prevent, deter, and detect fraud. In addition, this document includes recommendations to further enhance the City's efforts to prevent, deter, and detect fraud.

Creating a Culture of Honesty and High Ethics

According to the AICPA, the first step in preventing, deterring, and detecting fraud is to "… create a culture of honesty and high ethics rooted in a strong set of organizational core values." It is also important to create a culture where existing good employees don't have a reason to "turn bad" because research has shown that there is a direct correlation between an organization's culture and the level of embezzlement within an organization.

The City of College Station has taken a significant first step as evidenced by the following:

Setting the Tone at the Top

It is important that the City's top management "set the tone at the top" by demonstrating to employees through their words and actions that dishonest or unethical behavior will not be tolerated, even if the result of the action benefits the entity. Management must demand and engage in ethical business behavior, and employees must be encouraged and rewarded for valuing ethical behavior.

One method of demonstrating this desired city culture is through a strong value system founded on integrity. The City's Employee Handbook, which was recently revised and approved by the City Council on September 9, 2004, includes a Code of Ethics that City employees are expected to follow. Also, the City's Management Team recently formulated a set of values for the organization. As suggested in the AICPA document, City management has given these values visibility by posting them on the City's intranet for referral when needed and by publishing them in the City's Employee Newsletter. City management has taken the additional step of incorporating these core values into our customer service training programs and the mandatory new hire orientation program. One of the goals was to blend these values and the Code of Ethics into what each employee does on a day-to-day basis. Supervisors and managers are encouraged to reinforce adherence to the Code of Ethics and the City's values through an employee's performance evaluation. In June 2005 The Fiscal Services Department first offered a training session entitled "Fiscal Responsibility." This training session is now offered semi-annually and is available to all employees.

Recommendation:

1. Follow through on incorporating the City's values and Code of Ethics into each employee's performance evaluation.

2. Keep the ethics dialogue "alive" by periodically discussing the City's values and Code of Ethics at staff meetings and by incorporating discussions of ethics and integrity into training when appropriate.

Creating a Positive Workplace Environment

Research indicates that organizations with negative work environments experience low employee morale and, consequently, increased risks of fraud. According to the AICPA's document, factors within an organization that contribute to low employee morale are as follows:

- Lack of recognition for job performance
- Top management that does not seem to care about or reward appropriate behavior
- Perceived inequities in the organization
- Autocratic rather than participative management
- Less-than-competitive compensation
- Low organizational loyalty or feelings of ownership

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- Unreasonable budget expectations or other financial targets
- Fear of delivering "bad news" to supervisors and/or management
- Poor training and promotion opportunities
- Lack of clear organizational responsibilities
- Poor communication within the organization

The City has implemented several programs and initiatives to create a positive work environment:

- Recognition of job performance through the SOAR Award and pay for performance. In addition, several City Departments hold regular employee recognition events.
- Use of the Employee Recognition Banquet to honor all employees and to announce the City's Employee of the Year. The City also holds a City-wide Summerfest for employees and their families.
- Establishment of the Employee Involvement Committee in order to improve communication with employees.
- Training opportunities such as Supervisory Academy, Service Excellence, , Employee Orientation, Management Academy, Leadership Institute, and Community of Respect.
- Adoption of a pay plan with the stated goal of paying employees at the 60th percentile for performance that meets standards.
- Adoption and updating of the City's Employee Handbook and involving employees in this process.
- Adoption of an Employee Code of Ethics (Section 9.01) as part of the City's Employee Handbook.

Recommendation: Continue to minimize or eliminate factors that contribute to low employee morale.

Hiring and Promoting Appropriate Employees

Fraud in an organization can be prevented by hiring and promoting the best qualified employees. Selecting individuals with integrity and high ethical standards can be accomplished through applicant screening because effective applicant screening policies minimize the chance of hiring or promoting individuals with low levels of honesty, especially for positions of trust. The City encourages numerous proactive hiring and promotion procedures such as the following to ensure that the best qualified employees are hired and promoted:

- Background investigations are conducted on individuals being considered for employment.

- Reference checks of a potential employee's education, employment history, and personal references are conducted.

- Employees receive frequent training about the City's values and Code of Ethics, particularly through new hire orientation, supervisory training programs, staff meetings, retreats, and customer service training programs.

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Recommendations:

- Encourage Departments to use a self selection process when hiring by asking the following questions of applicants:

    1. The City does background checks on all finalists. Do you have any concerns about that?

    2. The City does criminal checks on all finalists. Do you have any concerns about that?

    3. We contact all past employers. What do you think they will say? Will your past employeer tell us about any negative job-related issues?

    4. Can you explain where you were during these gaps in your resumes?

- Incorporate adherence to the City's Code of Conduct and Code of Ethics into each employee's performance evaluation.

Training

Having a code of conduct and a set of organizational values is of no value unless employees are aware of what they are and what they mean. Therefore, the City offers the following opportunities for training on its values and code of conduct:

- The City requires that each new employee attend a one-day new employee orientation during which each employee receives a copy of the City's Employee Handbook and topics such as general policies and procedures, the Code of Ethics, the pay plan, and benefits are reviewed. New employees (where appropriate) attend purchasing procedures training as part of new hire orientation.

- The City offers Service Excellence on a quarterly basis. New employees are required to attend, and it is also open to existing employees to attend as well. Part of the Service Excellence program is devoted to discussing the City's values and ethics.

- The City has offered ethics training to all employees in order to heighten employees' awareness, and the Fiscal Services Department offers fiscal responsibility training on a semi-annual basis.

Recommendations:

- Incorporate discussions of ethics and fraud prevention in the Supervisory Academy, Management Academy, and Leadership Institute programs. For example, when presenting training on how to conduct an interview, include a discussion on how hiring the appropriate employee relates to fraud (see above).

- In the Management Academy and Leadership Institute, continue to include discussions on how management can "set the tone at the top."

- For those individuals in sensitive positions (e.g., procurement or financial reporting), incorporate required ethics training as a part of his/her performance evaluation.

Confirmation

It is important that management clearly articulate that all employees will be held accountable to act within the City's Code of Ethics. An especially effective method of reinforcing this Code of Ethics is requiring all employees within senior management and the finance function, as well as other employees in areas that might be exposed to unethical behavior, to annually sign a code of conduct statement. This confirmation may include statements that the employee understands the City's expectations, has complied with the City's Code of Ethics, and is not aware of any violations of the Code of Ethics other than those that the employee lists in his/her response.

Starting with the 2004 Comprehensive Annual Financial Report ("CAFR"), the following statement now appears in the transmittal letter for all CAFRs:

> The City's Senior Management, including the City Manager, Assistant City Manager, and Chief Financial Officer, accept the responsibility for the accuracy, integrity, consistency, and reliability of the financial statements. They also acknowledge their responsibility for assuring the continuous monitoring of the City's system of internal controls for compliance in order to prevent misappropriation of assets and fraudulent financial reporting. Additionally, they confirm their commitment to fostering a strong ethical climate and communicating those standards to employees through personnel rules, administrative regulations, and City law.

Recommendation:

- Consider having **all** City employees annually sign a code of conduct statement stating that he/she understands the City's expectations, has complied with the City's Code of Ethics, and is not aware of any violations of the Code of Ethics other than those that the employee lists in his/her response. At a minimum, consider having senior management as well as employees in the Fiscal Services Department sign a code of conduct statement.

Discipline

Criminal justice research indicates that successful deterrence of crime is dependent on three factors: the certainty, swiftness and severity of punishment. Of these three factors, certainty of punishment is the most important. Therefore, the manner in which an organization responds to alleged or suspected incidents of fraud can have an effect on the number of future occurrences. Sending a strong deterrent message is essential to combating fraud. The City takes the following actions in response to an alleged incident of fraud:

- Reported incidents of fraud are promptly and thoroughly investigated in a manner as confidential as possible. In most cases depending on circumstances, the Police Department shall be notified and subsequently conduct an investigation.

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- Per Section 9.17 of the City's Employee Handbook, "Any employee who steals, intentionally destroys, defaces, or misuses City property shall be subject to termination of employment. This prohibition also extends to the property of employees and others on City premises." Employees are also subject to discipline, including terminations, if he/she violates the City's Code of Ethics.

- Relevant internal controls are evaluated as to their effectiveness and modified if necessary.

- Communication and training occur to reinforce the City's values, code of conduct, and expectations.

Recommendation:

- When instances of employee fraud are uncovered and substantiated and result in disciplinary action, initiate communication with employees about the incident (without naming names) to reinforce the City's commitment to an environment of high ethical standards and integrity.

- Ensure that discipline for employees who have committed fraudulent acts is fair and balanced.

Evaluating Antifraud Processes and Controls

Fraud typically occurs when there are three factors present:

1. Motivation--financial pressure on an employee.
2. Opportunity--the employee is in a position to steal or embezzle.
3. Rationalization--the personal justification used by an employee to convince themselves to commit the fraudulent act.

Organizations have little control over motivation or rationalization other than hiring employees with high levels of honesty. However, an organization can have an impact on the opportunities to commit fraud by (1) identifying and measuring fraud risks, (2) taking steps to mitigate identified risks, and (3) implementing and monitoring appropriate preventive and detective internal controls and other deterrent measures.

Identifying and Measuring Fraud Risks

It is important that management identify the fraud risks that exist within the organization and pay particular attention to those areas that could result in a material misstatement of the financial statements or material loss to the organization as a result of asset misappropriation (e.g., theft of cash, supplies, or equipment.) In fact, according to Section XI, Paragraph B of the City's Fiscal and Budgetary Policy Statements, each Department Director is responsible for ensuring that good internal controls are followed throughout his/her Department. Risk assessment within each City Department should include the identification of areas or processes where fraud is more likely to occur. For example, areas or processes that involve cash handling or inventories are areas that deserve attention.

Recommendation:

- Senior management in each City Department should identify processes within their respective areas that are particularly vulnerable to fraudulent activity. Particular attention should be given to developing effective internal control procedures for new programs.

Mitigating Fraud Risks

Fraud risks can be reduced or eliminated by changing how an entity does business. Reviewing and analyzing the methods in which payments due to the City are made could lower the risk of misappropriation of funds. Reducing or eliminating inventories where possible is another way to mitigate fraud risk.

Recommendation:

Operations that senior management identify as vulnerable to fraudulent activity should be reviewed in detail. Consideration should be given to changes that could be made to these operations that would reduce the risk of fraud. It is also recommended that these operations be reviewed in a comprehensive manner on a recurring basis.

Implementing and Monitoring Appropriate Internal Controls

After the risks have been identified within an organization, it is important to identify the processes, controls, and other procedures necessary to reduce or eliminate those risks. Appropriate and effective controls need to be in place not only for the processing of transactions but also for the information technology systems that support the processing of transactions and for the City's financial reporting process. Furthermore, the City's Fiscal and Budgetary Policy Statements require that each Department Director implement all Fiscal Services' or independent auditor's internal control recommendations and to develop and periodically update written internal control procedures.

Recommendation:

- Subsequent to identifying processes within their respective areas that are particularly vulnerable to fraud, senior management within the City's departments should engage the help of the Accounting staff to develop appropriate internal controls to detect, deter, and prevent fraud. These internal controls should take the form of written procedures and should be periodically reviewed and updated. For example, in addition to the City's general policy regarding procurement cards, each Department should have written procedures that address the appropriate use of procurement cards and approval of procurement card transactions. Similar Departmental written procedures should exist for cash handling and other procurement methods.

Developing an Appropriate Oversight Process

Having an appropriate oversight function in place is essential to preventing and deterring fraud. That oversight function should be performed both internally and externally.

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<u>Audit Committee</u>

An audit committee or a board of directors (the City Council in a municipal government setting) should actively ensure that the City's management is proactively evaluating fraud risks, implementing anti-fraud measures, and setting the "tone at the top" in order to protect the City's financial assets. Although a governing body can provide oversight, an audit committee can enhance that oversight responsibility by:

1. Providing a direct link between the auditor and the Council.

2. Helping to facilitate communication between management and the auditors (both internal and external).

3. Enhancing the financial statement auditor's real and perceived independence.

With regard to audit committees, the Government Finance Officer's Association's (GFOA) Committee on Accounting, Auditing, and Financial Reporting makes the following recommendations:

- Every government should establish an audit committee or its equivalent. Reliable audits are essential to the credibility of financial reporting by state and local governments. The audit committee is a practical tool that a government can use to enhance the independence of the external auditor and, hence, the reliability of the financial statement audit.

- The primary responsibility of the audit committee should be to oversee the independent audit of the government's financial statements, from the selection of the independent auditor to the resolution of audit findings.

- The audit committee should present annually to the governing board and management a written report of how it has discharged its duties and met its responsibilities. It is further recommended that this report be made public.

With regard to fraud, the audit committee should encourage management to provide mechanisms for employees to report their concerns about unethical behavior, actual or suspected fraud, or violations of the City's code of conduct or ethics policy. The audit committee should receive periodic reports describing the nature, status, and eventual disposition of any fraud or unethical conduct and should provide the Council with a summary of any fraudulent activity along with follow-up action and disposition.

The City Council appointed an audit committee at its January 11, 2007 meeting (Regular Agenda Item No. 13.7). The first meeting of the committee took place on February 22, 2007.

<u>Management</u>

There are two types of fraud: misappropriation of assets and fraudulent financial reporting. Management is responsible for preventing, detecting and deterring fraud through implementing and monitoring effective internal controls. Management is also responsible for "setting the tone at the top" and for the reliability of the City's financial

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statements. However, management could initiate, participate in or direct the commission and concealment of a fraudulent act through what is known as management override. Therefore, it is important that management take proactive measures to prevent, detect, and deter fraud and show their commitment to doing so.

The misappropriation of assets also includes the misuse of communications and network services. Examples of this misuse include excessive amounts of time online tying up resources. Accessing streaming media utilizes bandwidth, and downloading certain large files takes up server space and can make the City party to copyright violations. Employees accessing inappropriate material on the internet, and other non-work related material reduces productivity, could expose the network to viruses, and could expose the City to liability.

Implementing and Monitoring Appropriate Management Controls

The Employee Handbook has clear policies concerning the use of network and computer resources, cell phones, telephones, and facsimile use. The use of these resources for business as well as limited and reasonable personal use is clearly stated. Consent to monitoring is also clearly stated. However, while cell phone use is monitored and reviewed there does not exist any mechanism for auditing or reviewing telephone use, particularly long distance use for evidence of misuse or abuse.

Recommendations:

- Continue to monitor the use of City resources and investigate mechanisms that would permit the City to easily audit telephone use, particularly long distance use, for misuse. Ideally this function would be automated and generate alerts when identified anomalies occur.

Internal Auditor

External auditors are responsible only for fraud that may have a material impact on the financial statements as a whole. External auditors spend a limited amount of time within an organization, and research indicates no trend indicating reduced losses as a result of an external auditor.

In contrast, an internal auditor is a full-time employee who works directly for the governing body and whose primary responsibility is helping management fulfill its oversight duties as effectively and efficiently as possible. Typically, an internal auditor aids management in preventing, detecting and deterring fraud by monitoring the design and proper functioning of internal control policies and procedures, evaluating fraud risks and controls, and recommending action to reduce or eliminate risks and improve controls. As a result, an internal auditor functions as another layer of control within the organization, the effectiveness of which is supported by research indicating that 32.4% of fraudulent schemes within government agencies are detected by internal auditors while only 5.9% are detected by external auditors.

In addition to preventing, detecting, and deterring fraud, an internal auditor can conduct performance audits, special investigations, and special studies under the direction of management or the audit committee and can be particularly effective as a result of

his/her knowledge about the organization and direct access to the organization's audit committee.

The GFOA's Committee on Accounting, Auditing, and Financial Reporting makes the following recommendations:

- Every government should consider the feasibility of establishing a formal internal audit function because such a function can play an important role in helping management to maintain a comprehensive framework of internal controls. As a rule, a formal internal audit function is particularly valuable for those activities involving a high degree of risk (e.g., complex accounting systems, contracts with outside parties, a rapidly changing environment).

- All reports of internal auditors, as well as the annual internal audit work plan, should be made available to the government's audit committee or its equivalent.

On May 13, 2006 a special election was held regarding the City Internal Auditor position. Voters approved the following addition to the City Charter:

> Section 30. The City Council may appoint an officer of the City to be the City Internal Auditor, who may be removed from office by the Council. The City Internal Auditor shall carry out the audit functions and shall perform such other duties as the City Council shall assign to him. The City Council may also enter into a contract for the duties of City Internal Auditor, to be carried out by an outside firm, if it so chooses.
>
> The City Internal Auditor shall have the power to appoint an assistant or assistants, if deemed necessary by him, subject to the approval of and at such compensation as may be fixed by the City Council and such assistant or assistants may be removed from office by the City Internal Auditor."

Independent Auditors

Section 37 of the City's Charter requires that the City Council shall designate a qualified public accountant or accountants who shall make an independent audit of accounts and other evidences of financial transactions. The independent auditors can aid in the prevention, detection, and deterrence of fraud by examining the City's internal controls and identifying fraud risks related to fraudulent financial reporting and misappropriation of assets. At the conclusion of the audit, the independent auditors present their findings and recommendations to Council. In addition, the auditors have ready access to management to discuss concerns that may arise as a result of their audit.

Recommendation: None.

References

"2004 Report to the Nation on Occupational Fraud and Abuse," Association of Certified Fraud Examiners,.

"The Five Finger Bonus," Robert J.Grossman, HR Magazine, October, 2003.

"New Approaches to Fraud Deterrence," Joseph T. Wells, American Institute of Certified Public Accountants, Inc., February, 2004.

"FY2004 Budget," City of College Station, Texas.

"Establishment of Audit Committees (1997 and 2002)," Government Finance Officer's Association Committee on Accounting, Auditing, and Financial Reporting, October 25, 2002.

"Audit Committees That Work," Kathleen A. Hall, Government Finance Review, August 2003.

"Establishment of an Internal Audit Function (1997)," Government Finance Officer's Association Committee on Accounting, Auditing, and Financial Reporting, 2002.

"Enhancing Management Involvement with Internal Control (2004)," Government Finance Officer's Association on Accounting, Auditing, and Financial Reporting, March 26, 2004.

"Management Antifraud Programs and Controls: Guidance to Help Prevent and Deter Fraud," American Institute of Certified Public Accountants, Inc., 2002.

"Designing a Robust Fraud Prevention Program," Martin T. Biegelman, CFE, ACFE Fellow, Association of Certified Fraud Examiners, May 6, 2004.

To: Glenn Brown, City Manager

From: Mark Smith, Director of Public Works

Agenda Caption: Presentation, possible action and discussion of transportation project priorities and funding alternatives.

Recommendation(s): Staff recommends that Council adopt the proposed transportation project priority list.

Summary: After reviewing the Thoroughfare Plan as well as the MPO project list staff has identified projects needed to "catch up" with development in order to mitigate some of our traffic congestion issues and others that are needed to "get ahead" and be ready for future growth. On February 20, 2007 the Council Transportation Committee recommended that we adopt the presented list of transportation projects.

Budget & Financial Summary:

Attachments:
1. Project list

City of College Station
Transportation Project Prioritization

	Rank	Street Name	Limit 1	Limit 2	Total Cost	T-Fare Class	Scope	Jurisdiction	Total Score	
Catch Up Projects	1	Jones-Butler Road	FM 2347	Luther Street West	$ 2,020,000	Minor Arterial	New Location	COCS	62	
	2t	FM 2154/FM 2818	FM 2154	FM 2818	$ 17,000,000	Grade Separation	New Location	TxDOT	61	
	2t	FM 2154/FM 2347	FM 2154	FM 2347	$ 21,600,000	Grade Separation	New Location	TxDOT	61	
	4	SH 6/Barron Road	SH 6	Barron Road	$ 10,000,000	Grade Separation	New Location	TxDOT	60	
	5	Barron Road	FM 2154	SH 6	$ 9,040,000	Minor Arterial	Widening	COCS	59	
	6	FM 2154	FM 2818	SH 40	$ 15,000,000	Major Arterial	Widening	TxDOT	57	
	7t	Dartmouth Street	Krenek Tap Road	FM 2818	$ 2,069,000	Minor Arterial	New Location	COCS	56	
	7t	FM 60	SH 6	FM 158	$ 12,600,000	Major Arterial	Widening	TxDOT	56	
	9t	Arrington Road	Decatur Drive	SH 40	$ 2,429,000	Major Collector	New Location	COCS	54	←
	9t	SH6/Rock Prairie Road	SH 6	Rock Prairie Road	$ 6,000,000	Grade Separation	Improvements	TxDOT	54	linked
	11t	Arrington Road	Greens Prairie Road West	Arrington Road	$ 1,656,000	Major Collector	New Location	COCS	53	
	11t	Decatur Drive	Alexandria Avenue	Arrington Road	$ 925,000	Major Collector	New Location	COCS	53	←
	11t	Holleman Drive West	North Dowling Road	FM 2818	$ 2,192,000	Major Collector	New Location	COCS	53	
	14t	AMS Road	Emerald Parkway	Sebesta Road	$ 516,000	Minor Collector	New Location	COCS	52	
	14t	Birkdale Drive	SH 6	St. Andrews	$ 1,903,000	Minor Collector	New Location	COCS	52	← linked
	16	Eagle Avenue	Victoria Avenue	Alexandria Avenue	$ 1,214,000	Minor Collector	New Location	COCS	51	
	17	St. Andrews Drive	Congressional Drive	Birkdale Drive	$ 294,000	Minor Collector	New Location	COCS	38	←
Get Ahead Projects	1	Rock Prairie Road	SH 6	William D. Fitch Parkway	$ 14,324,000	Major Arterial	Widening	COCS	55	
	2	Pebble Creek Parkway	SH 6	William D. Fitch Parkway	$ 5,967,000	Major Collector	New Location	COCS	54	
	3t	Church Avenue	College Main	Nagle Street	$ 924,600	Minor Collector	Reconstruction	COCS	50	
	3t	Arnold Road	Farah Drive	Normand Drive	$ 912,000	Minor Collector	New Location	COCS	50	
	3t	Normand Drive	Rock Prairie Road	Graham Road	$ 1,362,000	Minor Collector	New Location	COCS	50	
	6t	William D. Fitch Parkway	Pebble Creek Parkway	Rock Prairie Road	$ 3,788,000	Major Arterial	Widening	COCS	49	
	6t	Victoria Avenue	Southern Plantation Drive	SH 40	$ 1,609,000	Major Collector	New Location	COCS	49	
	6t	George Bush Drive East	Dominik Drive	University Oaks Boulevard	$ 2,600,000	Minor Arterial	Widening	COCS	49	
	9t	Lakeway Drive	Rock Prairie Road	William D. Fitch Parkway	$ 10,115,000	Major Collector	New Location	COCS	48	
	9t	SH 30	SH 6	FM 158	$ 16,300,000	Major Arterial	Widening	TxDOT	48	
	11	Dartmouth Street	FM 2818	BS 6R	$ 2,814,000	Minor Arterial	New Location	COCS	46	
	12	Manuel Drive	Crest Street	Dartmouth Drive	$ 288,000	Minor Collector	New Location	COCS	45	
	13	Copperfield Parkway	Linda Lane End	William D. Fitch Parkway	$ 23,296,000	Minor Arterial	New Location	Brazos County	44	
	14t	Greens Prairie Road West	Woodlake Drive	Whites Creek Road	$ 6,554,000	Minor Arterial	Widening	COCS	43	
	14t	Southern Plantation Drive	Victoria Avenue	Newport Lane	$ 825,000	Minor Collector	New Location	COCS	43	
	16	Bird Pond Road	Rock Prairie Road	Bird Pond Road	$ 858,000	Minor Collector	New Location	COCS	42	
	17t	Alexandria Avenue	Crystal Dove Avenue	Chesapeake Lane	$ 1,146,000	Minor Collector	New Location	COCS	41	
	17t	Appomattox Drive	Raintree Drive	North Forest Parkway	$ 2,076,000	Minor Collector	New Location	COCS	41	
	17t	Barron Cut-Off Road	Barron Cut-Off Road	Arrington Road	$ 4,399,000	Major Collector	New Location	COCS	41	
	20t	Appomattox Drive	Switch Station Road	Horsehaven Lane	$ 595,000	Minor Collector	New Location	COCS	40	
	20t	BS 6R	FM 2818	SH 6	$ 4,687,000	Major Arterial	Widening	TxDOT	40	
	20t	Eagle Avenue	Alexandria Avenue	Lorikeet Lane	$ 1,075,000	Minor Collector	New Location	COCS	40	
	20t	Raintree Drive	Sumpter Drive	Appomattox Drive	$ 460,000	Minor Collector	New Location	COCS	40	
	20t	SH 30	FM 158	ETJ Limit	$ 30,931,000	Major Arterial	Widening	TxDOT	40	
	20t	Victoria Avenue	Barron Cut-Off Road	Woodlake Drive	$ 2,366,000	Major Collector	New Location	COCS	40	
	26t	Barron Road	SH 6	Rock Prairie Road	$ 4,940,000	Minor Arterial	New Location	COCS	39	
	26t	FM 2154	SH 40	ETJ Limit	$ 14,300,000	Major Arterial	Widening	TxDOT	39	
	26t	FM 60/FM 2818	FM 60	FM 2818	$ 6,000,000	Grade Separation	Improvements	TxDOT	39	
	26t	SH 6	FM 60	SH 40	$ -	Freeway	Widening	TxDOT	39	
	26t	William D. Fitch Parkway	Rock Prairie Road	SH 30	$ 18,275,000	Major Arterial	Widening	COCS	39	
	31t	Capstone Drive	Apricot Glen	FM 2154	$ 1,297,000	Major Collector	New Location	Brazos County	38	
	31t	Copperfield Parkway	SH 30	Linda Lane End	$ 1,532,000	Minor Arterial	Widening	Brazos County	38	
	31t	FM 2818	Turkey Creek Road	FM 2154	$ 21,000,000	Freeway	Widening	TxDOT	38	
	31t	Greens Prairie Trail	FM 2154	Woodlake Drive	$ 5,879,000	Minor Arterial	Widening	Brazos County	38	
	35t	Arrington Road	South Oaks Drive	Indian Lakes Drive	$ 4,456,000	Major Collector	Widening	Brazos County	37	
	35t	Barron Cut-Off Road	Barron Road	Barron Cut-Off Road	$ 593,000	Major Collector	Widening	COCS	37	
	35t	Pebble Creek Parkway	Royal Adelaide Drive	St. Andrews Drive	$ 1,405,000	Major Collector	New Location	COCS	37	
	35t	Retail Major Collector	SH 6	Lakeway Drive	$ 1,160,000	Major Collector	New Location	COCS	37	
	35t	Victoria Avenue	Royder Road	FM 2154	$ 238,000	Major Collector	Widening	Brazos County	37	
	40t	F&B Road	Turkey Creek Road	FM 2818	$ 1,411,000	Major Collector	Widening	COCS	36	
	40t	Victoria Avenue	Woodlake Drive	Royder Road	$ 1,979,000	Major Collector	Widening	Brazos County	36	
	42	Turkey Creek Road	F&B Road	FM 60	$ 1,935,000	Major Collector	Widening	COCS	35	
	43	Cornell Drive	Sterling Street	Manuel Drive	$ 758,000	Major Collector	New Location	COCS	32	
	44	Spearman Drive	William D. Fitch Parkway	St. Andrews Drive	$ 582,000	Minor Collector	New Location	COCS	31	

Legend:
- Under Design - Partially Funded (yellow)
- Under Design - Funded (green)
- Under Construction (orange)

Notes
Projects identified as "linked", should be constructed together.

3/2/2007